



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, 1st February, 2024

Time: 10.00 am

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Damian Allen
Chief Executive

Issued on: Wednesday, 24 January 2024

Governance Services Officer for this meeting: Sarah Maxfield
01302 736723

City of Doncaster Council

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Items for Discussion:

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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 23rd November 2023.	1 - 8
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9. Grant Thornton Auditor's Annual Report 2022/23.	53 - 90
10. Grant Thornton - Audit Findings (ISA 260) report 2022/23 - Final Version - Information only.	91 - 144

Members of the Audit Committee

Chair – Councillor Austen White

Vice-Chair – Councillor Glenn Bluff

Councillor Sue Farmer, John Healy and Dave Shaw

Co-opted Member: Dr Stuart Green

Agenda Item 4

CITY OF DONCASTER COUNCIL

AUDIT COMMITTEE

THURSDAY, 23RD NOVEMBER, 2023

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER, CIVIC OFFICE, WATERDALE, DONCASTER DN1 3BU, on THURSDAY, 23RD NOVEMBER, 2023, at 2.00 pm.

PRESENT:

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

Councillors Sue Farmer, John Healy and Dave Shaw.

APOLOGIES:

An apology for absence was received from Dr Stuart Green.

104 DECLARATIONS OF INTEREST, IF ANY

Councillor Dave Shaw declared a non-disclosable interest during consideration of Agenda Item 6, 'Breaches and Waivers to the Council's Contract Procedure Rules', in relation to Appendix 2, 'Ubriicity On-Street Residential Electric Vehicle Charging Pilot Scheme', as being a local ward Member for the Town ward and a resident of Bennetthorpe area.

105 MINUTES OF THE MEETING HELD ON 27TH JULY 2023 AND THE EXTRAORDINARY MEETING HELD ON 12TH SEPTEMBER 2023

RESOLVED that the minutes of the meeting held on 27th July 2023 and the extraordinary meeting held on 12th September 2023 be approved as a correct record and signed by the Chair.

106 AUDIT COMMITTEE ACTIONS LOG

The Head of Internal Audit presented the Audit Committee Actions Log which provided an update on actions agreed during past Audit Committee meetings, allowing Members to monitor progress against all actions, ensuring that satisfactory progress was being made.

Members noted that four actions had been completed and the outstanding action was progressing in accordance with the agreed timescales.

In response to a question from the Vice-Chair, the Head of Internal Audit clarified that the action, as set out at Appendix 1 of the report in relation to the Taxi Licensing service related to an action which had arisen from the Audit Committee's July meeting, following a review of the service reported to the Committee in February this year. A progress report was to be submitted to the meeting in February 2024.

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

107 BREACHES AND WAIVERS TO THE COUNCIL'S CONTRACT PROCEDURE RULES

The Head of Strategic Procurement introduced a report which detailed all the Waivers and Breaches to the Council's Contract Procedure Rules for the period 1st March 2023 to 31st August 2023. The report provided a summary of the number of new waivers and breaches recorded for each directorate since the last Audit report presented to the Committee in April 2023 and October 2022 for comparative purposes.

Due to the realignment of the Council's directorates, the Chief Executives directorate had been included in the figures going forward, the majority of spend was previously incorporated in the Corporate Resources directorate.

The Council at its meeting in September 2023 had approved changes to the Council's Contract Procedure Rules. The new rules were being embedded across the Council. The report further set out details of the Provider Selection Regime (PSR) Rules coming into force on 1st January 2024 under the Health and Social Care Act 2022, regarding procuring health care services contracts in England. The Contract Procedure Rules would be amended in January 2024 to reflect the changes. Small technical changes would also be made to Contract Procedure Rules in respect of new procurement value thresholds announced. The changes would be reported to the Audit Committee meeting in April 2024.

It was noted that three new breaches had been reported for the period, along with two resolved breaches and three unresolved breaches. There had been a decrease in the number of approved waivers to the Contract Procedure Rules for this period from 16 waivers to 11, to that reported to the Committee in April 2023, details of which were provided for in the report and accompanying appendices.

In response to questions from Members seeking clarification in relation to the breach relating to Supported Accommodation and Floating Support Services for Young Families and Parents and whether lessons had been learnt for the future when procuring contracts, the Head of Strategic Procurement explained that the breach occurred as the service area made a late request for a waiver which was not compliant with Contract Procedure Rules rationale for allowing a waiver. The contract had since been transferred from Adult services to the Children's service commissioning team. The contract had been formalised for the period of the breach until the matter was resolved and the service had been recommissioned to ensure that contracts were in place for the breach period up to May 2024. It was noted that officers were made fully aware of the need to achieve compliance and assurances had been provided that this situation would not happen again. The Monitoring Officer provided further assurance that the Council's arrangements for approval of waivers were robustly managed, which clearly demonstrated that arrangements were working by the waiver being rejected.

The Vice-Chair welcomed the report and congratulated Officers for the reduction in the breaches and waivers and the robust procedures in place. In response to a question regarding the Ubricity on-Street Residential Electric Vehicle Charging Pilot Scheme, as set out at Appendix 2 of the report, it was explained that currently electrical charging infrastructure was a niche market which was driven by subsidiaries and therefore there was an insufficient supply of on street electrical chargers which was mainly led by commercial companies. However, it was pointed out that the Ubricity on-Street pilot was a unique scheme as it was Government led and the Council had been successful in bidding for £2m grant funding. The Council had to comply with the requirements of accessing Government grant funding and the short timescales in place for the Council to be able to access that funding, which did not allow for a best value procurement process. The Director of Corporate Resources further explained that the company was piloting different technologies and wanted someone in South Yorkshire to pilot the scheme. She highlighted the risks associated with the scheme and the challenges involved in testing the different forms of technology and challenges around the use of technology by communities. The company had chosen from their data set the areas where they wanted to test technology which allowed for engagement with residents in identified areas. Members were assured that there was no obligation for the Council to enter into a contract agreement with the Ubricity in terms of future contracts for electric vehicle charging. She highlighted the difficulties faced by the Council in ensuring comprehensive on-street electric vehicle charging access for all properties across the Borough, in particular terraced housing.

The Vice-Chair congratulated officers for their success in bidding for the Ubricity Scheme. Whilst welcoming partnership arrangements with private partners, where there were no initial costs to the Council in setting up the infrastructure for electric charging, the Vice-Chair asked whether the Council had appropriate procurement procedures in place, rather than a waiver

having to be raised. It was explained that currently such contracts are captured by the Concession Contract Regulations 2016, but this may be subject to change in the future.

A Member referred to the risks, costs to the Council and best value for money associated with this scheme and asked that the Committee revisit this issue in six months' time. It was subsequently agreed that Overview and Scrutiny be requested to review the pilot scheme, prior to the scheme being rolled out across the Borough.

Whilst being supportive of the Ubricity On-Street Residential Electric Vehicle Charging pilot scheme, Councillor Shaw as local ward Member for the Town ward expressed disappointment that neither he or residents in the ward had been consulted regarding the proposals and had been informed that the works in relation to the scheme were scheduled to commence shortly. It was agreed that this issue would be raised with the lead officer.

The Head of Strategic Procurement responded to several questions from Members seeking clarity relating to the breaches, in respect of numbers 2.1, Buildings Materials and Timber, 2.2 Kitchens, 2.3 Building Materials and 2.4 and 2.5 Modular Buildings, as appended to Appendix 1 of the report. She explained the rationale for the breaches and updated Members on the timeframe for resolution of some of the breaches. She also provided clarity in relation to the waiver in respect of Doncaster Supported Living Service.

Councillor Shaw asked why only one quotation had been obtained in respect of the breach relating to Modular Buildings, as outlined in Section 2.4 of Appendix 1. The Head of Procurement undertook to provide Councillor Shaw and the Audit Committee with further details.

Following further questions from the Chair, the Head of Strategic Procurement confirmed that she was satisfied with the Council's current arrangements for procurement of contracts which were compliant with Contract Procedure Rules. In relation to mandatory training for officers on Contract Procedure Rules, an e-Learning module was currently being developed, which would be rolled out in January 2024. Face to face training continued to take place with officers. The Strategic Procurement Team were working with Children's services regarding contracts and the data and contracts formerly under the Doncaster Children's Services Trust that had been novated into the Council systems. However, she advised that these needed to be strengthened. The Monitoring Officer confirmed that he was happy with the arrangements regarding Contract Procedure Rules compliance. In future the Council would benchmark other local authorities in terms of their arrangements in respect of Contract Procedure Rules.

Members welcomed the improvements made and were pleased to note that Officers involved in the procurement of goods would be receiving mandatory training from the Strategic Procurement Team, which provided assurance to the Committee that arrangements were working effectively.

RESOLVED that

- 1) the Waivers and Breaches recorded for the period between the 1st of March 2023 to the 31st of August 2023, be noted; and
- 2) the work undertaken by the Strategic Procurement Team (SPT) to ensure compliance and deliver services, be noted.

108 INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD JULY 2023 TO OCTOBER 2023

The Head of Internal Audit presented a report which updated Members on the work undertaken by Internal Audit and opinions issued for the period July to October 2023.

The Head of Internal Audit clarified points raised by the Committee in relation to the number of overdue management actions and completed actions arising from the school audits/investigations. It was noted that Internal Audit had agreed revised completion dates with

management relating to the Place directorate that would not have an adverse impact on the service.

In respect of the Section 106 agreements review, the Head of Internal Audit advised that the review had concluded that the contract had been procured in accordance with the Council's Contract Procedure Rules and value for money obtained. The review had identified that there were no unspent S.106 monies and Internal Audit had recommended that improvements should be made to the S.106 process. It was noted that a wider review of S106 monies was ongoing.

In reviewing the overdue high-risk level and medium to low risk level management actions, Councillor Dave Shaw requested that in order for Members to be able to gain a better understanding of the information presented and for them to carry out a detailed critical analysis of the data, that in future an analysis be provided in relation to whether the risks identified for a particular period were new risks, or existing risks carried forward from the previous reporting period, as he felt that it was not apparent from the information provided at the table at paragraph 3.6 of the report. The Head of Internal Audit gave an undertaking to present the statistics to the Committee in a different way in the future, to highlight those that have been overdue in previous reporting. Following further questions, Members were assured that there were no concerns in terms of the overdue high-risk level management actions risks identified and that if any issues of concern did arise, these would be brought to the Committee's attention. It was noted that Doncaster was in a good position compared to other local authorities in terms of the risks to the Council.

The Vice-Chair, in noting the reduction in the number of overdue management actions, requested that in future the Committee should be provided with a summary of the medium to low level risks in a simplified format to identify the issues, the original implementation date, projected implementation date and current implementation date. It was subsequently agreed that information continued to be presented in the current format in terms of the categories of risks and to be reviewed by the Committee at a later date in terms of whether the current information added any value, and how they wished for information to be presented in the future.

Due to the reduction in the number of overdue actions, the Vice-Chair asked whether a deeper analysis should be carried out next year in relation to the scope of the Audit to identify any problems, the Head of Internal Audit provided assurances that every action raised relating to high-risk matters were validated by the Internal Audit team as were medium to low actions and the number of low risks related to small numbers of overdue outstanding recommendations not yet been implemented. However, Internal Audit would continue to review risk-based audits as part of their work on the draft Audit Plan. Members would be given the opportunity to input into the process in terms of potential risks, prior to the draft Audit Plan being presented to the Committee in April next year. The External Auditor reinforced the comments made by the Head of Internal Audit that as part of Internal Audit's work when reviewing the core internal controls of the Council, also looked at areas of potential risks for the Council.

In response to a further question from the Vice-Chair, the Head of Internal Audit confirmed that a second line risk assessment was carried out annually by managers in relation to risks and controls in their respective area, where each Head of Service had the opportunity to flag up any concerns or areas of weakness regarding governance, which may be considered for inclusion in the Annual Governance Statement.

Following questions from the Chair, the Head of Internal Audit advised that a member of staff had been seconded to the senior Auditor position in the team and he hoped to appoint someone permanently to the post in future. Resources were in place to look at data driven work and to build data capacity in the team. The Internal Audit team was working in partnership with other teams within the Council in terms of gathering data. In relation to the Head of Internal Audit's Annual report, he was confident he would be able to give a positive opinion at the Committee's meeting in April 2024.

To conclude, in terms of Internal Audits performance during the year, it was acknowledged that the Key Performance Indicators were good, and no new areas of concern had been identified as

part of the Head of Internal Audits opinion. The Committee was assured that the risk, governance, and control arrangements were satisfactory.

RESOLVED to note:-

- (1) the position of the Internal Audit Plan;
- (2) the Internal Audit work completed in the period;
- (3) the position with regards the implementation of management actions arising from Internal Audit recommendations; and
- (4) the current position regarding the ability to deliver the annual opinion over the Council's risk, governance and control arrangements.

109 PREVENTING AND DETECTING FRAUD AND ERROR REPORT OCTOBER 2022 TO SEPTEMBER 2023

Peter Jackson, Head of Internal Audit presented the report which summarised the work undertaken by the Council during the period October 2022 to September 2023 to prevent, detect and investigate fraud and corruption in line with the Government's Fighting Fraud and Corruption Locally Strategy. Paragraph 5 of the report set out details of the outcomes of the Council's anti-fraud activity to counter act fraud.

Further to the publication of the report, the Committee noted an amendment to the Recommendation at paragraph 7 of the report, which should read as 'The Audit Committee is asked to support the production of the Preventing and Detecting Fraud and Error report and note and comment on the report provided.' The Chair also highlighted an error at page 49 of the agenda papers, and it was noted that the Appendix should follow the cover report.

The Chair commented positively on the work being undertaken by the Finance Team, Internal Audit team and teams across the Council in the prevention and detection of fraud, which provided the Audit Committee with assurance that the Council's governance and risk control arrangements were effective. The Head of Internal Audit confirmed that the work had contributed to his overall opinion of the overall risk of governance and control in the Council.

RESOLVED that the Preventing and Detecting Fraud and Error report and the errors, as outlined above be noted and supported.

110 STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT (AGS) 2022/23 - DRAFT ISA 260 REPORT TO THOSE CHARGED WITH GOVERNANCE

Gareth Mills, Director, Grant Thornton, provided an update in relation to the External Auditor's ISA 260 report, which summarised the key findings and other matters arising from the work undertaken by the External Auditor for 2022/23 on the Council's financial statements audit of the accounts, prior to issuing their opinion on the Council's financial statements. The Value for Money report for 2022/23, as part of the External Auditor's Annual Report would be presented to the Committee at the meeting in February 2024.

Prior to presenting the report, the Director thanked the Committee for extending the deadline for completion of the External Auditor's audit work. Members' attention was drawn to the key headlines, as set out at page 3 of the External Auditor's Executive summary of the ISA 260 report, including:-

- no audit adjustments had been identified impacting on the council's outturn position and useable reserves
- although there were adjustments in relation to the value of the Council's Pension Scheme, Doncaster's analysis and judgement to include the Pension as an asset on the balance sheet was correct and ahead of the curve.

- aspects of the External Audit's work outstanding were to be completed within the next few weeks.

Since writing the report, Perminder Sethi, updated the Committee regarding two further adjustments identified on the balance sheet in respect of the valuation of schools, which had been undervalued by £2.8m, which was due to a calculation error in the valuation. The second adjustment related to £0.8m spent on Doncaster Archives that had been incorrectly de-recognised. Both adjustments would be updated in the External Auditor's final audit findings report.

The Director, Grant Thornton commended the Finance team for their significant achievement for completion of the draft Statement of Accounts within the deadline of 31st May 2023, which had placed Doncaster in a favourable position compared to other Local Authorities. It was further reported that to date no issues had arisen in relation to the audit. The External Auditor continued to have a good level of engagement with the Council's Finance team whilst undertaking the audit. The accounts were on schedule to be completed within the next few weeks, which placed Doncaster in a good position compared to other local authorities across the country. In relation to the External Auditor's work regarding the Council's Value for Money arrangements, Members were informed that it was anticipated that this was to be concluded and presented to the Committee at its meeting on 1st February 2024. No issues or concerns had been identified as part of the External Auditor's work.

Following the presentation of the report, the Chair on behalf of the Committee thanked and congratulated both the Finance Team for completion of the accounts and the External Auditor for auditing of the accounts, given the continuing challenges and conditions to complete the audit this year. The Committee recognised the positive achievement in completing the audit within timescales to that of other local authorities and, despite the challenges, had raised the bar, which further demonstrated that the Council's finances were well managed.

The Chair referred to some local authorities being served with a Section 114 notice and sought assurances from both the External Audit and the Assistant Director of Finance in terms of the Council's financial position. The External Auditor stated that Doncaster's was in a good position financially, compared to other similar size local authorities, however, he highlighted that Adult, Social Care and Children's Services were placing significant pressures on local authorities, but Doncaster's financial position meant it could better deal with such issues. In relation to the medium to long term position, in common with other local authorities it was highlighted that the significant pressures faced by local authorities needed to be planned for. However, Doncaster was not deemed as a high-risk authority, as it had put in place contingencies to deal with the national difficulties posed. However, the External Auditor spoke of the further difficulties faced by local authorities in the future, due to the increase to public spending.

Faye Tyas, Assistant Director of Finance added that the Council had set a balanced budget, which was being closely monitored. She spoke of the significant financial challenges placed on the Council, due to pressures in Adult Social Care and Children's Services, together with inflationary pressures and the position regarding the increase in the Dedicated School Grant (DSG) deficit, which were all impacting on the Council and its ability to plan for the long term regarding the Council's future finances. It was confirmed that at the present time, the Council does not envisage serving a Section 114 notice. As part of the budget setting process, leading to the Council budget consideration in February next year, a review would be undertaken in terms of the robustness of the budget proposals and the level of reserves.

In response to questions by the Vice-Chair, the Assistant Director of Finance confirmed that the DSG override remains in place, therefore the overspend is carried forward into next year. The Council continues to review the position in relation to the DSG spend and progress plans to reduce spend, focusing on delivering best value. The Council is in dialogue with CIFPA and Newton, and the DfE regarding the overall funding position and continues to identify further opportunities, however, to date this work has identified insufficient additional options, to those already being progressed, to meet the current funding gap. In terms of the risks to the Council, the Director, Grant Thornton advised that nationally the override was in place until the 2025/26

financial year and any potential risks for the financial sector were likely to be from the 2026/27 financial year. He highlighted that it was not unusual for a local authority to be in deficit in terms of the significant costs in respect of the DSG.

Following a question by the Chair in relation to Paragraph 10 of the draft Annual Governance Statement, the Director of Corporate Resources clarified the key governance officers in the Council and partners who had been consulted regarding the draft Annual Governance Statement, including, the Section 151 Officer, Monitoring Officer, Caldicott Guardian and SIRO, had provided additional assurance within their respective areas. Each Manager had been engaged to look at each of their service areas and report any issues of concern up through the organisation. She outlined the cross-cutting approach used across the Council and its partners, including St Leger Homes and the former Doncaster Children's Services Trust (DCST) regarding strategic functional areas that were potentially areas of concern and would be brought to the Committee as part of the Annual Governance Statement.

The Director of Corporate Resources then provided an update in relation to the completion and actions relating to the Social Care Data Quality, as outlined on page 7 of the Annual Governance Statement.

To conclude, the Assistant Director of Finance wished to place on record her thanks to the Finance Team for their continued work given the challenges faced this year. She also extended her thanks to the External Auditor, Grant Thornton for their work to complete the audit in a timely manner. The Chair on behalf of the Committee, acknowledged the high level of work undertaken by the Finance Team in maintaining the completion of the accounts within the statutory timeframe and the good position of the Council. He expressed his appreciation for the hard work undertaken by the Finance Team and Grant Thornton who had contributed to the process.

RESOLVED that

- (1) the contents of the draft external audit ISA 260 report, be noted;
- (2) the Letter of Representation included in the draft ISA 260 report, be endorsed for signature by the Chair of the Audit Committee and the Chief Financial Officer;
- (3) the Statement of Accounts 2022/23, be approved;
- (4) the Annual Governance Statement 2022/23, for signature by the Mayor and the Chief Executive, be approved; and
- (5) delegated authority be given to the Chief Financial Officer, in consultation with the Chair, to agree any adjustments to the Statement of Accounts 2022/23, following the completion of the audit by Grant Thornton, should any changes be necessary, prior to signing by the Chief Financial Officer and the Chair of the Audit Committee.

111 GRANT THORNTON PROGRESS REPORT AND SECTOR UPDATE

Gareth Mills, Director, Grant Thornton introduced a report which provided Members with an update on progress made on delivering their responsibilities as the Council's External Auditor as of 6th November 2023 and Sector update.

It was anticipated that the External Auditor would issue its Annual Report by the end of December 2023 and their findings of the Accounts would be submitted to the Audit Committee meeting, scheduled in February 2024.

RESOLVED that Grant Thornton's Progress report and Sector Update be noted.

CHAIR: _____

DATE: _____

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Report

Date: 1st February 2024

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. All three actions are complete. There are no remaining actions.

EXEMPT REPORT

3. The report does not contain exempt information.

RECOMMENDATIONS

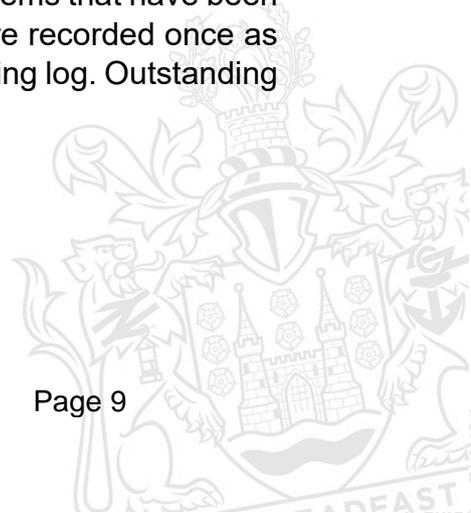
4. The Committee is asked to note the progress being made against the actions agreed at the previous committee meetings

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

Faye Tyas, Assistant Director of Finance & Technology

01302 862606 | faye.tyas@doncaster.gov.uk

AUDIT COMMITTEE ACTION LOG – 1st February 2024

Follow-up actions from previous meetings:-

Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
Meeting 23rd November 2023			
<p>Internal Audit Progress Report – Overdue Management Actions</p> <p>Committee requested that in future an analysis be provided in relation to whether the risks identified for a particular period were new risks or existing risks carried forward from the previous reporting period, as it was not apparent from the information provided in the table</p>	<p>The table setting out the overdue management actions has been revised to reflect this information</p>	<p>Peter Jackson</p>	<p>Y – Complete</p>
<p>Breaches and Waivers to the Council's Contract Procedure Rules</p> <p>A question was asked why only one quotation had been obtained in respect of the breach relating to Modular Buildings. The Head of Procurement undertook to provide Audit Committee with further details</p>	<p>Information requested was provided by email on 10th January 2024</p>	<p>Holly Wilson</p>	<p>Y - Complete</p>

Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
Meeting 27th July 2023			
<p>Internal Audit Progress Report – Taxi Licencing</p> <p>A progress report on the Taxi Licensing service area was asked to be presented to a future meeting of the Audit Committee and be included on the Committee’s Work Plan</p>	<p>The service will present a report to the February 2024 meeting of the Audit Committee</p>	<p>Kellie Hopkins</p>	<p>Y – report presented to 1st February 2024 Audit Committee.</p>



Report

1 February, 2024

To the Chair and Members of the Audit Committee

Report Title: An update on the Hackney Carriage/ Private Hire Licensing service review/ Rapid Improvement Project.

EXECUTIVE SUMMARY

1. This report aims to give members of the Audit committee with an update on progress of the Hackney Carriage/Private Hire licensing review and identified outstanding audit actions.

EXEMPT REPORT

2. This report is not exempt.

RECOMMENDATIONS

3. There are no specific recommendations, members are asked to consider the updated information provided in the report.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

4. The review of the Hackney Carriage/Private Hire (HC/PC) licensing process will improve the service delivered to the citizens and those individuals in the trade in Doncaster.

BACKGROUND

5. The audit report undertaken in June 2022 provided a partial assurance opinion over the Hackney Carriage/Private Hire 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.

To address wider issues faced by the service, not just for the taxi licensing regime a Rapid Improvement Plan (RIP) was instigated to assist in identifying and developing solutions to the deficiencies experienced by the current information system serving the service. There was a clear need to stabilise the current technology to ensure the service could operate whilst delivering changes and a transformation to improve customer experiences and create efficiencies within the team.

The team have been significantly involved, resource wise, in the review of the service and the rapid improvement plan. This has been needed to ensure that business analyst colleagues have a full understanding of how the work is undertaken and team members views in respect of future improvements.

The table below provides an overview since June 2023 of the licensing teams involvement to date and work undertaken alongside the business analyst team for service change, whilst operating BAU. The work undertaken so far as part of the RIP project has gone some way to improve performance within the team.

21/06/23.	Licencing Rapid Improvement Project plan has been agreed with Service
21/06/23.	Project scope developed and agreed
30/06/23.	Data collection completed
30/06/23.	Performance baseline and Process maps data captured
30/06/23.	Current state report first draft completed and shared with the team
30/06/23.	Next steps and immediate deliverables agreed to stabilise current technology
30/06/23.	Reviewed telephone numbers and email addresses online
30/06/23.	Website review Workshop meetings set up
10/07/23.	DBS checks completed
10/07/23.	Calls transferred to Netcall solution to understand number of calls coming into the service
10/07/23.	BA team met with service and provided narrative around some of the sections of the report
10/07/23.	Assigned BA resources to re-design New Driver process
13.07.23.	Confirmed scope of deliverables with audit
13/07/23.	Testing team carried out testing on the Vehicle application and booking process and fed back findings to Project Group
13/07/23.	Taxi Driver application Form requirements gathered from Service
20/07/23.	Meet with Audit to discuss scope and deliverables for Audit committee update
31/07/23.	Review of CDC Hackney Carriage and Private Hire Licensing Policy carried out, recommendations made relating to the insurance requirement and wording change around section 5.4 on criminal record

31/07/23.	Comparison of the licensing policy against the DFT standards carried out. Recommendations offered in relation to a robust recording system for complaints
31/07/23.	Training providers identified for the safeguarding and knowledge tests
31.07/23.	CDC benchmarked against neighbouring authorities in terms of training options
31/07/23.	Report produced for the movement to Eventbrite to book knowledge and safeguarding training
31/07/23.	Market examined for Licensing software providers. Feedback from other Councils utilising different providers gathered to gauge suitability
31/07/23.	Policy changes consideration on CDC requirement to check valid insurance throughout life of the Licence.
31/07/23.	CCTV report redrafted
31/07/23.	Emissions report redrafted
31/07/23.	Complaints procedure developed to be utilised between the licensing team and departments within CDC
31/07/23.	Plying for hire procedure drafted and agreed for implementation
31/07/23.	Review and amendments made to the Off-sales premises inspection record
31/07/23.	Reviewed 'Revocation Notice' approach and considered advice on this from the Consultant
31/07/23.	Considered and implemented advice from the Consultant in respect of the suspensions and return of Council equipment
31/07/23.	Consultant provided advice on the content of the application forms to reduce the documents size
31/07/23.	Reviewed Project Documents to reflect wider customers benefiting from improvements
02/08/23.	Incorporated outcomes of the Audit Report into the current state findings
02.08.23.	Development Team refined Taxi Driver Licence Application
11.08.23.	Assessment of fees and charges for Taxi Licensing and a benchmark of CDCs fees and charges against the neighbouring authorities' fees and fleet completed by consultant
11.08.23.	Future State design workshops booked
16.08.23	Development Team refined Taxi Vehicle Application form and provided options to Service
18.09.23.	Future State design workshops completed
19.08.23.	Interim redesigned online Taxi Driver application form go live on internet pages
30.09.23.	Future state recommendations shared and discussed
30.09.23	Licensing online forms for development identified and agreed
31.10.23.	Future State recommendations discussed and agreed
23/11/23.	Go live with revised Webpages
23.11.23.	CDC Web homepage amended to improve visibility of Licensing Service
05.12.23	Plan/evaluate option for a telephone study
06/12/23.	Gather requirements for General enquiry form across all of Licensing

The initial audit identified 12 actions as part of the Hackney Carriage/Private Hire licensing improvement plan. Other factors, alongside the work detailed in the table above which are worth noting in respect of the service not having scope to have fully concluded all the audit actions include

- The required work of some of the audit actions are interdependent with the new information management system that the service procures.
- An increase in new driver applications has been received since April 2023, it is unknown as to the actual reason but believed to be associated with the cost-of-living crisis and people finding additional work for income.
- Under resourced team to meet the current demands of the service. Full financial review on the true costs to the service has been undertaken which has identified that the costs are not a true reflection of the actual costs of the service to meet the demands. This work also identified that to provide the required level of service 2 additional members of staff are required to ensure an effective service.

Work still proposed to be undertaken include

- Develop and go live with Vehicle Process
- Carry out user acceptance testing with the trade on new products.
- Develop and go Live with driver process
- Complete call study and forecast require resources for telephone line opening
- Secure resources for telephone line opening and open telephone lines
- Reduce/ close the email channel
- Design and deliver chat bot/AI telephony opportunities

To date there are 5 audit actions that are continued to be worked on to fully comply with the recommendations of the audit. Please see the following update;

Documented procedures

With regard to the update on documented procedures, the full service is undergoing a transformation on the information management system that it uses therefore it had been agreed that due to the system deficiencies this particular audit action would be deferred to late 2024. As a result, this audit requirement has not been fully actioned. The original intention was to purchase a new system from the cloud frameworks, however from research with various Local Authorities it was identified that such procurement would not provide the service with the best options for recourse in the event of issues experienced. Therefore, the service has undertaken a full procurement exercise for the tender of a new information management system which closed on the 12.01.24 and is now subject to the evaluation/moderation process of the business and ICT. Upon successful procurement, the proposal is for the introduction and implementation of a new

system from April 2024 which will run alongside the existing system, to allow for a phased approach of the system across all Regulation and Enforcement services.

Due to the existing information management system no longer being an available product from April 2024, the service is currently undertaking an exercise to upgrade the version of the Assure system serving the licensing team as well as merging the combined system of M3/Assure product to other service areas.

The team have been significantly involved with business analyst colleagues and have been involved in creating a mapping process of the work/task areas associated with HC/PH licensing. This mapping process has enabled the team to focus on areas where improvements were required to enable a better level of service. Such work has assisted in the webpage upgrade and development of new online forms (of 48 forms serving the team – to date 23 have been completed with a go live of 2) for assisting in providing a new image and an improved customer journey.

A complaints procedure has been developed in relation to complaints being referred from Education and/ or vulnerable adults departments. This has been shared and agreed between departments to ensure that there is a robust process of sharing vital information in relation to a concern/complaint.

Reporting of management information from Assure

This audit action is reliant upon the change to the information management system, however in such absence the team have continued to work with the existing system for modifying reporting mechanisms associated with HC/PH licensing tasks to ensure that there is confidence in the reporting results. To date the team have reviewed, and either reconfigured or rebuilt the following areas of work to ensure that there is confidence with the reporting module.

- All current drivers and email address report
- Licensed vehicle date of registration and fuel type (emissions) report
- All current vehicle licence holder and email address report
- Licensing workload percentage bar report
- Licensing workload pie chart report
- Private Hire Operators and email addresses report

To date the modified reports have demonstrated confidence in the reported results as duplicate recorded have now been weeded from the system.

Prior to the implementation of the procured information management system, the services current system will be upgraded to the latest version by March 2024. We have been informed that the current reporting format will be installed on the test server for us to query the data, therefore it is not envisaged that the reporting modules we have created will be impacted. A period of testing is intended to be

undertaken prior to going live to ensure that the reporting modules will continue run in the format designed.

Spot checks/Inspections

Since April 2023 the team have undertaken 7 joint evening operations with SYP in terms of ad hoc checks of HC/PH vehicles, as a result of this work the team have checked 151 vehicles. Issues identified were mostly to do with Door stickers missing HC/PH plates not displayed correctly & not wearing drivers badge while working, these have all been addressed with the HC/PH drivers to ensure compliance of the licensing requirements. Inspections of Operators have been undertaken across the borough, this work was prioritised and actioned in terms of addressing the larger organisations' potential for more risk due to volume of drivers. The team have checked the larger operators/city centre located businesses; no significant concerns were highlighted. The renewal of this task for the larger/city centre operators is set for the first quarter of the next financial year. For borough wide/smaller/individual operators the team have sent questionnaires prior to Christmas to those operators, with a requirement to respond by 14.01.24 to assist the team in determining a risk-rating based inspection programme for the next 12 months where those identified as 'high risk' will be prioritised for an in-depth inspection over those who are rated as a 'low risk' operator. To date 30 responses have been received and no issues identified. The intention is for this audit action to be completed no later than July 2024.

Regrettably, the team have experienced a delay in completing this audit action due to various work strands which were classified as higher priority needing action, which resulted in officers moving away from business-as-usual work. The other aspects of work undertaken included the assurance that all HC/PH drivers licensed by the Licensing Authority are on the DBS update service and provided consent. This resulted in resources being spent in ensuring that the trade was compliant with the licensing requirement as well as suspending a number of HC/PH drivers for none compliance of the DBS requirement. As a result of this work Doncaster's Licensing Authority operates at a higher standard than neighbouring authorities who's approach has been to introduce the requirement at the point of driver's licence renewal, which could take up to 3 years to be compliant with the Department for Transport.

The team have also introduced and implemented an external system set up for the booking of knowledge and safeguarding training events to avoid the experiences of duplicated bookings, funding taken but no dates available and double booking of training dates/times. Since the introduction of the rapid improvement plan (RIP), all members of the licensing team have been heavily involved with the various business analyst workshops/scoping and testing reviews with the shared view of improving the customer experience and developing a streamlined service for the processing and assessment of required data.

Consulting on the Mandatory Introduction of CCTV

Following the outcome of the Audit, the Council employed an independent licensing consultant to act as critical friend and undertake a wider health check on the Council's licensing service. The consultant assisted with many aspects of licensing

business, including undertaking a review of the report which considered the mandatory introduction of CCTV in all licensed vehicles, initially considered by the licensing committee in June 2022. It was determined that due to the long-term impact of Covid on the trade, which brought about a sustained downturn in the night-time economy, compounded by the current cost-of-living crisis (which has delivered a further blow to the taxi licensing industry), the context to this original ambition had clearly changed. Consequently, following discussions with the Chair of the Licensing Committee and senior political leadership it has been agreed that at present, consultation on the introduction of CCTV will be deferred until such a time that the ongoing effect of the cost-of-living crisis on the trade and consumers alike reduces. The authority will of course continue to review its commitment to implement consultation on these matters.

This decision has been publicised on the City of Doncaster Councils website to the trade via a status update on the Hackney Carriage and Private Hire Licensing Policy.

Renewal Reports

As a result of the work undertaken by the independent consultant, it was recommended that some parts of the renewals policy should be considered and changed to allow for the policy to continue to ensure people's safety but also to streamline the service to allow more proactive checks to be carried out by the team and ensure licence holders comply with legislation, the policy and licensing conditions.

Proposed policy changes included current practice around the multiple checks of insurance documents and medical certificates. The recommendations made in relation to vehicle insurance identified this as a policy requirement that places unnecessary additional requirements on an already stretched licensing team. The current regime is that the licensing team run a report to identify those drivers whose cover has lapsed during the licence period, contact those owners and those who fail to provide evidence of continuous insurance cover have their vehicle licence suspended. It is proposed, therefore, to amend the policy to require Doncaster Licensing Team to check the vehicle is correctly insured upon grant / renewal of the vehicle licence but then, in line with other Local Authorities, incorporate any further checks as part of private hire operator checks. This will see compliance officers making enquiries as to what checks are carried out by the operator to ensure that the vehicles operated by them are licensed, insured, have a valid mot, an in date council inspection and are road worthy. The law states that drivers of all vehicles, including Taxis, must hold valid insurance. It should be noted that these checks will continue to form part of coordinated roadside operations with South Yorkshire Police

In the interim and until the proposed policy changes can be agreed, in order to meet the requirement of the audit report, the team have rebuilt and tested a reporting tool in the system to extract data relating to insurance documents. To date reports to identify drivers whose insurance cover has lapsed during the licence period has been collated, reminder letters have been created and sent to drivers.

The proposed policy changes for interim insurance checks and a change to policy in relation to medical certification, will be contained in a report to be brought to committee in due course.

Also, in addition to these proposed policy changes, in November 2023 the DFT published the document 'Taxi and Private Hire Licensing Best Practice Guidance for Licensing Authorities'. This new guidance proposes a number of changes in relation to best practice and a report outlining all of the recommendations and implications for the service, will also be brought forward to committee, once the implications for the service and current policy are determined.

The Council's licensing unit is a small, but incredibly busy and high-profile area of council business, which has made significant achievements managing the volume of work associated with the function. This has been down to the continued hard work and commitment of all team members who have positively embraced the challenges and areas for improvement highlighted by the Audit report. It is worth noting that complaints relating to the service have fallen by over 50% from 53 received in 2022 to just 22 in the year to date.

OPTIONS CONSIDERED

6. There are no specific options to consider within this report. The report aims to provide a detailed update to members on positive progress to date.

REASONS FOR RECOMMENDED OPTION

7. Not applicable.

8. Legal Implications [MC Churchman 24.1.24]

The Council has a number of statutory duties regarding various licensing functions. In the context of this report, those functions arise from the Local Government (Miscellaneous Provisions) Act 1976 and the Town Police Clauses Act 1847. Statutory guidance and Audit recommendations will assist the Council in carrying out its functions.

9. Financial Implications [Officer Initials: _RT_ | Date: _23/01/24_____]

There are no direct financial implications attached to the update given in this report. The service is in the middle of undergoing a procurement exercise to secure a new management information system to service all departments of Regulation and Enforcement which will be implemented by March 2026, this is being done via a capital scheme costing £250k.

In addition to this Regulation and Enforcement are also updating the existing NEC system costing £52,725 which will again benefit the taxi licensing function and help achieve the audit objectives.

10. Human Resources Implications There are no direct HR Implications in relation to this report. **[Officer Initials: AA | Date: 23/01/2024]**

11. Technology Implications [Officer Initials: PW | Date: 23/01/24]

Digital & ICT are working closely with the Licensing service and the Business Analysis Team in Customer Services to develop and deliver the technology needed to support the identified improvements. Work is in progress to build a new solution for the Taxi Vehicle License process that will include multi-forms to allow customers to only complete the required parts at the correct point in the process, instead of one large form with multiple calls, stopping points and vulnerabilities previously leading to timeouts. This solution will also include a new look and feel “portal” style front end, allowing customers to part save their applications and show their progress in the process and a booking component that will have team admin access and an audit trail. This technology will also be used for the Driver Licence process, along with the development of an additional 40 online request forms. This whole solution is in progress with staggered go live dates and a projected completion date of 31st March 2024.

Work is also underway to upgrade and complete the migration of M3 Public Protection to Assure and to support with the evaluation of a replacement information management system.

RISKS AND ASSUMPTIONS

12. There are no risks and assumptions associated with this report as no decisions are being recommended or taken.

CONSULTATION

13. No specific consultation has been undertaken in respect of this report.

BACKGROUND PAPERS

14. Not Applicable

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

15. HC/PH – Hackney Carriage/Private Hire

REPORT AUTHOR & CONTRIBUTORS

Claire Bignell – Head of Service Regulation and Enforcement

01302 737535 | claire.bignell@doncaster.gov.uk

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Report

Date: 1 February 2024

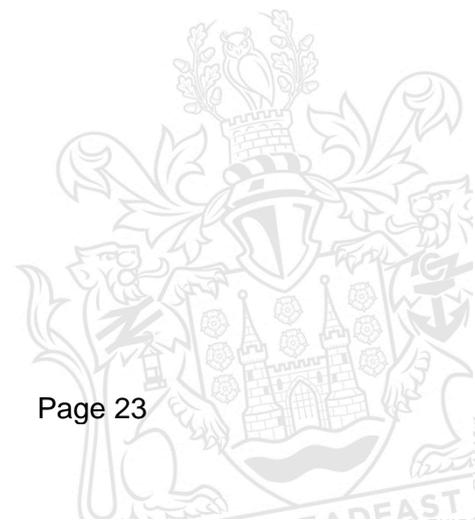
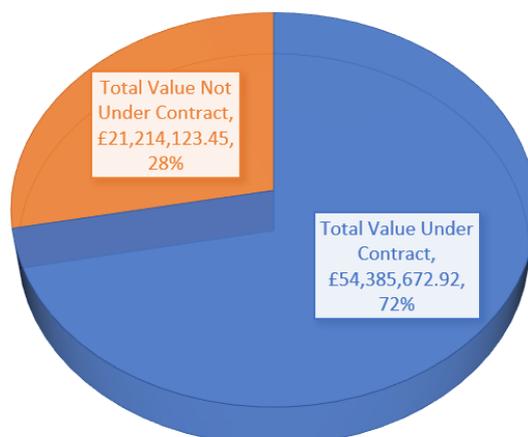
To the Chair and Members of the AUDIT COMMITTEE

Report Title: CYPF Commissioning Arrangements

Relevant Cabinet Member(s)	Wards Affected	Key Decision?
Cllr Lani-Mae Ball Cllr Rachael Blake	All	No

EXECUTIVE SUMMARY

1. The purpose of this report is to provide Members with transparency on procurement activity which has not been compliant with the requirements of Contract Procedure Rules (CPRs) and to offer assurance regarding the commissioning activities and plans for the Children, Young People and Families Directorate (CYPF). Additionally, it will provide assurance by outlining the commissioning plans and strategies for engaging with providers.
2. Contractual spend within the CYPF Directorate for the rolling year (December 2022 to December 2023) totalled £75 million. Of this expenditure 72% is compliant with contractual rules and of the 28% non-compliant spend the main categories of spend relating to this are detailed below.



- The table below summarises the 4 main categories of non-compliant contract spend in accordance with Contract Procedure Rules.

Category	Compliant Contract spend	Non-Compliant Contract Spend	% Non-Compliant
Children Residential care	5,834,975.70	7,245,798.38	55.39
16 plus Supported Living Services	485,011.12	4,370,874.12	90.01
Independent fostering Agencies	5,919,386.31	1,306,820.36	18.08
Adoption therapy services	658,370.28	102,763.09	13.50
	12,897,743.41	13,026,255.95	50.25

EXEMPT REPORT

- This report is not exempt

RECOMMENDATIONS

- To note the significant measures in place for placements/commissioned packages that are recorded as not being compliant with Contract Procedure Rules and to provide details of the controls and mitigations that are in place and future work with the market to attempt to mitigate further non-compliant spend.
- For the CYPF Directorate, supported by the Head of Procurement, to provide an update in October 2024 to the Audit Committee, that details the current status of the spend on placements and work to date to improve and mitigate the existing issues.
- To note work undertaken by the CYPF Directorate and Commissioning Team in conjunction with Strategic Procurement Team (SPT) to ensure compliance and delivery of services.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

- By implementing the arrangements outlined in this paper, the City of Doncaster Council will continue to fulfil its obligations to meet the needs of some of the most vulnerable residents, with a focus on delivering best outcomes for Children and Young People. Work will be undertaken with stakeholders including providers, to develop and shape the markets, exploring new and innovative ways of working to meet their needs and make best use of available resources via compliant routes to procurement.

BACKGROUND

9. The majority of non-compliant spend relates to individual placements for children and young people, this includes education and residential placements provided by independent providers. Non-compliant contract spend for children's placements refers to the expenditure made **on contracts or agreements** that do not fully meet the Council's Contract Procedure Rules. The CPRs set rules and procedures on how Council contracts must be let, and where the total contract value breaches certain financial thresholds, what the minimum requirements are for calling for competition. Although the CPRs are not fully adhered to for various reasons children's placements are carefully monitored and evaluated for contract compliance. This includes conducting thorough background checks on providers, ensuring adherence to legal and ethical standards, and regularly assessing the quality of care and support provided.
10. Local authorities have statutory duties in relation to the children taken into their care. Section 22(3) of the Children Act 1989 establishes the general duty of the local authority who looks after a child to safeguard and promote the child's welfare. This duty underpins all local authority activity involving looked after children.
11. The SEND Code of Practice 2014 includes the voice of the young person and family in the decision-making process for a placement. At times this results in placing with an off-contract providers due to parental preference.
12. The Competitions and Markets Authority launched a market study into children's social care in England. *The placements market – the arrangements by which local authorities' source and purchase placements for children – plays an important role in the provision of residential and fostering placements for children.* As such the Children's Social Care market study March 2022 was in response to major concerns regarding how the placements market was operating. The report detailed that local authorities were too often unable to access appropriate placements to meet the needs of children in their care and that the prices paid by local authorities were high and this, combined with growing numbers of looked-after children has led to a national problem in securing services with a lack of placements of the right kind, in the right places. The report highlighted that the largest private providers of placements are making materially higher profits, and charging materially higher prices, than would be expected if this market were functioning effectively. Over three-quarters of places in England and Wales now come from these independent providers. This has led to the difficulties local authorities face in finding appropriate placements, in the right locations, for children as they need them and means children a being placed far from their established communities. The current shortfall in capacity in the placements 'market therefore represents a fundamental failing in market functioning. This lack of ability to engage effectively with the market has led to local authorities having to contract outside established local and regional arrangements.

13. Since Doncaster Children's Services Trust (DCST) transferred back to the City of Doncaster Council (CDC) in September 2022, all contracts relating to spend on Children's services novated to the council and are now required to be compliant with the Council CPRs.
14. Spend on children's placements is managed through a number of local and regional frameworks. The frameworks are a contracting mechanism to identify and contract provision:
 - a. Three local frameworks cover contracted spend for 16 plus Group Living and Supported Tenancies Accommodation, Short Breaks and Specialist Education Provision. These three frameworks have been fully recommissioned in 2023.
 - b. Three regional frameworks administered through The White Rose Framework led by Leeds City Council covers Residential, Special Education and Independent Fostering Agencies.
 - c. The Regional Adoption Agency procure Adoption Support Fund providers who are on the Approved Provider list held by North Yorkshire.
15. Throughout 2023, significant market engagement has been undertaken to engage providers on the local and regional frameworks.
16. Where providers are not part of local or regional frameworks spot purchases have been necessary to meet needs and provision not available via framework providers. Where services are procured off framework governance and controls are in place to mitigate risks of non-compliant spend as much as possible, albeit the contracts are spot purchased based on child's needs, parental choice or in emergency situations.
17. A large number of providers of residential care have pulled away from the regional White Rose Framework which has led to contractual gaps as shown in the figures for on and off contract spend for children's residential care. This trend is the same across all other local authorities in the region and is due in part to contracting with providers who are outside of the city and national providers who do not look to join regional frameworks.
18. The 16 plus Group Living and Supported Tenancies Accommodation local framework was set up in September 2023 and following intensive market engagement has been successful in engaging providers. The high level of off contract spend (90%) in this area will decrease as these providers transfer their contracts onto the framework including legacy placements made before the new framework was in place. This work is underway which will see a significant reduction in the level of off contract spend for this area. Since 2023 this service has become OFSTED regulated and as such, we expect to see an increase in providers joining the framework as they see the benefits of networking and local support.

19. Contractual spend with Independent Fostering Agencies is largely on contract through the regional White Rose Framework, however where agencies are not willing to join the regional framework this will mirror the reasons stated for the Children's residential framework.
20. Adoption therapy services are contracted with a large number of small providers with options currently being explored for an approved provider list which will reduce off contract spend.
21. Placements are highly regulated through panel and decision-making processes for individual education and care packages. The decision makers for all panel decisions are the City of Doncaster Council Assistant Directors who chair the panels, and the NHS South Yorkshire Integrated Care Boards (SYICB) Senior Contracts Manager for jointly commissioned and funded placements. Decision-making is aided by members of the panel and require cases to be presented by service managers/lead practitioners and signed off by Head of Service before being referred to panel and must represent best use of resources and value for money. The purpose of all panels is to ensure that placement decisions are in the best interest of children, young people and families, and represent best value for money, and that the placements and packages offered are directly proportionate to a child, young person and the families assessed needs.
22. SEND and Inclusion Quality Assurance Panel consider the following requests for education placements:
 - a. Children with SEND
 - b. Special school places in independent schools/colleges incl. travel
 - c. Transport costs
 - d. Additional support requirements to support individuals or cohorts of children with SEND in mainstream settings.
23. Joint Resource Panel consider the following requests:
 - a. Bi-Part or Tri Part Funding
 - b. Require funding from Health – including Therapy and IFR
 - c. Short Breaks resource over the indicative budget
 - d. Section 117 requestsWhere an emergency decision is needed, and a decision is made outside of panel progression to JRP will be required if joint or tri-part funding is required.
24. Social Care Placement Panel coordinates the oversight of packages on a child-by-child level to ensure that appropriate care plans and support are in place and that the placement meets the presenting need.
 - a. Children living in a residential home – both internal and external to Doncaster
 - b. Children in 16+ accommodation
 - c. Children in secure or remand settings
 - d. Children in an IFA where there is additionally

- e. Oversight of delivery of commissioned social care providers
- f. Transport costs
- g. Accommodation / placement over the age of 18

25. Placements process and use of regulated providers

For placements, officers will explore alternative options to meet needs prior to commissioning any external provision. Where Panel agrees commissioning of a placement, the search will initially go to local and regional framework providers who are Good or Outstanding with OFSTED. If they are unable to meet need the search is extended to include approved providers e.g., Section 44 or known providers who have satisfied due diligence requirements before any approaches are made to any off-contract provision.

26. Due Diligence

This is a contractual requirement and is completed with all providers, where possible prior to contracting with them, or as an immediate action before placing children and young people to ensure the council fulfils its Duty of Care. Minimum compliance checks include safeguarding processes, safer recruitment, insurances, references. Placements cannot be made until these checks are complete. Once the young person is in placement, this becomes part of the regular Quality Assurance and Contract Monitoring Cycle, which covers due diligence and compliance.

27. Quality Assurance

The City of Doncaster Council has a duty to assess all providers commissioned to deliver services for children and young people, to ensure full compliance with the requirements set out in section 11 of the Children Act 2004. A regular cycle of Quality Assurance Monitoring is in place for all providers, prioritised according to the risk level of the contract/regulatory judgement and as a minimum, conducted annually. Many visits are multi-Disciplinary with feedback sought from a range of Services including Social Worker, Independent Reviewing Officer and Local Area Designated Officer prior to the visit. The Quality Assurance Framework covers a range of areas including

- a. Education
- b. Health
- c. Protection of Children
- d. Care Planning
- e. Safer Recruitment
- f. Health & Safety
- g. Overview of staffing in place

Should a safeguarding/OFSTED concern arise, an unannounced visit will be completed, and an action plan developed for any follow up actions.

OPTIONS CONSIDERED

28. For all providers to join the Framework mechanisms.

Both regional and local frameworks give the legal basis to enable providers to contract with the council and to assure the quality and compliance of provision, support safeguarding, manage costs and provide compliance with CPRs.

This will support and mitigate against non-compliant spend, but due to associated complexities in the provider market this will be an on-going process. Working with the provider market either through the White Rose Framework or the development of further local agreements has seen some success in increasing providers on frameworks but continuing to meet needs will require the continued procurement of specific and specialist provision by means of spot purchases.

OPTIONS CONSIDERED

29. The Councils CPRs allow for exemptions on Health and Social Care contracts where the recipient of care has a personal choice and directly contracts with the care provider including direct payments included under Section 31 – 36 of the Care Act 2014, section 57 – 58 of the Health and Social Care Act 2001, section 12A of the NHS Act 2006 and section 17A of the Children Act 1989. Where contract spend is not covered by the exemptions but where there is a need to award a contract that has not complied with the competitive requirements of the CPRs a waiver is completed. Due to the number of waivers that would be required for children's placements the Commissioning Team will instead complete a quarterly submission detailing all placements that have been awarded outside the current frameworks, where the Council have had no choice to place due to their statutory obligations.

REASONS FOR RECOMMENDED OPTION

30. The proposed approach to ensuring transparency regarding non-compliant spend seeks to mitigate risk. It is important that the Council's CPRs are adhered to and, where non-compliance is identified this is managed by the CYPF Commissioning Team and monitored through the Strategic Procurement Team.

31. Due to the instability and failure in the market nationally and the continuing need to place children as per the Council's statutory obligations, non-compliant spend will continue. However, for transparency a quarterly report stating the rationale of urgent need will be produced by the Commissioning Team.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

32.

Great 8 Priority	Positive Overall	Mix of Positive & Negative	Trade-offs to consider – Negative overall	Neutral or No implications
 Tackling Climate Change	✓			
<p>Comments: This is considered when procuring and forms part of the social value deliverables obtained through contracting.</p>				
 Developing the skills to thrive in life and in work	✓			
<p>Comments: Social value is included in all public procurement above threshold contracting as a minimum of 10% weighting in the evaluation criteria. Part of the social value targets are associated with opportunities to develop skills.</p>				
 Making Doncaster the best place to do business and create good jobs	✓			
<p>Comments: Social value is included in all public procurement above £100k contracting as a minimum of 10% weighting in the evaluation criteria. Part of the social value targets are associated with opportunities to create opportunities for local people.</p>				
 Building opportunities for healthier, happier and longer lives for all	✓			
<p>Comments: Support residents to live independent and rewarding lives in the place they call home (The 16+ Group Living and Supported Tenancies Accommodation Framework and Short Breaks) Work towards becoming an even more Disability-Friendly borough.(Short Breaks)</p>				
 Creating safer, stronger, greener and cleaner communities where everyone belongs	✓			X

Comments:				
 Nurturing a child and family-friendly borough	✓			X
Comments: Increase the availability and quality placements and activities for families and young people.				
 Building Transport and digital connections fit for the future	✓			X
Comments:				
 Promoting the borough and its cultural, sporting, and heritage opportunities	✓			X
Comments				
Fair & Inclusive	✓			
Comments: This is covered as part of the social value delivered through contracting at the Council.				

33. Legal Implications [Officer Initials: SRF | Date: 10.01.24]

As set out in the body of the report, the Council has legal duties in relation to looked after children. Services for those children (including the provision of accommodation) should be commissioned in accordance with Council Contract Procedure Rules as well as the appropriate guidance to ensure that the wishes of the child, their families and the best interests of the child are all appropriately considered.

34. Financial Implications [Officer Initials: AB | Date:12/01/2024]

The total spend figures shown in paragraph's 2 and 3 cover the period December 2022 to December 2023. The spend in the period December 2022 to 31st March 2023 was included in CYPF's yearend outturn position for the financial year

2022/23, and the spend from 1st April 2023 onwards is included in CYPF's financial projections for financial year 2023/24. These financial projections don't break down spend into compliant and non-compliant categories, which is managed as set out in this report, but the total spend is monitored against budget on a monthly basis by the directorate and reported quarterly to cabinet.

35. Human Resources Implications [Officer Initials: KW | Date: 11/01/2024]

There are no Human Resource implications

36. Technology Implications [Officer Initials: PW | Date: 09/01/2024]

There are no technology implications in relation to this report.

RISKS AND ASSUMPTIONS

37. Contracting can be high risk if undertaken without full compliance with the CPRs. Quarterly reporting of non-compliant spend and compliance monitoring will seek to counter and address these risks.

CONSULTATION

38. There has been consultation with the various services in the CYPF Directorate and applicable officers.

BACKGROUND PAPERS

39. None

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

40. CYPF – Children, Young People and Families
DCST – Doncaster Children Services Trust
SPT – Strategic Procurement Team
CMA – Competition Markets Authority
CPRs – Contract Procedure Rules

REPORT AUTHOR & CONTRIBUTOR

Riana Nelson, Director Children Young People and Families

Riana.Nelson@doncaster.gov.uk

Angela Harrington, Head of Commissioning and Quality

Angela.Harrington@doncaster.gov.uk

Shaun Ferron, Procurement Manager

Shaun.Ferron@doncaster.gov.uk



Report

Date: 1st February 2024

To: The Chair and Members of the Audit Committee

Report Title: INTERNAL AUDIT REPORT FOR THE PERIOD: October 2023 to December 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 October to December 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 2023 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 in this period.

Section 2: Audit Work Undertaken During the Period

5. During the period October to December, our work has been on our routine and planned audits and on the lessons learnt reviews requested by management, alongside other investigatory and consultancy work. We have also been developing our data driven work in some areas which is referred to in Section 2.
6. Resources, as planned, have continued to be used in successfully developing the team's auditing methodologies and reporting arrangements. Training continues being rolled out to all members of the team and to a new member of the team.
7. 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 are currently no high risk level overdue management actions
9. The total number of overdue medium and low risk level management actions has increased slightly from 8 to 12. 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 26 Internal Audit actions awaiting implementation, 14 of which are not yet due.
11. Despite the small increase in overdue actions, the Head of Internal Audit does not have concerns with regards management's commitment to implementing their agreed actions which continue to be scrutinised also through the quarterly Finance and Performance arrangements. 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 only identified one new area of concern that should be considered for inclusion in the Annual Governance Statement for 2023/24. This is the Climate Change Governance Arrangements highlighted within the report.
16. However, 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

17. The report does not contain exempt information.

RECOMMENDATIONS

18. 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?

19. 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

20. 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

21. Not applicable – for information only

REASONS FOR RECOMMENDED OPTION

22. Not applicable – for information only

23. Legal Implications

Legal implications were not requested in relation to this report.

24. Financial Implications

Financial implications were not requested in relation to this report.

25. Human Resources Implications

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

26. Technology Implications

Technology implications were not requested in relation to this report.

RISKS AND ASSUMPTIONS

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

CONSULTATION

28. 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

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

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

30. None

REPORT AUTHOR & CONTRIBUTORS

Peter Jackson, Head of Internal Audit

01302 862938 | peter.jackson@doncaster.gov.uk

Faye Tyas, Assistant Director of Finance & Technology

01302 862606 | faye.tyas@doncaster.gov.uk



**City of
Doncaster
Council**

Appendix 1

Doncaster Council

Internal Audit Progress Report

October to December 2023

Section 1: Revisions to the Audit Plan

1.1 The 2023/24 Internal Audit Plan was approved by the Audit Committee on 27th 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, although we now have a new temporary member of the team which will help the team resource in future quarters. The future impact of these vacancies on the plan continues to be assessed and managed.

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:

- Voluntary Action Doncaster (VAD) Grant Funding Arrangements – This work is to ensure all grant funding provided to VAD has been fully accounted for.
- Well Doncaster – Grant Funding Arrangements - this work is to ensure all grant funding provided by Well Doncaster has been fully accounted for.
- Community Development and Support Fund Grant Set Up Advice 2023/24

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

- SLHD Contract Management and Partnership Working Arrangements 2023/24 – No formal review will now take place due to other oversight arrangements. Instead, ad hoc advice will continue to be provided as required.
- Mosaic Care and Case Flows – work will be delivered in this area on a more service targeted basis within the 2024/25 plan as no audit issues have been identified by services.
- Levelling Up Fund Grant Sign Off (Phase 1) 2023/24 – this grant work has been deferred into the 2024/25 workplan at the works will not be completed until 2024/25 after a funding extension.

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 October to December, our work has been on our routine and planned audits and on the lessons learnt reviews requested by management, alongside other investigatory and consultancy work. We have also been developing our data driven work in some areas. An update is set out at para 2.13 and further detail will be provided in the Annual Report of the Head of Internal Audit.
- 2.2 Resources, as planned, have continued to be used in successfully developing the team's auditing methodologies and reporting arrangements. Training continued being rolled out to all members of the team and to a new member of the team.
- 2.3 Our ongoing work in establishing and updating our detailed risk assessments is also helping to support the prioritisation of our work.
- 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 October to December 2023 and any completed work not previously reported, are set out in **Appendix A**.

Audits providing 'limited' assurance opinions

- 2.7 There has been one audit where a 'limited assurance' opinion has been given this period.

Climate Change Governance Arrangements 23/24

- 2.8 In order to be more resilient to the threat posed by climate change and in addition to meeting the challenges of achieving net zero, it is vital that we effectively manage climate change risks. With this in mind, a review of the governance arrangements in place for managing climate change risks, was undertaken. This resulted in a limited assurance opinion and 14 recommendations being made.

Whilst we acknowledged the breadth and depth of work being delivered, governance arrangements need to be developed to ensure there is accurate reporting of progress to an accountable body, that can ensure appropriate resource and activity allocation is in place.

2.9 It should be noted that the Council only has control over the processes within its own organisation. Although the review did examine the Council's actions to influence and try to coordinate Team Doncaster partners response to tackling climate change, this is not within the Councils direct control. There are also dependencies upon Central Government actions and compliance with certain interrelated Government policies and stipulations, which are further beyond the Council's control. Due to this, even when the agreed actions arising from the review are implemented, it is unlikely, at this point in the 'tackling climate change' journey, that this risk can be managed by the Council further than to give 'reasonable assurance'.

2.10 The headline reasons for this opinion were:-

- The estimated scale of the anticipated required resource (both cost and capacity) to meet the pledge of being carbon neutral by 2040 (for the council or the borough) is not currently known. A central government commissioned report, however, does calculate this cost for London and the 11 UK core cities alone as being in excess of £200 billion. On the same basis, a per capita calculation would suggest a cost of £9 billion for Doncaster to meet net zero targets.
- There is no single record of the entirety of all net zero and climate change related potential actions to be considered / taken, together with evaluations / priority ratings and resource requirements.
- Monitoring and reporting of the Council's progress towards achieving 85% reductions in carbon emissions by 2030 or net zero by 2040 has not previously happened but reporting on some aspects under the Council's control is due to commence imminently.
- For the rest of Doncaster, at present, the Council is reliant on government data (provided every 2 years) to assess the progress that the city is making towards net zero carbon emissions. All local authority areas are in this same position, as data collection and evaluation methods are still under development nationally.
- A Team Doncaster Environment Network Officer Group's Terms of Reference makes it responsible for driving delivery of the Environment and Sustainability Strategy. Whilst this group has made sustained efforts to co-ordinate and inspire climate action across Team Doncaster partners, this

current governance structure's outcomes in driving progress for the Borough has not proven to be effective and is under review.

- The Council has taken the lead on tackling climate change with the formation of the Sustainability Unit in 2021 to co-ordinate delivery of the Environment and Sustainability Strategy. There is no high-level Environment focussed internal council group currently in operation that oversees and directs the Council's response to climate change on a strategic or operational level and which provides regular scrutiny and challenge.
- The scale of climate change risks to the council i.e. the total exposure of the organisation, or to the Borough as a whole, is not currently known.

A comprehensive set of management actions have been agreed and are being implemented (4 of the 14 agreed management actions have already been implemented). These will be tracked, and progress reported to future meetings of the Audit Committee.

Responsive Audit Work and Investigations

2.11 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 Detecting Fraud and Error Report.

School Governance and Financial Management Improvement

Controls Risk Self-Assessment (CRSA)

2.12 This advice and consultancy piece of work involved the development of a Control Risk Self-Assessment framework (CRSA) to be delivered to all LA maintained schools. Over recent years there has been limited internal auditing of LA Maintained Schools, this was due to the perceived level of risk being classed as relatively low for the Council. The school's Control Risk Self-Assessment (CRSA) framework was launched in December 2023 and required all maintained schools to complete it.

2.13 This is seen as a powerful tool that can be used to support the school in self assessing their risks and controls and to identify any possible areas that may require strengthening. It also provides Internal Audit with valuable oversight and assurance from our LA schools with the outcome forming part of the risk assessment for schools.

2.14 The collective information will also be used to help determine whether certain pieces of work are required in the future for example training, additional resources, supporting guidance, thematic audit reviews that will benefit our maintained schools going forward. Overall, this work adds value through improving governance and financial management arrangements within schools and identifying areas where improvements are needed.

School Recruitment Follow up Work

2.15 Further advice and consultancy work has been undertaken with the School Improvement Team to help them develop and refresh the Headteacher Recruitment Guidance and training for Local Authority Maintained schools. This work has added value to the Headteacher Recruitment process by ensuring that there is a clearly documented robust process in place that is enhanced with specific bias training for governors sitting on interview panels and that all issues identified from the lessons learnt review have been incorporated. The guidance and the training is successfully being rolled out to Local Authority maintained schools.

Data Driven Work

Purchase Cards

2.16 Data analytics and the use of data for audit purposes is a development topic on the audit agenda for over the last 3 audit years. During this year we have developed (to beta testing stage) an analytical tool in PowerBi looking at purchase card transactions and their associated authorisation and coding within the financial accounts. This tool has been developed with Procurement and Transactional Processing in order to attempt to give the ability to slice and manipulate data to all three teams.

2.17 The dashboard takes audit themes and key controls and interprets the data to show whether these key controls are functional and identifies potential anomalies. This beta data has been used to successfully target departments using the purchase cards that are buying unusual purchases, do not appear to be properly claiming VAT or where there are delays in the processing of the transactions (amongst other issues). Data analytics is an involved process that requires a constantly evolving review of the subject matter / data and review of the outputs to ask further "what if?" questions to gain further insight into systems and data than are available during conventional risk and control-based audits.

2.18 It is hoped that the data analytics, given sufficient time and resources, will replace most (if not all) of the routine cyclical financial control audits with more up to date, innovative and useful tools to gain insights into the inner workings of teams and add real value. For example, the Purchase Card Tool has successfully identified over £6k of savings in unclaimed VAT (over just 2 teams identified by the system for review). Further savings are likely as this tool is further developed and used to target areas of higher risk (and therefore give more assurance over the financial systems).

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 increased to 12 in total, there being 0 high level management actions and 12 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.
- 3.5 There are no areas of concern covering the 12 medium / lower level overdue management actions. The 5 in Adults, Wellbeing and Culture all relate to one area, where both the Team Leader and Head of Service have left the authority leaving less capacity to implement the actions currently. The 7 in Place relate to 2 different audits, both with 1 action overdue and the remaining 5 actions overdue relate to the Taxi Licencing audit which are covered within a separate report considered at this meeting of the Audit Committee.

3.6 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 31/03/2023	At 30/06/2023	At 30/09/2023	At 31/12/2023	At 31/03/2023	At 30/06/2023	At 30/09/2023	At 31/12/2023
Adults, Wellbeing & Culture	0	0	0	0	0	0	0	5
Place	0	1	0	0	3	3	8	7 (7)*
Corporate Resources	0	0	0	0	3	2	0	0
Chief Executives	N/A	N/A	0	0	N/A	N/A	0	0
Corporate Resources and Chief Executives	N/A	N/A	0	0	N/A	N/A	0	0
Children, Young People & Families **	0	0	0	0	0	0	0	0
TOTAL	0	1	0	0	6	5	8	12

* The figure in brackets denotes the number of findings that were overdue last quarter and remain overdue.

** 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.

3.7 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. All actions for School 3 are now complete. Progress has halted at other schools, however and we will continue our escalations within the schools and Council management.

School	Assurance Opinion	Total Number of Issues Raised			Number of Management Action Overdue as at 31/12/23			Number of Management Actions Not Yet Due		
		High	Medium	Low	High	Medium	Low	High	Medium	Low
School 1	Reasonable Assurance	9	13	0	5	8	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		50	40	6	7	16	0	0	0	0

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

Directorate	No. of actions at 31/12/2022	No. of actions at 30/06/2023	No. of actions at 30/09/2023	No. of actions at 31/12/2023
Adults, Wellbeing and Culture	0	0	9	8
Place	5	12	10	13
Corporate Resources	11	6	0	2
Chief Executives	N/A	N/A	0	0
Chief Executives and Corporate Resources	N/A	N/A	3*	3*
Children, Young People and Families **	0	2	0	0
TOTAL	16	20	22	26

* These three actions have joint ownership between officers within both directorates.

** 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

3.9 Despite the small increase in overdue actions, the Head of Internal Audit does not have concerns with regards management’s commitment to implementing their agreed actions which continue to be scrutinised also through the quarterly Finance and Performance arrangements. 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 2023:

Performance Indicator	Target	July to October 2023	Variance (positive is good)
Draft reports issued within 15 days of field work being completed	90%	100%	+10%
Final reports issued within 5 days of customer response	90%	100%	+10%
% of critical or major recommendations agreed	100%	100%	0%
Percentage of Customer Satisfaction Surveys rated Satisfactory or above	90%	100%	+10%

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

- 4.4 The plan for the 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 only identified one new area of concern that should be considered for inclusion in the Annual Governance Statement for 2023/24. This is the Climate Change Governance Arrangements highlighted within this report.
- 4.6 However, 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.

APPENDIX A

Planned Audit Work Completed in Period

Audit Area	Assurance Objective	Final Report to Management	Overall Audit Opinion	Summary of Significant Issues
PLACE				
Climate Change Governance Arrangements 23/24	The objectives of this audit were to review the governance arrangements in place for managing climate change risks and make recommendations to improve the above processes or to mitigate any further risk exposures.	December 2023	Limited Assurance	A summary is set out in the main body on this report.
Building Control Income Management Review	The objectives of this audit were to examine the processes within the Building Control function to ensure that all income due is accurately billed on a timely basis, appropriately recorded and maximised and make recommendations to improve the above processes or to mitigate any further risk exposures.	January 2024	Substantial Assurance	None

Audit Area	Assurance Objective	Final Report to Management	Overall Audit Opinion	Summary of Significant Issues
ADULTS WELLBEING AND CULTURE				
Libraries Purchase Card Transactions	The objective of the audit was to review purchase card spend and ensure that it is in line with the various rules and policies that apply to it whilst ensuring that the spend achieves value for money, is free from fraud and error and that VAT is properly recovered where possible.	December 2023	Substantial Assurance	None
Positive Steps Purchase Card Transactions	The objective of the audit was to review purchase card spend and ensure that it is in line with the various rules and policies that apply to it whilst ensuring that the spend achieves value for money, is free from fraud and error and that VAT is properly recovered where possible.	November 2023	Substantial Assurance	None
Supporting Families Grant Q3 2023/24 - (October to December 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
PUBLIC HEALTH				
Public Health Purchase Card Transactions 23/24	The objective of the audit was to review purchase card spend and ensure that it is in line with the various rules and policies that apply to it whilst ensuring that the spend achieves value for money, is free from fraud and error and that VAT is properly recovered where possible.	December 2023	Substantial Assurance	None
CHILDREN YOUNG PEOPLE & FAMILIES				
Home to School Transport Audit Review 23/24	<p>The objective of the audit is to examine the extent to which the operational processes in the Home to School Transport Section are effectively managed to ensure that they provide an efficient, effective and safe service to children / young adults.</p> <p>This review concentrated on the work undertaken by the Transport Team and did not include a review of the decisions that have been made at Panel with regards to the transport</p>	December 2023	Substantial Assurance	None

Audit Area	Assurance Objective	Final Report to Management	Overall Audit Opinion	Summary of Significant Issues
	being required and therefore provided by City of Doncaster Council. It purely focusses on the process from the point at which the Transport Team are notified that some form of transport is required for a child / young adult.			
CORPORATE RESOURCES				
N/A				
CHIEF EXECUTIVE'S				
N/A				

APPENDIX B

Overdue High Risk Agreed Management Actions

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
There are none for this report.						

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Auditor's Annual Report on City of Doncaster Council

2022-23 VFM arrangements

10 January 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Executive summary



Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022-23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements.

Our conclusions are summarised in the table below. We have raised one key recommendation which relates to managing the increasing Dedicated Schools Grant (DSG) deficit. This key recommendation follows on from the improvement recommendation we raised last year relating to this issue. It is a recommendation we have raised at many local authorities reflecting the number of authorities now experiencing material DSG deficit position. Further details are set out on pages 7 and 16-17 of this Report. The range of recommendations is explained further at Appendix B.

Criteria	2022-23 Auditor judgement on arrangements	2021-22 Auditor judgement on arrangements
Financial sustainability	One key recommendation raised in relation to the Council's Dedicated Schools Grant (DSG) deficit. We have also raised two further improvement recommendations.	No key recommendations made but two improvement recommendations raised.
Governance	Our work did not identify any areas where we considered that key or improvement recommendations were required	Our work did not identify any areas where we considered that key or improvement recommendations were required.
Improving economy, efficiency and effectiveness	Our work did not identify any areas where we considered that key or improvement recommendations were required	Our work did not identify any areas where we considered that key or improvement recommendations were required.

Executive summary (continued)



Financial sustainability

Over the last year, local government funding has continued to be stretched with increasing cost pressures, including from higher energy, pay and increased supplies and services costs. Whilst cost pressures have increased, councils have also faced increased demand for their services including within children's and adult social care.

City of Doncaster Council approved its 2022-23 budget in February 2022, since this time, the financial outlook has worsened. The impact of rising energy, fuel, pay costs and other prices continued to directly affect the Council's financial position. The Council delivered an outturn overspend of £3.0m for 2022-23 compared to the Quarter 3 projected outturn overspend of £7.8m. The improved outturn position was due mainly to the action taken by management to delay and reduce non-essential spending. Key factors within the overspend have remained consistent throughout the year being higher pay, energy and children's social care costs significantly exceeding budgets. Earmarked reserves were used by the Council to fund the overspend.

The Dedicated Schools Grant is the ring-fenced grant from Central Government that provides each local authority with an allocation of funding for schools and services for pupils. The Council's DSG account remains overspent mainly due to pressures within the High Needs Block which includes expenditure on Out of Authority placements. The overspend in 2022-23 amounted to £6.2m increasing the cumulative DSG deficit to £19.9m at 31 March 2023. Whilst the cumulative overspend position is significant, it is not uncommon to other local authorities. City of Doncaster Council is among 55 local authorities participating in the Department for Education's (DfE) Delivering Better Value in Special Educational Needs and Disability (SEND) programme which is looking at ways to manage and reduce the high needs block overspend position. The actions resulting from participating in DfE's Delivering Better Value in SEND programme have not identified any significant new actions for the Council to manage demand and costs.

We raised an improvement recommendation last year in respect of managing the DSG deficit position. Given the DSG deficit has increased to £19.9m at 31 March 2023, and is expected to increase in 2023-24 to £25.8m, £29.2m by the end of 2024-25, £33.6m at the end of 2025-26 and £38.6m at the end of 2026-27, the Council's actions and plans are not addressing the increasing deficits being created. Whilst the Council has implemented a range of actions to manage the DSG overspend position during the year and continue to do so, the increased demand for services coupled with increasing costs has meant that these actions have been insufficient. Participating in DfE's Delivering Better Value in SEND programme has also not identified any new actions for the Council which would have a significant impact. Whilst other councils, including some neighbouring councils, have benefitted from additional DSG related funding via the DfE's 'Safety Valve' funding programme, this has not been available to Doncaster, resulting in the Council's projected increases expected in the DSG deficit position.

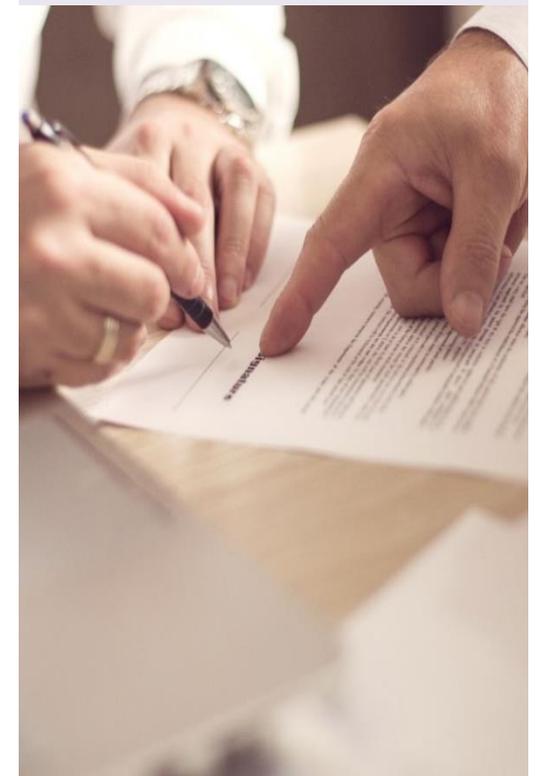
Central Government guidance currently allows the DSG deficit to be excluded from the Council's general reserves as a statutory override, however, this treatment will end from April 2026. The Council needs to take action to manage and bring down the projected DSG deficit through other means or set aside additional resources to fund expenditure. The Council's general fund reserves (excluding general fund earmarked reserves) at 31 March 2023 total £14.3m and are not expected to significantly increase by April 2026, as such, the Council's reserves will not be sufficient and will be eliminated by the DSG deficit in 2026-27 unless action is taken. Due to the significance of this matter, we have raised a key recommendation. The Council should take action to control and reduce the DSG deficit during 2023-24 and beyond to eliminate the DSG deficit balance expected to be some £38.6m at 31 March 2027. Appropriate resources should also be identified to absorb any remaining balance outstanding on 1 April 2026 when the statutory override for the DSG deficit ends.

We have also raised two improvement recommendations to further enhance the Council's financial planning and reporting arrangements. Further details can be seen on pages 18 and 19 of this report.



Financial Statements opinion

We have completed our audit of your financial statements and issued an unqualified audit opinion on 8 December 2023, following the Audit Committee meeting on 23 November 2023. Our findings are set out in further detail on pages 32 to 34.



Executive summary (continued)

Governance



The Council continues to have effective Governance arrangements in place to ensure its business is conducted appropriately. Agenda items for Committee meetings are circulated in advance to allow Committee members sufficient time to review the information and make informed decisions. There is good challenge from members which we have observed at Audit Committee meetings. The Council has in place effective risk management arrangements and effective procedures for the prevention and detection of fraud and corruption including a Code of Conduct for members and officers.

Doncaster Sheffield Airport closed to flights on 5 November 2022 despite efforts by the Council to secure its future. The Council has remained in on-going discussions with the Airport owners to secure, if possible, a lease of the airport and allow it to be brought back into full operational use. The work on securing Doncaster Sheffield Airport is being undertaken by a dedicated team within the Council supported by specialist external consultants. Progress and developments are regularly reported to Cabinet and published on a dedicated area of the Council's website which is accessible to the public. To date, discussions remain on-going, and the Council has not entered into any formal agreement which brings Doncaster Sheffield Airport back into use.

Our work has not identified any evidence which leads us to conclude that there are weaknesses present which require recommendations to be raised at the Council.

Further details can be seen on pages 20-23 of this report.

Improving economy, efficiency and effectiveness

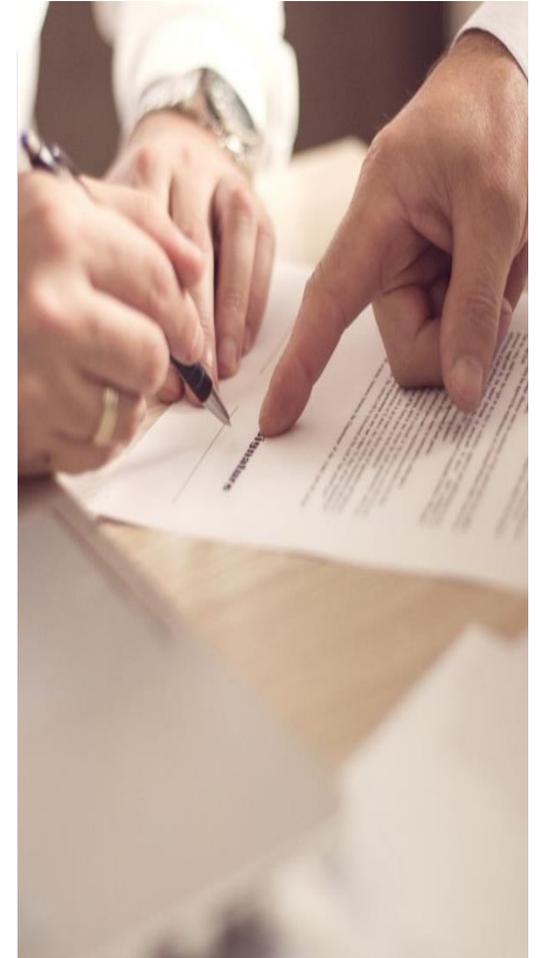


The Council has an established Performance Management Framework in place with reporting to Cabinet through the quarterly Finance and Performance Improvement Reports which clearly set out performance issues and the actions being taken to address these. The Council's performance indicators are shown by service area, RAG rated and compared with the Council's targets.

The Council has effective partnership arrangements in place through Team Doncaster, the Council's Local Strategic Partnership. Team Doncaster brings together organisations and individuals from the public, private, voluntary and community sectors to take shared ownership and responsibility for Doncaster's vision, leadership and direction. The Council has a 10 year Borough Strategy, Doncaster Delivering Together which was launched in 2021.

The Authority continues to demonstrate a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Our work has not identified any significant weaknesses in the Council's arrangements.

Further details can be seen on pages 24-28 of this report.



2. Use of auditor's powers

We bring the following matters to your attention:

2022-23 outcomes

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make an application to the Court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any advisory notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review.

3. Key recommendation

Key Recommendation 1

The Council should take action to control and reduce the DSG deficit during 2023-24 and beyond to eliminate the DSG deficit balance expected to be some £38.6m at 31 March 2027. Appropriate resources should also be identified to absorb any remaining balance outstanding on 1 April 2026 when the statutory override for the Dedicated Schools Grant deficit ends.

Key issues identified and summary findings

The Council's DSG account is overspent mainly due to pressures within the High Needs Block with the DSG deficit expected to increase year on year, totalling £19.9m at 31 March 2023, £25.8m at 31 March 2024, £29.2m by 31 March 2025, £33.6m at the end of 2025-26 and £38.6m at the end of 2026-27. Whilst the Council has implemented a range of actions to manage the DSG overspend position during the year and continue to do so, the increased demand for services coupled with increasing costs has meant these actions have been insufficient.

Central Government guidance currently allows the DSG deficit to be excluded from the Council's general reserves as a statutory override, however, this treatment ends from April 2026. The Council needs to take action to manage and bring down the projected deficit through other means or set aside additional resources to fund this expenditure. The Council's current general fund reserves (excluding general fund earmarked reserves) are insufficient at 31 March 2023 at £14.3m and are not expected to significantly increase over the coming few years to meet the projected DSG deficit on 1 April 2026.

Criteria impacted by the key recommendation

Financial sustainability

Auditor judgement

Based on the work undertaken, we have raised a key recommendation (as defined at Appendix B) relating to the Council's financial sustainability. This is because we consider the issue summarised above constitutes a significant challenge to its arrangements relating to current and ongoing financial sustainability.

Management comments

See overleaf.

The range of recommendations that external auditors can make is explained at Appendix B.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

3. Key recommendation (continued)

Whilst the overspend position is significant it is unfortunately common to other Local Authority (LA) positions and Doncaster Council, amongst 55 other LAs, is currently participating in the DfE's Delivering Better Value in SEND programme which has looked at plans to manage and reduce the authorities' high needs block overspend position. Other Councils have received significant financial support from central government through the Safety Valve programme, with safety value agreements being made with 34 local authorities. Shortfalls in funding for children with an education, health and care plan or EHCP is a national issue, with around 2/3rds of LAs across the country, currently having a deficit. Over the last 3 years Doncaster has seen an 84% increase in statutory assessment requests and EHCPs have risen significantly. At the end of the 2018/19 financial year, Doncaster maintained a total of 1898 EHCPs, and by the beginning of February 2023 this had increased to 2489, a 31% increase. This has placed pressures on local services and has contributed to significant levels of challenge around high needs spending.

That said, we continue to work with the DBV programme and have recently had further discussions with CIPFA who, alongside Newtons, have been engaged by DfE to support LAs. We will be submitting our updated DSG deficit management plan this month and will continue to positively engage with the DBV programme and any other support mechanisms offered. In November 2023, an "Equitable and Inclusive Access to Education for All" report was taken to the Council's Cabinet outlining further measures that will reduce expenditure. The team efficacy continues to improve following the transfer of children's social care back to the Council from Doncaster Children's Services Trust; this is improving understanding of the position and a more joined up approach, which will over time mean improved outcomes and cost reductions. We recognise the DSG deficit as a significant financial challenge facing the Council and will continue to review practices, standards etc., to reduce costs further.

Though general fund reserves are insufficient to meet the deficit, we are confident that should the DSG deficit override be removed that this could be managed using a combination of general reserves and earmarked reserves. It is recognised that reducing general reserves would reduce the financial resilience of the Council and releasing earmarked reserves has an impact on discretionary activity. It is also recognised that the DSG deficit override could be extended post March 2026.

Management comments

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

The range of recommendations that external auditors can make is explained at Appendix B.

4. Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out at Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications.



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 12 to 28.

5. The current LG landscape

National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023-24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023-24 and by £900m in 2024-25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape (continued)

Local context

City of Doncaster Council is a large authority based in South Yorkshire in the North of England. It was awarded city status in May 2022 as part of Queen Elizabeth II's Platinum Jubilee celebrations. King Charles formally conferred city status on Doncaster as part of his visit to Yorkshire in November 2022. Doncaster became a City from 1 January 2023. The Council has a population of over 300,000 at the time of the 2021 Census. Like many other cities, it has areas of both relatively high and low deprivation but, overall, the Council is ranked the 33rd most deprived out of 155 upper tier authorities in England.

The Council is a metropolitan district council. Its main decision-making body is Cabinet which is chaired by the Mayor and in 2022-23 included nine other Cabinet Members with portfolio responsibilities. Operationally, the Council is divided into five directorates, covering particular areas of service provision, for 2022-23 these were Corporate Resources; Adults, Wellbeing and Culture; Children, Young People and Families; Place and Public Health and Prevention.

In 2022-23 the Council's senior management team, known as the Executive Leadership Team (ELT), was made up of the Chief Executive and the five departmental directors, the Assistant Director Policy, Insight & Change and the Assistant Director for HR & Communications. The statutory Section 151 officer has an open invite for ELT and can choose to attend as they determine. A functional realignment review was undertaken during 2022-23 with the final position agreed in April 2023, for implementation in 2023-24.

The Council is divided into 21 wards for electoral purposes. The current make-up of the City of Doncaster Council is a Labour majority with 40 seats, the Conservatives with 11 seats, the Labour and Co-operative Party 2 seats, Mexborough First 2 seats and Edlington and Warmsworth First 1 seat.

The Council has a 10 year Borough Strategy, Doncaster Delivering Together which was launched in 2021. Doncaster Delivering Together has six Wellbeing Goals which are routinely reported and monitored:

- Greener and cleaner
- Fair and inclusive
- Prosperous and connected
- Safe and resilient
- Healthy and compassionate
- Skilled and creative.

Like many other councils, the Council faces a challenging combination of high inflation and rising demand for key services, such as for children's care services. The result of these pressures was an outturn overspend of £3m for the 2022-23 financial year, the Council used earmarked reserves to fund this overspend. For 2023-24, the Council has set a balanced budget with gross expenditure of £575.7m (net budget £255.8m). To deliver this balanced budget, the Council needs to deliver savings of £10.9m during 2023-24. The savings target for 2023-24 exceeds savings required to deliver a balanced budget and will allow £0.7m to be held as a contingency fund.

6. Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Summary of Doncaster's arrangements

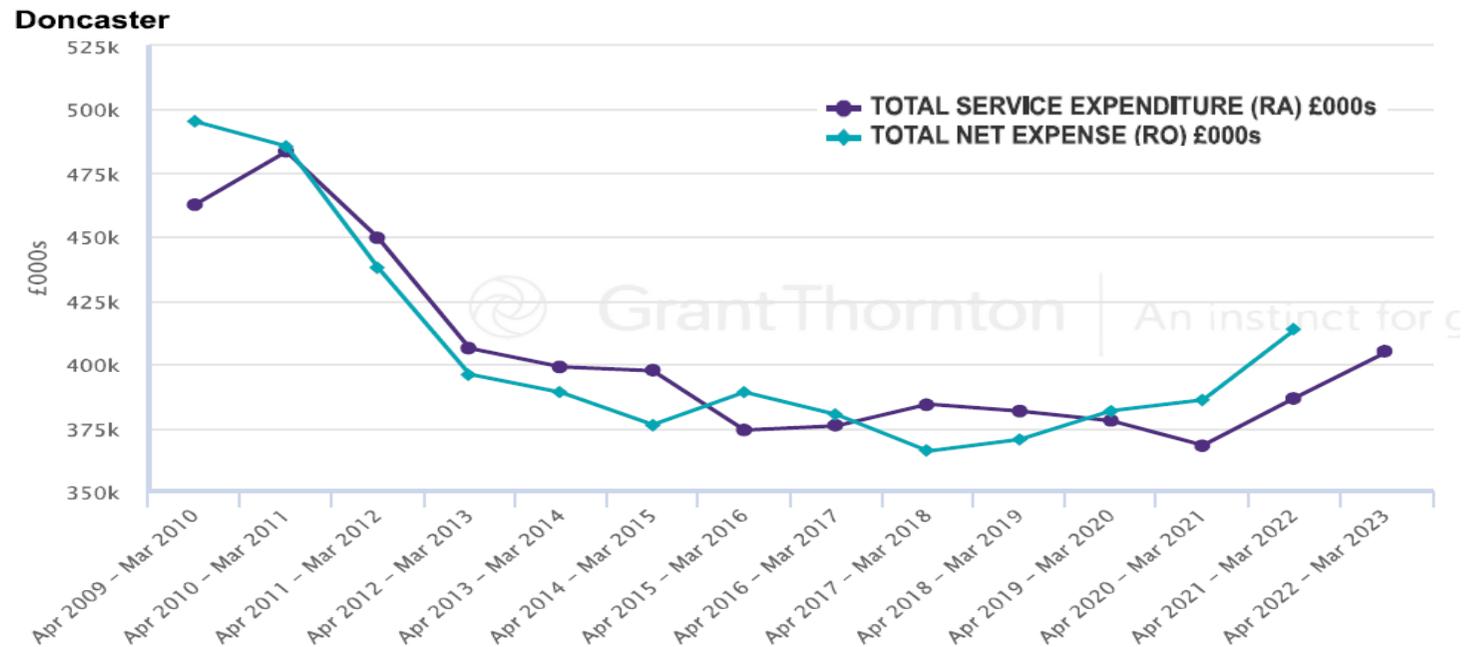
City of Doncaster Council has established processes in place which detail the responsibilities of Authority members and senior management for planning and managing the Authority's finances. These are set out in the Authority's Constitution (Part 4 - Procedure Rules). We have not identified any evidence of the Authority not complying with these processes.

Financial performance is monitored and routinely reported on a quarterly basis to Cabinet through the Finance and Performance Improvement Reports with monthly management reporting also taking place through senior management team meetings within individual Council directorates.

The reports to Cabinet set out key financial information, such as actual and forecast outturn performance against budget. These reports are sent out in advance of meetings which enables sufficient time for members to consider the content and formulate questions for discussion and scrutiny allowing appropriate challenge to take place.

The chart below sets out the Council's budget against its actual service expenditure from 2009-10 to 2022-23 and illustrates the accuracy of budget setting. It also shows the reduction in overall Council spending, although budgeted spending increased slightly in 2021-22 and 2022-23.

Analysis of Budgeted Net Spend (RA) vs Actual Net Spend (RO)



Financial sustainability (continued)

Medium Term Financial Strategy

The Council has in place a Medium Term Financial Strategy (MTFS) covering a three year period which it updates each year at budget setting time during February, and again during October each year, extending for a further year to ensure the MTFS remains current and includes all available information at that time. This process ensures the MTFS remains a live and up to date financial plan for the Council. The MTFS approved in February 2022 covering the period 2022-23 to 2024-25 put forward a series of proposals which forecast a balanced budget for the three years.

For 2022-23, the MTFS was updated in October 2022 covering the period 2023-24 to 2025-26 to reflect the most up to date information available at that time allowing the Authority to plan effectively as well as informing the annual budget setting cycle for the following year. The MTFS identified on-going financial pressures in a range of areas and whilst a balanced budget was planned, it projected a financial gap of £18.4m for the three years to 2025-26 (2023-24 £12.2m, 2024-25 £2.2m and 2025-26 £4.0m). Particular financial pressures relate to children's social care £6m, travel assistance as a result of special educational needs £1.7m and overspending on the dedicated schools grant £1.5m. These areas of pressure are typical of what we see at other single tier local authorities. The Council has continued to explore ways of managing these costs pressures including savings schemes to deliver a balanced budget.

Whilst the Council has over the last few years produced an updated MTFS during October, no updated MTFS was produced and presented to Cabinet in October 2023, which would have covered the period 2024-25 to 2026-27. Discussions with the Chief Financial Officer and Assistant Director of Finance and Technology indicate that the reason the MTFS was not updated as in previous years was because of the significant pressure on finance staff working with Council Departments to identify and deliver the savings required given the financial pressures faced by the Authority, additionally, little further central information was available to update the MTFS during September and October 2023.

Instead, the Chief Financial Officer and Assistant Director of Finance and Technology took a paper to the Council's Executive Board on 1 November 2023 and to Cabinet on 6 December 2023 (within the Quarter 2 Finance and Performance Improvement Report) which summarised the Council's position as an overall small budget deficit of £0.3m at the end of 2026-27 (including a one-off surplus in 2024-25).

Effective governance requires routine and transparent reporting, the Council has routinely reported its updated MTFS each October, but no such reporting took place in October 2023 or an explanation in a public forum such as Cabinet at that time for the reason for the change.

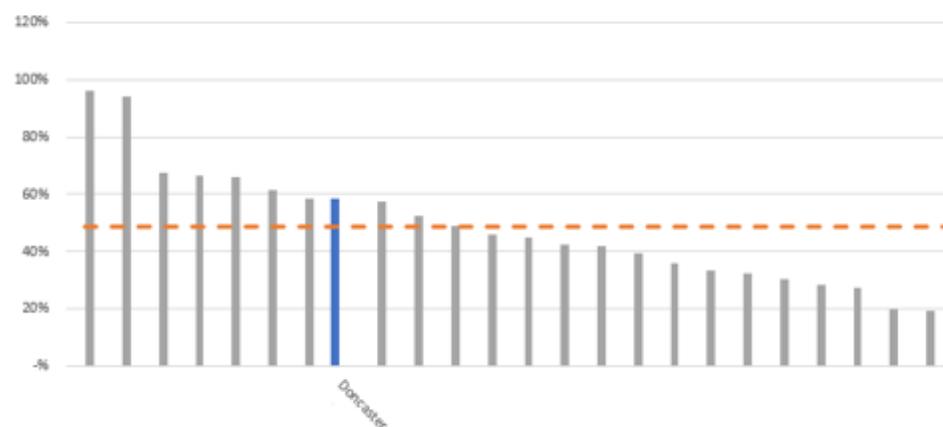
Given the current on-going financial pressures across local government, and the specific financial pressures faced by the Council, management should not only continue to routinely update Cabinet in public on its financial position through the quarterly Finance and Performance Improvement Reports, but it should also update Cabinet in public on its MTFS. Where there is likely to be a delay in producing routine reports such as the MTFS this should be explained through a formal report to Cabinet at its public meeting at that time. We have raised an **Improvement Recommendation** in this regard.

Management should routinely update Cabinet where there is likely to be a delay in producing routine financial reports at that time such as the MTFS. The delay and the reasons for it should be explained through a formal report to Cabinet at its public meeting, the likely impact on the Council's finances and how the delay will be addressed.

The Council's Reserves

The Council continues to have a strong reserves position with general fund revenue reserves of £105.1m and a further £88.1m of earmarked reserves at 31 March 2023 (excluding schools). This position is illustrated in the chart below and compares Doncaster's general fund and non-schools earmarked general fund reserves which total some 59% of net service revenue expenditure compared to the average for metropolitan authorities of 49%.

General fund and non-schools earmarked general fund reserves as a percentage of net service revenue expenditure (%)



Financial sustainability (continued)

In addition to its above average reserves position, the Council also has lower levels of borrowings as a proportion of its long term assets when compared to other metropolitan authorities at 24% compared to a metropolitan average of 28% (see chart below).

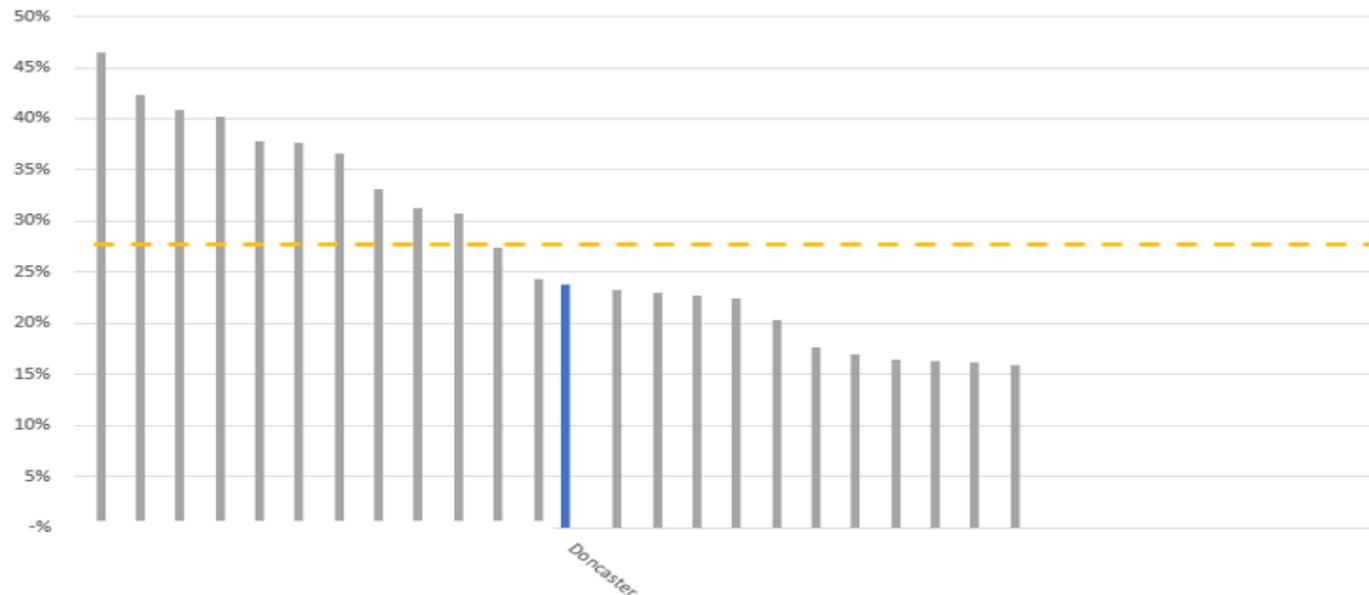
2022-23 Revenue Outturn

For 2022-23, the Council set a balanced budget with gross expenditure of £526.1m. Since the approval of the budget in February 2022, the financial outlook worsened with inflation directly impacting on the Council's spending power. The impact of rising energy, fuel and other prices impacted on both the Council's revenue and capital budgets. The Quarter 1 Finance and Performance Improvement Report for 2022-23 presented to cabinet on 7 September 2022 noted a forecast outturn overspend of £5.5m, mainly due to inflation as well as pressures within children's social care.

At the year end, the Council delivered an outturn overspend of £3.0m for 2022-23 compared to the Quarter 3 projected outturn overspend of £7.8m. The improved outturn position was due mainly to the action taken by management to delay and reduce non-essential spending. Key factors, within the overspend, have remained consistent throughout the year being higher pay, energy and children's social care costs significantly exceeding budgets.

The Council used earmarked reserves to fund the £3.0m 2022-23 overspend.

Long-term borrowing as a proportion of Long-term assets (%)



Financial sustainability (continued)

2023-24 Budget

The Council set a balanced budget for 2023-24 with gross expenditure of £575.7m (net budget £255.8m). Council Tax increased by 3.99% (1.99% for Council Tax and a further 2.0% for Adult Social Care). To deliver this balanced budget, the Council needs to deliver savings of £10.9m during 2023-24. The savings target for 2023-24 exceeds savings required to deliver a balanced budget and will allow £0.7m to be held as a contingency fund.

The Authority has a clear understanding of its financial position and the financial gap it needs to address in the medium term.

Since the approval of the budget for 2023-24, the financial outlook continues to be difficult with inflation posing a real risk to the budget. The Quarter 1 Finance and Performance Improvement Report for 2023-24 presented to Cabinet on 13 September 2023 noted a forecast outturn overspend of £4.16m, mainly due to inflation as well as pressures within adults and children's social care. The more recent Quarter 2 Finance and Performance Improvement Report presented to Cabinet on 6 December 2023 indicates a slightly improved position, with a reduced forecast outturn deficit of £1.76m. The improvement is due to actions taken by management to control costs in Council wide budgets, however, overspending continues within adults and children's social care with overspends of £3.4m and £2.8m respectively at the end of quarter 2.

The Council is continuing to look at ways to manage the additional costs in both 2023-24 and beyond. We will continue to monitor the Council's financial position.

Savings required and delivered

In February 2022, the Council approved the Revenue Budget for 2022-23 to 2024-25 setting a balanced budget for each year. The overall budget gap to deliver a balanced budget identified savings of £19.8m for the three year period 2022-23 to 2024-25. To meet this budget gap £12.1m of savings were required in 2022-23, £4.3m in 2023-24 and £3.4m in 2024-25. The approved budget did not rely on other one-off sources of funding, for example, capital receipts or uncommitted reserves.

The 2022-23 Q4 Finance & Performance Improvement report noted that £10.9m of savings had been delivered for the year but there was a shortfall of £4.2m in delivery against the revised savings target of £15.1m. Of the total savings planned to be delivered in 2022-23, 72% or £10.9m were actually delivered. The bulk of the shortfall in savings during 2022-23 related to Children's Social Care (£3.3m). In addition, some slippage also arose as Council officers continued efforts to return to business as usual arrangements in the early part of the year following the impact of Covid-19 on the Council's operations. Whilst the Council did not fully deliver its savings plan for 2022-23, the specific pressures faced are not unusual compared with other councils, particularly in children's social care.

In our 2021-22 Auditor's Annual Report last year, we raised an Improvement Recommendation that the Council should continue to closely monitor its financial position and identify remedial actions to address the budget gap identified in 2022-23 and beyond. In particular, we noted consideration should be given to identifying a range of potential savings schemes in advance of need that can be implemented at short notice if required. This approach would assist in delivering planned savings if slippage arose. We consider it appropriate to raise a similar recommendation relating to savings plans given the on-going financial pressures faced by the Council and its inability to deliver budgeted savings in full. Total savings planned to be delivered in 2022-23 were £15.1m (£10.2m in 2021-22) of which 72% (71% 2021-22) were actually delivered. We have raised an **Improvement Recommendation** in this regard.

The Council should continue to closely monitor its financial position and identify a range of potential savings schemes in advance of need that can be implemented at short notice if required to deliver total savings required in year.

Overall, the Council has established financial management arrangements in place and there is no evidence of the unsustainable use of reserves to bridge the Council's funding gap. The Authority's response to the financial challenges faced from high inflation and rising demand for key services demonstrates good financial planning arrangements are in place to ensure the continuation of services.

Whilst the financial outlook continues to be challenging since the 2023-24 budget was agreed in February 2023, the Council is continuing to look at ways to manage service spend and the additional costs in both 2023-24 and beyond.

We will continue to meet regularly with the Chief Financial Officer and Assistant Director of Finance and Technology to monitor the Council's financial position.

Financial sustainability (continued)

2022-23 capital outturn

The Authority spent £89.1m on capital projects during 2022-23 and delivered some 61% of the planned capital budget approved at the start of the year. This compares with £72.9m spent in the prior year, 2021-22. The impact of Covid-19 from March 2020 resulted in capital spending reducing as capital works could not be progressed in the main. Since this time, the Council has continued to work to increase capital spending to deliver a higher proportion of the approved capital budget. We will continue to monitor the Council's capital spending as part of our planned programme of work during 2023-24.

The increase in capital spending over last year is indicative of the Council continuing to invest in the future of the Borough despite the difficult financial climate. The Authority has invested in projects to further improve core services including education, housing and infrastructure, including investment in the Council's social housing stock. In particular, the capital programme included spending on infrastructure across the city including street lighting, footpaths and signage and further investment in flood prevention measures prioritised to areas with the greatest risk.

The Capital and Major Projects Board oversee the capital programme whilst also considering and scoring bids for capital funding, maintaining a pipeline of projects not yet ready for addition to the capital programme and monitoring the approved programme.

The Council's capital budget report explains how the Council's budget supports the transition to the well-being goals contained within the Borough Strategy. The capital report also details the other strategies and plans influencing the budget including, for example, the Housing Strategy and the Environment and Sustainability Strategy.

The Authority has appropriate arrangements in place to monitor capital projects.

Managing risks to financial resilience

The Authority's budget reports outline the key financial risks faced by the Council when setting the budget. All reports to Cabinet also include a risks section, which is used to highlight any specific risks for inclusion in the Council's financial plans. The Council routinely reviews its strategic risks on a quarterly basis which are reported to Cabinet in the Finance and Performance Improvement report.

We consider the Authority to be financially well managed and there is a high level of understanding of its budgetary position, budgetary pressures and the savings required to be delivered each year. There is an established process by which the budget is reviewed regularly, and issues are reported in a timely manner to members.

As noted earlier, the challenging financial outlook resulting from high inflation and rising demand for some key services means the Council needs to continue to closely monitor its financial position and identify remedial actions to address any overspends whilst delivering the savings needed in 2023-24 and beyond.

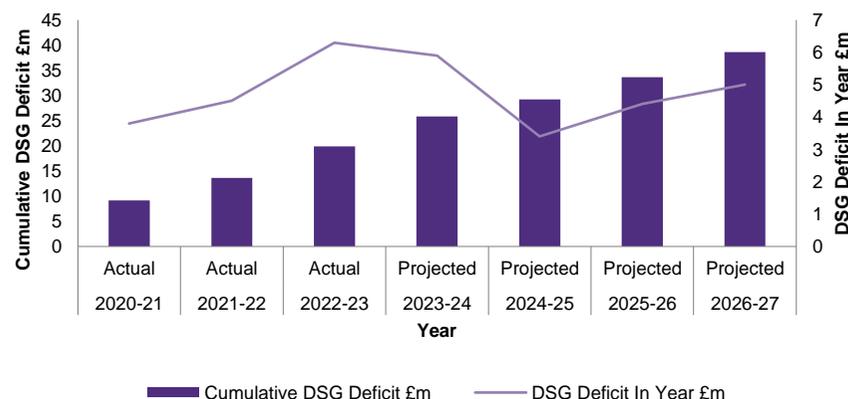
Dedicated Schools Grant

The Dedicated Schools Grant (DSG) is the ring-fenced grant from Central Government that provides each local authority with an allocation of funding for schools and services for pupils. In our prior year Auditor's Annual Report, we noted that the DSG deficit was continuing to increase mainly due to pressures within the High Needs Block which includes expenditure on Out of Authority placements. We raised an improvement recommendation for the Council to develop and finalise both the short and long term DSG action plans to allow appropriate actions to be implemented to address the expected DSG deficits in 2022-23 to 2025-26. We also noted regular engagement should continue with DfE and other relevant stakeholders to work towards a sustainable financial position on DSG before the current Government regulations end and the DSG deficit at that point could become a draw on the Council's useable reserves.

The Dedicated Schools Grant outturn position for 2022-23 was an overspend of £6.2m resulting in a cumulative overall overspend of £19.9m at 31 March 2023. Whilst this overspend position is significant at the year end, it is not uncommon across other local authorities. As reported last year, Doncaster is among 55 local authorities participating in the Department for Education's (DfE's) Delivering Better Value in Special Educational Needs and Disabilities (SEND) programme to help control and reduce the DSG deficit.

The Council's cumulative DSG deficit totalled £19.9m at 31 March 2023, and is expected to increase by a further £5.9m in 2023-24 to £25.8m, is projected to be £29.2m at the end of £2024-25, £33.6m at the end of 2025-26 and £38.6m at the end of 2026-27. The Chart below shows the DSG overspend by year along with the cumulative DSG deficit position from 2020-21.

DSG Deficit 2020-21 to 2026-27



Financial sustainability (continued)

The Council's DSG account is overspent mainly due to pressures within the High Needs Block which includes expenditure on Out of Authority placements. Management has undertaken significant work to review the costs relating to the High Needs Block and Out of Authority placements to try and control these costs and whether placements can be made more locally.

Since 2021-22, the Council has implemented a range of actions to manage the DSG overspend position and continue to do so, however, the increased demand for services coupled with increasing costs has meant that these actions have been insufficient. As noted earlier, the Council is also participating in the DfE's Delivering Better Value in SEND programme to look at ways to manage and reduce the high needs block overspend position. However, the actions resulting from participating in this programme have not identified any significant new actions which the Council is not already taking to manage demand and costs. As a result, the DSG deficit is continuing to increase.

Unlike some authorities who are part of the DfE's 'safety valve' programme, additional Central Government funding has not been made available to the Council to the extent which would significantly reduce the DSG deficit. Given Central Government guidance which excludes the DSG deficit from the Council's general reserves now ends from April 2026, the Council needs to take action to manage and bring down the deficit through other means or set aside additional resources to fund expenditure. As at 31 March 2023, the Council's total General Fund reserves (earmarked and unearmarked) totalled £105.1m. Of this total, the Council's General Fund (unearmarked) reserves amounted to £14.3m and are not expected to significantly increase by April 2026, as such, they will not be sufficient and will be more than eliminated by the DSG deficit in 2026-27 unless action is taken.

This issue is considered a significant matter for the Council and we have raised a **Key Recommendation**. The Council should take action to control and reduce the DSG deficit during 2023-24 and beyond to eliminate the DSG deficit balance expected to be some £38.6m at 31 March 2027. Appropriate resources should also be identified to absorb any remaining balance outstanding on 1 April 2026 when the statutory override for the Dedicated Schools Grant deficit ends.

Details of this Key Recommendation are shown on page 7.

Conclusion

Overall, except for the Key Recommendation relating to managing the Dedicated Schools Grant deficit, we are satisfied the Authority has appropriate arrangements in place to ensure it manages risks to its financial sustainability. Our work also noted two improvement recommendations to further develop the Council's arrangements.

7. Improvement recommendations

Improvement Recommendation 1

Management should routinely update Cabinet where there is likely to be a delay in producing routine financial reports at that time such as the MTFS. The delay and the reasons for it should be explained through a formal report to Cabinet at its public meeting, the likely impact on the Council's finances and how the delay will be addressed.

Improvement opportunity identified

Providing an explanation at the public meeting where a routine financial report is not presented will further strengthen governance and transparency of reporting.

Summary findings

The Council over the last few years has produced an updated MTFS during October each year, however, no updated MTFS was produced and presented to Cabinet in October 2023, which would have covered the period 2024-25 to 2026-27. Discussions with the Chief Financial Officer and Assistant Director of Finance and Technology indicate that the reason the MTFS was not updated as in previous years was because of the significant pressure on finance staff working with Council Departments to identify and deliver the savings required given the financial pressures faced by the Authority, additionally, little further central information was available to update the MTFS during September and October 2023. Instead, the Chief Financial Officer and Assistant Director of Finance and Technology took a paper to the Council's Executive Board on 1 November 2023 and to Cabinet on 6 December 2023 (within the Quarter 2 Finance and Performance Improvement Report) which summarised the Council's position for the three years, 2024-25 to 2026-27.

Effective governance requires routine and transparent reporting, where there is likely to be a delay in producing routine reports such as the MTFS this should be explained through a formal report to Cabinet at its public meeting at that time.

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

In recent years, since the 2020/21 budget, an assessment has been undertaken early in the financial year and confirmed the requirement to undertake a review of the MTFS, which has subsequently been reported to Cabinet in September/October. In particular, where significant ongoing pressures have emerged since the previous MTFS, which could not be resolved on an ongoing basis straight away, requiring the identification of savings targets.

Management comments

Consistent with previous years, a review was undertaken early this financial year, as part of setting the budget strategy and timetable for 2024/25. The review confirmed that there was minimal update to the key MTFS assumptions at that point and further work was required to fully understand the volatile costs, including the impact of inflation, and emerging budget pressures, for future years. Therefore, it was decided that our resources would be better utilised in working on understanding these emerging budget pressures and identifying savings to mitigate them, working closely with colleagues in the relevant Directorates. By doing this work we assess our process leading to the approval of the budget has been more efficient and robust. As noted in the findings, updates have been taken to the Executive Leadership Team and Executive Board throughout November and December and to Cabinet in the Quarter 2 Finance and Performance monitoring report. The approach taken was agreed with the Mayor, Executive Board and Executive Leadership Team.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained at Appendix B.

Improvement recommendations

Improvement Recommendation 2

The Council should continue to closely monitor its financial position and identify a range of potential savings schemes in advance of need that can be implemented at short notice if required to deliver total savings required in year.

Improvement opportunity identified

By identifying savings schemes in advance of need which can be implemented quickly at short notice, any slippage in the budgeted savings plan for the year can be mitigated by these additional savings schemes to ensure the target savings required are delivered in full at the year end.

Summary findings

We raised an Improvement Recommendation in our prior year Auditor's Annual Report, for the Council to closely monitor its financial position and identify remedial actions to address the budget gap identified in 2022-23 and beyond. In particular, we noted consideration should be given to identifying a range of potential savings schemes in advance of need that can be implemented at short notice if required. This approach would assist in delivering planned savings if slippage arose.

Total savings planned to be delivered in 2022-23 were £15.1m (£10.2m in 2021-22) of which 72% (71% 2021-22) were actually delivered. Given the ongoing financial pressures faced by the Council and its inability to deliver budgeted savings in full, we have raised an Improvement Recommendation relating to identifying a range of potential savings schemes in advance of need.

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

The Council has had to find savings each year since at least 2010. Each year, this involves Directors and their teams being asked to put forward savings proposals and each year many proposals are rejected for various reasons. That means that at any point in time there are ideas for savings that can be implemented. In 2022/23 the projected overspend was managed downwards by introducing additional spending controls rather by identifying specific savings. In 2023/24 additional savings were identified in the summer in response to a budget shortfall created by the national pay award being greater than was assumed when the budget was set. For 2024/25 the draft budget proposals include circa. £6m held as contingency against delays in the delivery of savings.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained at Appendix B.

8. Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

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Leadership and committee effectiveness

Appropriate leadership is in place. The Council has in place an elected Mayor and Cabinet form of executive. The Mayor leads and oversees the Council's priorities, working with colleagues from across Team Doncaster (the Local Strategic Partnership) and councillors from across the borough. In addition, overview and scrutiny committee arrangements are in place which hold the Cabinet to account.

The work of the Council's committees is governed by the constitution. The constitution is regularly reviewed and updated and is available to all staff and members in addition to the public on the Council's website. The Audit Committee is the Committee which undertakes the role of Those Charged with Governance (TCWG) and demonstrates appropriate challenge of financial and non-financial information. The Committee contains an appropriate mix of elected members with financial and non-financial experience in addition to an independent member. We have observed and experienced the appropriate debate and challenge they provide at each Audit Committee meeting

Cabinet meetings are normally held monthly and the Council meets every two months with agendas and minutes published on the Council's website. Papers are provided in advance of meetings to allow decision makers the opportunity to read and reflect in advance. Every month, the Council publishes the Forward Plan which sets out details of all key decisions expected to be taken during the next four months by either the Cabinet, the Mayor, Deputy Mayor, Portfolio Holders or Officers and is updated and republished each month. This ensures members are aware in advance of the key decisions to be taken on a rolling basis and enables the Council's Overview and Scrutiny Committee to formulate their work plan.

Policies, procedures and controls

As a public organisation, the Council aims to maintain the highest standards of conduct and integrity. The Authority expects the highest standards of corporate behaviour and responsibility from all Authority members and all staff. The Authority has in place a wide range of policies and procedures designed to ensure compliance with legislative and regulatory standards, including for example codes of conduct for members and staff and HR policies and procedures.

The Authority has an established anti-fraud culture through its anti-fraud bribery and corruption framework, the counter fraud strategy and its whistleblowing policy. The Council also has in place clear codes of conduct for both members and officers along with registers for gifts and hospitality and a register of interests.



Governance (continued)

Monitoring and assessing risk

The Council has in place a risk management framework which includes a Risk Management Policy which sets out the Council's approach to embedding risk management arrangements within the Council. The Policy is supported by a Risk Management Process Guide and Tool Kit which provides a step by step guide to supporting effective risk management. The Council uses a 5x5 matrix (likelihood x impact) to identify and RAG rate its strategic risks.

All risks identified are recorded in risk registers which are contained within the Council's performance management system, 'Pentana'. All Strategic risks are reported to Cabinet on a quarterly basis as part of the Finance and Performance Improvement Report, this includes an update on each risk, how they have been profiled for the quarter, with any changes to the risk assessment being shown.

The Authority consider risks as part of their routine decision making role and the impact on corporate policies, including the annual budget setting process. The risk management approach is well understood across all levels of management at the Authority.

In 2023, the Council commissioned Zurich Municipal to review the Council's risk management arrangements. Overall, the review found each risk management document to be comprehensive and sufficient in conveying risk management information. In addition, the general structure and processes outlined in all documents evidence a good understanding of risk management knowledge and conveyed information in a clear and accessible manner.

Internal Audit

There is an appropriate internal audit function operating at the Authority and we have noted no issues with the standard of work being carried out by Internal Audit. Each year, Internal Audit agree an internal audit plan, the audit plan is agreed by the Chief Financial Officer and Assistant Director of Finance and Technology and then presented to the Audit Committee for approval. Changes are made to the plan throughout the year to recognise any new risks that arise. Progress is reported on the internal audit plan on a regular basis to the Audit Committee. The Committee use the work and findings of internal audit to consider the operation of key controls during the year which is used to draft the annual governance statement.

The Internal Audit function operates to the United Kingdom Public Sector Internal Audit Standards (UKPSIAS) and is subject to external quality assessment every five years. Internal audit was assessed in 2022 as meeting the necessary standards. Internal Audit also issue each year, an Annual Report of the Head of Internal Audit, which sets out the sufficiency of work done to be able to provide an annual opinion of the risk, governance and control arrangements in place at the Council. This report gave a positive opinion over these arrangements for 2022-23.

Budget setting process

The Authority has an established budget-setting process in place for agreeing its budget each year. The budget-setting process is thorough, with several stages. The budget is considered and approved by full Council in February. Routine monitoring of the budget takes place through the Finance and Performance Improvement Reports which are presented to Cabinet on a quarterly basis.

The budget and Medium Term Financial Strategy (MTFS) are considered and approved at the same time during February. The Council's MTFS is incorporated into the budget report and considers a three year time horizon. To ensure the MTFS remains up to date and includes all available information, it is normally updated during October each year and a further year added which forms the basis of budget setting and the MTFS for the following year. However, this update did not take place in October 2023, we understand from the Chief Financial Officer and Assistant Director of Finance and Technology that this was because of the significant pressure on finance staff working with Council Departments to identify and deliver the savings required given the financial pressures faced by the Authority in addition to little further central information was available to update the MTFS during September and October 2023. See further details shown on page 13 along with the Improvement Recommendation raised.

Routine reporting including of longer-term projections and any risks to the medium term are incorporated into the quarterly Finance and Performance Improvement Reports considered by Cabinet.

Since the approval of the budget for 2023-24, the financial outlook has worsened with inflation posing a real risk to the budget. The Council faces a challenging combination of high inflation and rising demand for key services, such as for children's care services. As a result, it remains important more than ever that the Council's established procedures continue to operate to allow appropriate action and review of the proposals to address the in-year financial pressures with regular reporting to members to deliver a balanced outturn position for 2023-24 (see also the Financial Sustainability Section for further detail).

Governance (continued)

Budgetary control

The Council has established budgetary control arrangements in place. All cost centres within the Council are linked to a budget holder and a finance officer to support each budget holder. Each cost centre has a risk assessment in place (low/medium/high) which determines the extent to which the finance officer is involved in reviewing projections and the support provided. High risk cost centres are reviewed monthly with greater interaction with budget holders than medium and low risk cost centres.

Budget holders access financial information using the Collaborative Planning (CP) module of the Council's resource planning system. The CP module is updated each month with actuals and revisions to budgets and is used to capture projections from budget holders. The focus of monitoring is always the projected outturn position, which is informed by the actual spend to date. Monthly reports are routinely considered by budget holders and taken to directors meetings. Quarterly reports are considered by directors and also reported to the Cabinet in the Finance and Performance Improvement Reports.

Processes are in place for in-year budget virement if required in accordance with the Council's Financial Procedure Rules.

Monitoring and ensuring appropriate standards

The annual governance statement is compliant with the CIPFA code. The Authority has adopted the CIPFA/SOLACE framework Delivering Good Governance in Local Government. An appropriate level of care is taken to ensure the Authority's policies and procedures comply with all relevant codes and legislative frameworks.

Ofsted Inspection

The Council's last full Ofsted inspection of City of Doncaster Council's Children's Services took place in February 2022 with the report being published in April 2022. The Ofsted inspection reviewed three areas:

- The impact of leaders on social work practice with children and families
- The experiences and progress of children who need help and protection
- The experiences and progress of children in care and care leavers.

Apart from the first area reviewed (the impact of leaders on social work practice with children and families) which was rated 'Inadequate', Ofsted rated the other two areas as 'Requires improvement to be good'. Ofsted's overall judgement on the overall effectiveness of City of Doncaster Council's children's services was 'Requires improvement to be good'.

We delayed issuing the Auditor's Annual Report last year until the publication of the Ofsted inspection Report was formally published on 8 April 2022 and made reference of its findings in the Auditor's Annual Report at that time. Since the Ofsted report was issued in April 2022, the Council has developed and progressed a post Ofsted Improvement Plan to address the issues raised. Our review of progress by the Council during 2022-23 indicates that good progress continues to be made with all the main actions complete, and the remaining less significant actions being integrated into routine business as usual processes and procedures. Doncaster Children's Services Trust transferred back into the Council on 1 September 2022.

The Council's Transformation and Improvement (TAI) Board meets on a regular basis to monitor progress and sets out the further actions required. The TAI Board is also attended by an Improvement Advisor appointed by DfE. The TAI Board minutes from September 2023 note that the Improvement Advisor *'is satisfied that there is now a grip of the continuous improvement agenda both in children's services and in the council more broadly. She will reflect that there is more work to do but that this is acknowledged within the service and therefore she does not feel that Doncaster needs the continued involvement of an improvement advisor'*.

This is a good outcome for the Council as the Improvement Advisor feels further input is not required given the progress made by the Council. Discussions with the Chief Financial Officer and Assistant Director of Finance and Technology indicate improvement activity continues to be delivered with almost 90 per cent of the Improvement Plan completed by the end of October 2023.

Governance (continued)

Informed decision making

The Council has established and embedded decision making arrangements in place. These arrangements ensure appropriate legal advice is obtained where required and appropriate reporting takes place including to Cabinet and full Council as appropriate.

Doncaster Sheffield Airport

Doncaster Sheffield Airport closed to flights on 5 November 2022 despite efforts by the Council to secure its future. The Council has remained in on-going discussions with the Airport owners, Peel Group to secure, if possible, a lease of the airport and allow it to be brought back into full operational use.

The work on securing Doncaster Sheffield Airport is being undertaken by a dedicated team within the Council given its importance to the region. The Council has appointed a number of external consultants as the Council's specialist advisers in a range of areas including legal, financial and within the aviation sector to advice on specific areas for example, the runway, the control tower and liaison with the Civil Aviation Authority [CAA].

Progress and developments are regularly reported to Cabinet and published on a dedicated area of the Council's website which is accessible to the public for transparency. To date, discussions remain on-going, and the Council has not entered into any formal agreement which brings Doncaster Sheffield Airport back into use. We will continue to monitor the Council's progress as part of our 2023-24 planned programme of work.

Conclusion

Overall, the Council has effective governance arrangements in place and we found no evidence of significant weaknesses in the Authority's arrangements for ensuring that it makes informed decisions and properly manages its risks.



9. Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance review, monitoring and assessment

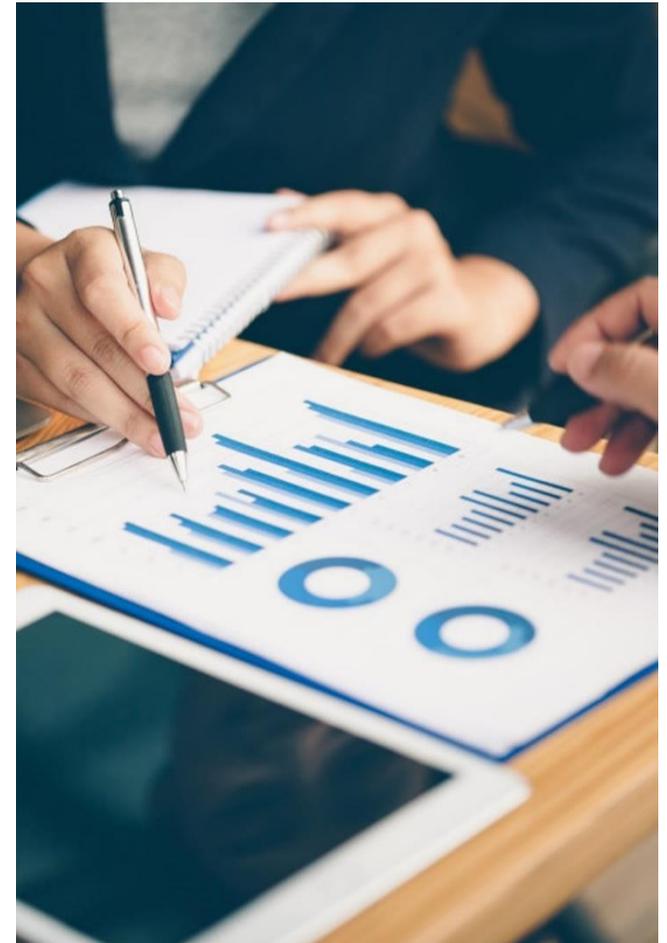
The Council has an established Performance Management Framework in place. The Finance and Performance Improvement Report is a combined report that is structured around the Council's Corporate Plan priorities and is presented quarterly to Cabinet. The report content includes a range of key performance indicators showing both improvement in performance but also where improvement is needed. The report is structured around the Council's 'Great 8 Priorities' which the Council is working towards:

1. Tackling climate change
2. Developing the skills to thrive in life and work
3. Making Doncaster the best place to do business and create good jobs
4. Building opportunities for healthier, happier and longer lives for all
5. Creating safer, stronger, greener and cleaner communities
6. Nurturing a child and family friendly borough where everyone belongs
7. Building transport and digital connections fit for the future
8. Promoting the borough and its cultural, sporting and heritage opportunities.

The Council's performance indicators are shown by service area, RAG rating movement and comparison with the Council's targets. The Finance and Performance Improvement Report also provides additional narrative in the main text to highlight the main points for member attention.

Members play a regular role in performance management by reviewing the quarterly reports and providing challenge to officers. Cabinet portfolio holders also have regular meetings with Directors to review and consider performance.

The review and follow up of both internal and external audit recommendations is appropriate, with the Audit Committee reviewing progress and providing regular updates to the Cabinet on progress in implementing recommendations.



Improving economy, efficiency and effectiveness (continued)

The Council undertakes a range of benchmarking including for example using the benchmarking tool from the Local Government Association. This benchmarking tool provides a detailed analysis and comparison of performance for Doncaster with other authorities in a range of areas, from financial resilience to service spend by service area. The Council is also a member of the Special Interest Group of Municipal Authorities (SIGOMA) representing 47 urban authorities in the northern, midland and south-coast regions of England. Benchmarking data for these authorities includes spend by service area from 2016-17 to 2022-23 which the Council also considers.

In addition, the Council has routinely undertaken a range of benchmarking exercises each year in specific areas including Children's Social Care expenditure to identify opportunities for improvement. This analysis was most recently used in the 2023-24 budget setting process to evidence higher costs and to identify opportunities to reduce expenditure to be more in line with other local authorities. The Council also considers the CIPFA financial resilience index each year to support comparison of performance and costs.

Benchmarking the Council's Unit Costs

As part of our audit work, we benchmarked the Council's total net expenditure by service on a unit basis with all other metropolitan district councils. This analysis is provided alongside and shows that the Council has a very low total overall unit cost when compared to other metropolitan borough councils. However, there are four areas where unit costs are higher than other metropolitan authorities, highways and transport services, planning services, central services and other services.

Doncaster		2022/2023 (£000s)	Unit	Unit Cost (£)	Unit Cost Score
□	TOTAL EDUCATION SERVICES (RA) £/aged 0-18	117,445.00	67,294.00	1,663.53	Very Low
□	TOTAL HIGHWAYS ROADS AND TRANSPORT SERVICES (RA) £/head	9,111.00	308,705.00	29.13	High
□	TOTAL CHILDRENS SOCIAL CARE (RA) £/aged 0-17	77,514.00	64,101.00	1,150.71	Average
□	TOTAL ADULT SOCIAL CARE (RA) £/aged 18+	99,235.00	244,604.00	404.34	Very Low
□	TOTAL CULTURAL AND RELATED SERVICES (RA) £/head	14,127.00	308,705.00	45.17	Average
□	TOTAL PLANNING AND DEVELOPMENT SERVICES (RA) £/head	5,187.00	308,705.00	16.58	High
□	TOTAL HOUSING SERVICES (GFRA only) (RA) £/head	7,334.00	308,705.00	23.45	Average
□	TOTAL ENVIRONMENTAL AND REGULATORY SERVICES (RA) £/head	23,767.00	308,705.00	75.99	Low
□	TOTAL CENTRAL SERVICES (RA) £/head	15,331.00	308,705.00	49.01	High
□	TOTAL PUBLIC HEALTH (RA) £/head	26,514.00	308,705.00	84.77	Low
□	TOTAL OTHER SERVICES (RA) £/head	9,176.00	308,705.00	29.34	Very High
	TOTAL SERVICE EXPENDITURE (RA) £/head	404,741.00	308,705.00	1,293.99	Very Low

Improving economy, efficiency and effectiveness (continued)

We understand from discussions with officers that the higher costs relating to highways and transport services are due to Doncaster Council being geographically the largest metropolitan authority, as such its costs are likely to be higher when compared using cost per head of population. For planning services, the unit cost last year was £20.23 and was average, this year, the unit cost has fallen to £16.58 and has moved to high. This change indicates that comparator authorities have reduced costs further than Doncaster over the year and management are continuing to review these. The position with Central Services costs is similar to planning in that the unit cost has reduced over the last two years, however, costs relating to apprentices (£0.75m) and personal assistants (£0.44m) have not been apportioned out and would explain a large element of the difference. Other services have higher costs principally due to £4.7m relating to pay awards that had not been allocated to service budgets along with other budget contingencies.

The Council has in place a number of regional networks which help it learn from other local government organisations in a number of areas to improve its performance including:

- Local Resilience Forum (LRF) Network which was especially helpful during the Covid-19 pandemic and the actions taken by other organisations
- Regional Policy forums to discuss topical issues for example managing flood risks and actions to be taken
- Yorkshire and Humber Leaders network on developments and good practice
- South Yorkshire Mayoral Combined Authority forum on development issues for all South Yorkshire authorities

LGA Peer review. The review took place early in 2022 and covered a range of areas including local priorities and outcomes, organisational and place leadership, governance and culture, financial planning and management, and capacity for improvement. The report following the Corporate Peer Challenge was published in May 2022 and was very positive on the Council's arrangements. The summary overall messages included that 'Doncaster is on a journey of continuous improvement with many good features, and if continued will be an exemplar council'.

Partnership working

The Council has effective and established partnership working arrangements in place. Team Doncaster is the name behind Doncaster's Local Strategic Partnership. It brings together organisations and individuals from the public, private, voluntary and community sectors to take shared ownership and responsibility for Doncaster's vision, leadership and direction.

The Council's 10-year Borough Strategy, Doncaster Delivering Together was launched in September 2021 and took over from the previous Doncaster Growing Together Plan (2017-2021). Doncaster Delivering Together has six Wellbeing Goals:

- Greener and cleaner
- Fair and inclusive
- Prosperous and connected
- Safe and resilient
- Healthy and compassionate
- Skilled and creative.



Improving economy, efficiency and effectiveness (continued)

The Team Doncaster operating model consist of:

- Team Doncaster Executive (Chaired by the Mayor of Doncaster) – Providing strategic overview of resilience and emergency planning
- Team Doncaster Co-ordinating Group (Chaired by the Chief Executive of Doncaster Council) – managing threats and risks to delivery, taking escalations from delivery groups. This group also oversees progress for the partnership in Economy, Housing Delivery, Environment and Poverty
- Horizon, Policy & Design Group (Jointly chaired by Chief Executive of AGE UK Doncaster and Assistant Director of Policy Insight and Change Team) – to generate early policy development and provide a broader engagement forum for all partners
- Delivery Groups – Driving and supporting the partnership delivery of the Borough Strategy.

As part of the operating model, all delivery groups provide a plan (or summary agreement) which details the focus of the delivery group over the 12 months, including key activity, performance indicators, outcomes and risk to delivery. Alongside the plan or summary agreements, all delivery groups provide an assurance statement, which explains what has been achieved to date and further action needed.

Procurement

The Council has in place a dedicated procurement team to ensure all procurements are in accordance with the Council's contract procedure rules. As part of the procurement process, the Council aims to ensure all providers are treated fairly and equally and all procurement takes place in an open and transparent manner. The Council has in place clear methodologies for procurement with larger individual procurement exercises being overseen by the Strategic Procurement Team.

The Council's procurement is, in the main, undertaken on the YOR tender portal (for values over £25,000). YOR tender is the tender management system used by 28 councils across the Yorkshire and Humber region.

The Council launched a new Procurement Strategy in 2023 following an improvement recommendation we made in the 2020-21 Auditor's Annual Report. The Strategic Procurement Team (SPT) is directly involved in procurement and lead on any significant contracts. The SPT operates a category management model and officers are assigned responsible category areas for contracting.

The Council has arrangements in place to monitor the performance of key suppliers. Key providers are closely monitored by individual departments receiving the service, for example, adult social care. On occasion and when there is a blanket risk across the Council, for example, during the Covid-19 pandemic and need to purchase protective personal equipment, the Procurement Team led and provided guidance and support to contract owners on monitoring quality and performance, mitigating risk and contract management.

The Procurement and Legal Teams also intervene in high level contractual issues as and when required. These issues are relatively rare. More recently, under the new Category Management Model, introduced after a restructure in the Strategic Procurement Team in December 2022, the procurement team are more involved in strategic contract management across the Council.



Improving economy, efficiency and effectiveness (continued)

Climate change

The Council continues to be proactive in considering all the latest guidance from Central Government on climate change. The Council's Policy, Insight and Change department provide a briefing to officers and members when new guidance or issues emerge.

The Council has been proactive in applying for climate change/net zero grants where they are available. Discussions with officers indicate grant applications have been particularly successful over the past two years, which has supported the Council on certain projects including its two main initiatives to progress carbon reduction from Council operations:

- A Transport Fleet Replacement Programme which delivers a transition from petrol and diesel vehicles to electric through to 2028
- An energy reduction programme through use of solar power on Council building assets.

To increase the scale and pace at which electricity and heating fuel is decarbonised, the Council is developing a full carbon plan, this is likely to be finalised during 2023-24.

Climate and Environment is now a key consideration for all key decisions made by the Council. This also extends to the Treasury Management Strategy which includes a section on Environmental, Social and Governance (ESG) considerations. Climate Change is one of the Council's priorities and is considered in all key decision making.

The Council's ambition is to be net zero by 2040, with an 85% reduction in CO2 by 2030. The net zero goals have been set with the aid of SCATTER Cities CO2 assessment tool. These targets are included in the Environment and Sustainability Strategy. The Council is also currently setting a target for 2023-24 to reduce Scope 1 and 2 emissions by 10 per cent, against the 2022-23 outturn (Scope 1 are those direct emissions that are owned or controlled by the Council; Scope 2 are a consequence of the activities of the Council but occur from sources not owned or controlled by it).

Progress on actions and outcomes is reported to the Environment and Sustainability Group on a quarterly basis attended by members of Team Doncaster. All Council cover reports also have a standard section on the impact of climate change to be considered by officers and members.

The financial pressures faced by the Council continue to impact on the Council's ambition to be net zero by 2040, however, the Council remains focussed on delivering its net zero goals and targets.

Other developments

Doncaster Children's Services Trust (DCST) formally transferred back all Children's services to City of Doncaster Council on 1 September 2022. This follows the lifting by Central Government of all directions in respect of the delivery of children's social care in January 2021. Management consider the incorporation of Children's services back into the Council will allow for the further integration and realignment of services providing greater efficiencies and allowing more spending on front line service delivery.

Conclusion

Overall, we are satisfied the Authority has appropriate arrangements in place for ensuring economy, efficiency and effectiveness in its use of resources. We have not identified any risks of serious weaknesses.

10. Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 The Council should continue to closely monitor its financial position and identify remedial actions to address the budget gap identified in 2022-23 and beyond. In particular, consideration should be given to identifying a range of potential savings schemes in advance of need that can be implemented at short notice if required.	Improvement	December 2022 (2021-22)	<p>The Council continues to closely monitor its financial position. The Council delivered an outturn overspend of £3.0m for 2022-23 compared to the Quarter 3 projected outturn overspend of £7.8m. The improved outturn position was due mainly to the action taken by management to delay and reduce non-essential spending. However, total savings planned to be delivered in 2022-23 were £15.1m (£10.2m in 2021-22) of which 72% (71% 2021-22) were actually delivered.</p> <p>Since the approval of the budget for 2023-24, the financial outlook continues to be difficult with inflation posing a real risk to the budget. The Quarter 2 Finance and Performance Improvement Report for 2023-24 presented to cabinet on 6 December 2023 noted a forecast outturn overspend of £1.76m.</p> <p>We consider it appropriate to raise an improvement recommendation relating to the identification of a range of savings schemes in advance of need that can be implemented at short notice if required to deliver total savings required in year.</p>	Partially	<p>Yes. We have re-raised part of the recommendation to identify a range of savings schemes in advance of need that can be implemented at short notice if required to deliver total savings required in year.</p> <p>See Improvement Recommendation No. 2 on page 19.</p>
2 The Council should develop and finalise both the short and long term DSG action plans to allow appropriate actions to be implemented to address the expected DSG deficits in 2022-23 to 2025-26. Regular engagement should continue with DfE and other relevant stakeholders to work towards a sustainable financial position on DSG before the current Government regulations end in 2024 and the DSG deficit at that point could become a draw on the Council's useable reserves. Once the plans are agreed, they should be routinely monitored and progress reported to Members on a regular basis.	Improvement	December 2022 (2021-22)	<p>The Council is participating in the DfE's Delivering Better Value in SEND programme to manage and reduce the high needs block overspend position on DSG. Despite this, the DSG cumulative deficit has increased to £19.9m at 31 March 2023, and is expected to increase by a further £5.9m in 2023-24 to £25.8m, is projected to be £29.2m at the end of £2024-25, £33.6m at the end of 2025-26 and £38.6m at the end of 2026-27.</p> <p>The Council's actions do not appear to be addressing the increasing deficit being created. As such and given Central Government guidance which excludes this deficit from the Council's general reserves ends from April 2026, the Council needs to take action to manage and bring down the deficit through other means, or set aside additional resources to fund expenditure. This issue has been raised as a Key Recommendation in 2022-23.</p>	Partially	<p>Yes. We have elevated this matter given its significance to a Key Recommendation. The Council should take action to control and reduce the DSG deficit during 2023-24 and beyond to eliminate the DSG deficit balance expected to be some £38.6m at 31 March 2027. Appropriate resources should also be identified to absorb any remaining balance outstanding on 1 April 2026 when the statutory override for the Dedicated Schools Grant deficit ends.</p> <p>See Key Recommendation on page 7.</p>

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
3 The Council should clearly identify statutory and discretionary spending in budgetary information which is provided to members and the public when setting the budget each year.	Improvement	April 2022 (2020-21)	The Council did not consider this recommendation was appropriate at the time given its balanced budget and MTFS position. However, it agreed that if it was unable to balance its future budgets, an assessment of the statutory and discretionary spending would be undertaken.	No	No. The Council has agreed to adopt this approach if necessary in future years.
4 The Council should routinely monitor the Dedicated Schools Grant (DSG) budget and implementation of the DSG deficit plan to ensure expected planned cost reductions and savings are delivered, and where slippage arises, remedial action is taken. Routine reporting should take place to members.	Improvement	April 2022 (2020-21)	<p>The DSG financial position is routinely reported as part of the Quarterly Finance and Performance Improvement Reports. However, the DSG budget continues to face significant pressures. The Council is participating in the DfE's Delivering Better Value in SEND programme to manage and reduce the high needs block overspend position. Despite this, the DSG cumulative deficit has increased to £19.9m at 31 March 2023, and is expected to increase by a further £5.9m in 2023-24 to £25.8m, is projected to be £29.2m at the end of £2024-25, £33.6m at the end of 2025-26 and £38.6m at the end of 2026-27.</p> <p>We have elevated this matter given its significance to a Key Recommendation. The Council should take action to control and reduce the DSG deficit during 2023-24 and beyond to eliminate the DSG deficit balance expected to be some £38.6m at 31 March 2027. Appropriate resources should also be identified to absorb any remaining balance outstanding on 1 April 2026 when the statutory override for the Dedicated Schools Grant deficit ends.</p>	Partially	<p>Yes.</p> <p>We have elevated this matter given its significance to a Key Recommendation. Progress will be monitored as part of the Key Recommendation.</p> <p>See Key Recommendation on page 7.</p>
5 The Council should formulate an action plan to address the issues identified in the Ofsted inspection of the Council's Children's Services. The action plan should include clear target dates and be formally reported to Ofsted and members and monitored routinely by senior management with regular progress reports presented to the Cabinet.	Improvement	April 2022 (2020-21)	<p>Since the Ofsted report was issued in April 2022, the Council has developed and progressed a post Ofsted Improvement Plan to address the issues raised. Our review of progress by the Council during 2022-23 indicates that good progress continues to be made with all the main actions complete, and the remaining less significant actions being integrated into routine business as usual processes and procedures. Doncaster Children's Services Trust transferred back into the Council on 1 September 2022.</p> <p>Discussions with the Chief Financial Officer and Assistant Director of Finance and Technology indicate improvement activity continues to be delivered with almost 90 per cent of the Improvement Plan completed by the end of October 2023.</p>	Yes	No.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
6 The Authority should finalise the procurement strategy which is currently being developed. This should set out the Council's objectives and approach to procurement.	Improvement	April 2022 (2020-21)	The procurement strategy has been finalised and published on the Council's website.	Yes	No.

11. Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

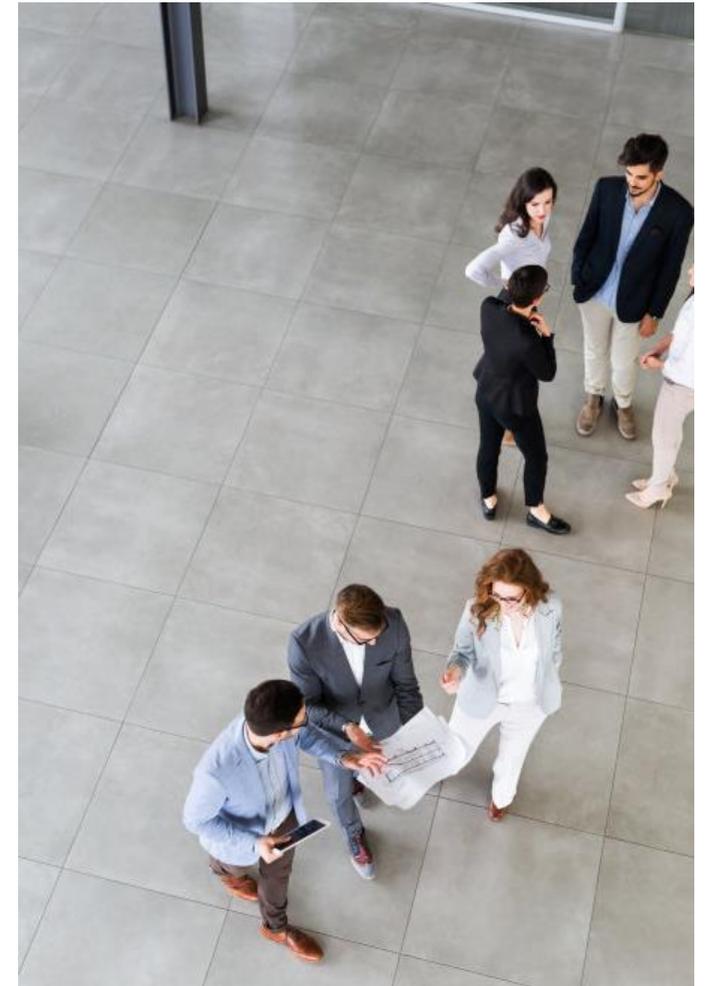
We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We issued an unqualified opinion on the Council's financial statements on 8 December 2023.

The full opinion is included in the Council's financial statements for 2022-23, which can be obtained from the Council's website.

Further information on our audit of the financial statements is set out overleaf.



Opinion on the financial statements



Timescale for the audit of the financial statements

- Our Audit Plan was issued on 19 April 2023 and presented to the Audit Committee meeting on 27 April 2023.
- We received the Council's draft 2022-23 accounts on 31 May 2023, in line with the statutory deadline for unaudited accounts. The Council was in a minority of c30% local authorities that managed to achieve the draft accounts deadline. This represented a good achievement by the Council, given all other competing pressures.
- Our final accounts audit work was conducted as planned from July through to November 2023. The findings from our final accounts audit were summarised in our Audit Findings Report (ISA 260).
- As in previous years, we had a good level of co-operation from Council Officers for requests for information and queries raised during our audit work.
- We concluded of audit of the Council's financial statements for 2022-23 and issued our audit opinion on 8 December 2023.

Findings from the audit of the financial statements

Our audit of the Council's 2022-23 financial statements did not identify any agreed audit adjustments impacting on the Council's useable reserves. Our audit work identified one material adjustment to the primary financial statements in relation to the valuation of the Council's share of the defined benefit pension scheme. Management updated the financial statements to correct this matter along with other less significant disclosure and presentational adjustments.

We raised one improvement recommendation for management in relation to the accounting for the gain or loss on asset disposals.

The detailed findings from our financial statements audit are included in our Audit Findings (ISA260) Report which was presented to the Council's Audit Committee on 23 November 2023. The Audit Findings Report is available on the Council's website as part of the agenda items for the Audit Committee meeting on 23 November 2023.



12. Other reporting requirements



Annual Governance Statement and Narrative Report

We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our review of the Annual Governance Statement and Narrative report identified no issues.

Audit Findings (ISA260) Report

More detailed findings can be found in our Audit Findings Report, which was published and reported to the Council's Audit Committee on 23 November 2023.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

Our work noted no issues.



Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

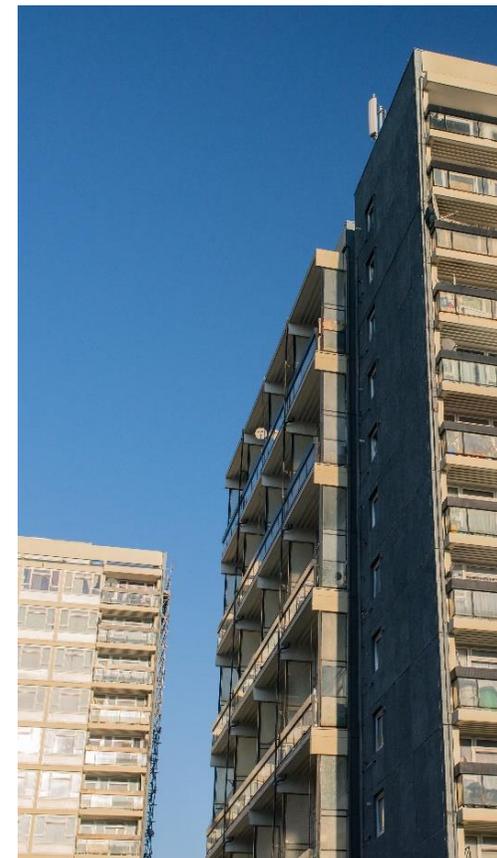
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B:

An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	-
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	Page 7
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Page 18 and 19



The Audit Findings (ISA 260) Report for City of Doncaster Council

Year ended 31 March 2023

8 December 2023



Contents



Your key Grant Thornton team members are:

Gareth Mills

Key Audit Partner & Engagement Lead

T 0113 200 2535

E gareth.mills@uk.gt.com

Perminder Sethi

Engagement Senior Manager

T 0113 200 2547

E perminder.sethi@uk.gt.com

Angus Crampton

Engagement Assistant Manager

T 0113 200 1655

E angus.em.crampton@uk.gt.com

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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and presented to the Audit Committee on 23 November 2023.

Gareth D Mills

Gareth Mills, Key Audit Partner and Engagement Lead for City of Doncaster Council

For Grant Thornton UK LLP

Date: 8 December 2023

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

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1. Headlines

This section summarises the key findings and other matters arising from the statutory audit of City of Doncaster Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2023 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We received the Council's draft 2022-23 accounts on 31 May 2023, in line with the statutory deadline for unaudited accounts. The Council was in a minority of c30% local authorities that managed to achieve the draft accounts deadline. This represented a good achievement by the Council, given all other competing pressures.

Our audit work was conducted as planned from July through to concluding in November. Our findings are summarised in Section Two of this report. As at the date of this report, we have not identified any agreed audit adjustments impacting on the Council's useable reserves.

Our work identified one material adjustment to the primary financial statements in relation to the valuation of Council's share of the defined benefit pension scheme (see pages 10 to 12 for further information) alongside other disclosure and presentational audit adjustments. These adjustments are detailed at Appendix D. Management has agreed to update the financial statements to correct these misstatements.

We have raised one recommendation for management as a result of our work in the Action Plan at Appendix B. Our follow up of recommendations from the prior year are detailed at Appendix C.

Our audit work is now complete and there are no matters outstanding or which we would require modification of our proposed audit opinion (Appendix H) or material changes to the financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay was sent to the Chair of the Audit Committee on 28 September and is also attached at Appendix I to this report for completeness.

We expect to issue our Auditor's Annual Report in time for the Audit Committee meeting on 1 February 2024. This is ahead of the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued within three months after the date of the opinion on the financial statements.

As reported in our Audit Plan issued in April 2023, we did not identify any risks of significant weaknesses from our initial planning work. However, we noted three areas that we would consider further as part of our VFM audit work:

- the actions being taken by the Council to manage its financial position in the short to medium term given the increasing financial pressures faced and its use of reserves
- progress made by the Council to address the issues identified in the Ofsted inspection report of Children's Services and the implementation of the action plan
- progress in actioning the DSG deficit recovery plan.

As part of our 2022-23 VFM review, we have considered each of these areas and are currently assessing the progress made by the Council, before we conclude our 2022-23 VFM work. However, we are satisfied these areas do not impact on our 2022-23 accounts audit or opinion.

As noted above and as many other local authorities across the country, the Council is facing cost pressures resulting from increasing children services demands, inflation, interest rates, energy and pay expenditure. This is challenging on the Council's ability to deliver the agreed budget and setting Medium Term Financial Plans. We will summarise our findings on these areas as part of our VFM work and report to you through our Auditor's Annual Report in early 2024.

Further information on our VFM work is reported at Section Three.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We cannot issue our 2022-23 audit certificate at this time. Subject to the completion of our work on the Council's VFM arrangements, and our review of the Council's Whole of Government Accounts (WGA) submission, we will then be in a position to issue our audit certificate in the New Year.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

Acknowledgements

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

2. Financial Statements

Overview of the scope of our audit

This Audit Findings (ISA260) Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice (‘the Code’). Its contents have been discussed with management and will be presented to the Audit Committee on 23 November 2023.

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

Audit approach

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

- an evaluation of the Council's internal controls environment, including its IT systems and controls
- an evaluation of the components of the Group based on a measure of materiality considering each as a percentage of the Group’s gross revenue expenditure to assess the significance of each component and to determine the planned audit response. From this evaluation we determined that a targeted approach was required as part of our audit work on the following Group components; St Leger Homes of Doncaster Limited (SLHD) and Doncaster Children’s Services Trust Ltd (DCST) which was brought back into the Council on 1 September 2022. This is consistent with our audit approach in previous years.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

Our audit work is now complete and there are no matters outstanding or which we would require modification of our proposed audit opinion (Appendix H) or material changes to the financial statements.

2. Financial Statements



Our approach to materiality

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

On receipt of the draft financial statements for 2022-23, we revised the materiality levels as reported in our Audit Plan dated 19 April 2023 to reflect the increase in net cost of services.

The updated materiality levels are shown in the table alongside for both the Council and the group.

Materiality area	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Revised materiality for the financial statements	11,566k	11,460k	We have determined materiality at 1.5% of gross operating expenditure for the year. We consider this as the most appropriate criteria given stakeholders interest in the Council delivering its budget.
<i>Original materiality</i>	10,648K	10,433k	
Revised performance materiality	8,096k	8,022k	There are no changes to this threshold or benchmark to that set out in our Audit Plan dated 19 April 2023.
<i>Original performance materiality</i>	7,453k	7,303k	
Revised trivial matters	578k	573k	Assessed to be 70% of financial statement materiality.
<i>Original trivial matters</i>	532k	521k	
Revised materiality for senior officer remuneration disclosures	-	15k	This equates to 5% of materiality. This is our reporting threshold to the Audit Committee for any errors identified.
<i>Original materiality for senior officer remuneration disclosures</i>	-	15k	
Revised materiality for senior officer remuneration disclosures	-	15k	The senior officer remuneration disclosures in the Financial Statements have been identified as an area requiring specific materiality due to its sensitive nature.
<i>Original materiality for senior officer remuneration disclosures</i>	-	15k	
Revised materiality for senior officer remuneration disclosures	-	15k	There are no changes to this threshold from our Audit Plan dated 19 April 2023.
<i>Original materiality for senior officer remuneration disclosures</i>	-	15k	



2. Financial Statements - Significant risks

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

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Commentary

Management override of controls (Risk relating to the Council)

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied and made by management and considered their reasonableness with regard to corroborative evidence
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work is now complete and has not identified any issues in respect of management override of controls.



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Risk of fraud in revenue recognition and expenditure

(Risk relating to the Council)

Revenue

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including at the Council, mean that all forms of fraud are seen as unacceptable.

Expenditure

Whilst not a presumed significant risk we have had regard to Practice Note 10 (Audit of financial statements and regularity of public sector bodies in the United Kingdom). Having considered the nature of the expenditure streams at the Authority, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because:

- there is little incentive to manipulate expenditure for a Council where services are provided to the public through taxpayer's funds
- there is no significant immediate pressures on general fund reserves of the Council.

As part of our final accounts audit process, we have reconsidered our rebuttal of both revenue and expenditure recognition and consider the rebuttal to still remain appropriate. Notwithstanding that we have rebutted these risks, we have undertaken a significant level of work on the Council's revenue streams, as they are material to the financial statements audit.

As part of our audit work, we have:

Accounting policies and systems

- Evaluated the Council's accounting policies for recognition of income and expenditure for its material income and expenditure streams and compliance with the CIPFA Code
- Updated our understanding of the Council's business processes associated with accounting for income and expenditure.

Fees, Charges and other service income

- Agreed, on a sample basis, income and year end receivables from other income supporting evidence.

Taxation and non-specific grant income

- Income for national non-domestic rates and council tax is predictable and therefore we conducted substantive analytical procedures
- For other grants we sample tested items for supporting evidence and checked the appropriateness of the accounting treatment was in line with the CIPFA Code. Please see further reporting at page 15.

Expenditure

- Agreed, on a sample basis, non pay expenditure and year end payables to supporting evidence
- Undertook detailed substantive analytical procedures on pay expenditure.

We also carried out sufficient and appropriate audit procedures to ascertain that recognition of income and expenditure was in the correct accounting period using cut off testing.

There are no issues arising from our work that require reporting to the Audit Committee.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Closing valuation of land and buildings, including Council dwellings

(Risk relating to the Council)

The Council re-values its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £1.5 billion) and the sensitivity of this estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used.

We therefore identified the closing valuation of land and buildings, including council dwellings as a significant risk, which was one of the most significant assessed risks of material misstatement.

As part of our work we have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- discussed with the valuer the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- engaged our own auditor's expert valuer to assess the instructions issued to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end

Our audit work noted that the Council currently accounts for the gain or loss on the sale of assets by deducting the sale proceeds received from the carrying value of the asset. However, we have noted that in some instances, where a sale straddles two financial years, the sale proceeds recognised are allocated between the two years on a cash basis as opposed to an accruals basis. Whilst these transactions are infrequent and not considered significant, the Council should account for asset sales on completion and include all cash receipts at that time, any cash received in advance (for example from deposits) should be held as received in advance until the sale is completed and accounted for at that time. A recommendation has been raised in this regard in the Action Plan at Appendix B.

Our work also identified a number of other matters (which are also detailed at Appendix D) as follows:

- Note 12 - Property, Plant and Equipment on infrastructure and derecognition indicates that the Council has opted not to apply regulation 30M of SI 1232/2022 that allows the carrying amount to be deemed to be nil and instead is applying the requirements of the Code. However, this disclosure was erroneous and the Council does comply with regulation 30M of SI 1232/2022. Management has now updated this note
- Note 12 - Property, Plant and Equipment - the revaluations disclosure table shown on page 51 currently includes for other land and buildings the net book value (NBV) of assets revalued rather than the gross book value (GBV). Management has now updated this note
- Note 12 - Property, Plant and Equipment - the table included on page 48 includes De-recognition - other for vehicles plant and equipment which were included within De-recognition - disposals in the prior year. The Council should take a consistent approach between years. Management has now updated this note
- Note 12 - Property, Plant and Equipment - the table on page 50 shows a depreciation charge of £42.6m for 2022-23 compared to £9.7m in 2021-22. The increase relates to the change in useful lives of infrastructure assets which is considered appropriate. No prior year adjustment is required as this is not considered an error. However, this significant movement has not been explained for the reader of accounts. Management has now updated this note to explain the movement.
- Note 12 - Property, Plant and Equipment - the Council spent £0.8m converting the former Museum and Art Gallery into a storage and archiving facility. The amount spent was derecognised and charged to the CIES whereas it should properly have been capitalised. Management has not adjusted for this amount on the grounds of materiality.
- Note 12 - Property, Plant and Equipment - an input error on the obsolescence factor applied to one school resulted in a valuation understatement error of £2.8m. Management has now adjusted for this error.

Our audit work has not identified any other issues in respect of the valuation of land and buildings, including Council dwellings.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of the Authority's defined benefit pension scheme (Risk relating to the Council)

The Council's pension fund valuation represents a significant estimate in the financial statements. This is due to the size and annual fluctuations of the numbers involved, a £36.2m pension asset in 2022-23 for the Authority in the draft financial statements and a £316.3m liability in 2021-22, and the sensitivity of the estimate to changes in key assumptions. The comparatives for the group accounts are an asset of £36.2m in the draft 2022-23 accounts and a liability of £390.8m in the 2021-22 accounts.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework).

However, for the first time since International Financial Reporting Standards have been adopted in the public sector, the Authority (in common with a number of local authorities in 2022-23) has had to consider the potential impact of IFRIC 14 on the Authority's IAS 19 accounting. IFRIC 14 is the accounting principle that limits the recognition of a defined benefit asset in the financial statements. As a result of this, we have assessed the recognition, valuation and disclosures of the Council's share of the pension asset as a significant risk.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is verifiable.

The actuarial assumptions used are the responsibility of the Council but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular, the discount and inflation rates, where the consulting actuary has indicated that a +0.1% - (0.1%) change in these two assumptions would have approximately 1.5% effect on the liability/asset.

We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 / IFRIC 14 estimates due to the assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the Council's share of the South Yorkshire Pension Fund as a significant risk.

Commentary

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's share of the pension fund is not materially misstated and evaluate the design of the associated controls
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the balance
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report

Auditor Commentary on Accounting for the Pension Fund Surplus/Asset in the Council's financial statements

See pages 11-12 overleaf where this is reported. It is important to note that any potential issues or adjustments that may arise from the Council's accounting for its share of the pension fund would not result in any impact on the Council's useable reserves.

The Council was one of a few authorities who correctly requested the calculation of the asset ceiling from its actuary and used this to determine the pension asset value to be included within the draft accounts for 2022-23.

Other work:

Our work to date, other than the pension fund asset measurement and accounting issue (see page 12), has identified four accounting and disclosure amendments which we have discussed with management and reported at Appendix D. The key amendments are as follows:

- Note 39 Defined Benefit Pension Schemes - the table included on page 81 of the draft accounts shows the reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits, the amount disclosed is currently £(56,276)k but should be £(33,544)k
- Group Note g – Defined Benefit Pension Scheme - Page 102 reports movements in the MIRS which differ from those reported for the Council. This is inconsistent since statutory adjustments between the accounting and funding basis should not be applied to group entities. There is a mismatch between note g and the group MIRS. Management has agreed to update this disclosure.
- The financial statements for St Leger Homes of Doncaster Limited (SLHD) for 2022-23 have not incorporated the pension fund net asset valuation. We have raised this with Council management to discuss with the management of SLHD and to update their draft accounts to incorporate the net pension asset valuation. Following discussions with management, we understand the accounts for SLHD have now been signed off and no amendment can be made. Instead, the Council will incorporate the net pension valuation as part of consolidation of the group accounts based on obtaining the IAS 19 valuation from the actuary relating to SLHD
- As last year, the South Yorkshire pension fund auditor noted in their IAS19 report an unadjusted error relating to Pooled Investment Vehicles (PIVs) of £46.4m relating to all admitted bodies. For Doncaster this unadjusted error totals £6.2m, representing the Council's share (an increase to investment assets). The Council has not adjusted for this error on the grounds it is not considered material. This has been shown as an unadjusted error at Appendix D.

No other issues have been noted from our work.

2. Financial Statements - Significant risks

Auditor Commentary on Accounting for the Pension Fund Surplus/Asset in the Council's financial statements

Valuation of the Authority's defined benefit pension scheme (continued):

This section covers:

- (1) Background to the issue and relevant accounting principles
- (2) Our observations of the draft accounts and actuary reports presented for audit
- (3) Our challenges to management on the draft accounts disclosures / accounting treatment and subsequent management actions
- (4) Revised accounts – summary amendments and disclosures

(1) Background to the issue and relevant accounting principles:

As indicated previously, for the first time since International Financial Reporting Standards (IFRS) were adopted in the public sector, the Council's net defined benefit pension fund is in a surplus or a net asset position in 2022-23, as opposed to the significant liability balance that has been reported in previous years.

According to the relevant accounting standard, IAS19 (Employee Benefits), an entity shall recognise the net defined benefit liability / asset in the statement of financial position. Therefore, whether it is a liability (which was the case in the past) or an asset, according to IAS19, it should be recognised in the balance sheet.

IAS19 states when an entity has a surplus in a defined benefit plan, it shall measure the net defined benefit asset at the lower of:

- (a) the surplus in the defined benefit plan
- (b) the asset ceiling, determined using the discount rate specified in IAS19.

The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

IFRIC-14 (The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) provides guidance on amount that can be recognised in the financial statements, when there is a surplus /net asset position.

It is significantly unlikely that there will be refunds from the plan to the employer in a local government defined benefit scheme. There are no exit plans in the foreseeable future as these are public sector pension plans that would continue in perpetuity. There could be a possible situation whereby there could be potential reductions in future contributions to the plan.

The economic benefit available as a reduction in future contributions can be calculated as follows:

- present value of IAS 19 future service costs (calculated based on IAS 19 assumptions as at the balance sheet date), less
- present value of future service contributions if these are classed as a minimum funding requirement.

By doing this, the asset ceiling can be determined (point b above)

Management then needs to consider what should be recognised / disclosed in the financial statements based on accounting principles stated above.

2. Financial Statements - Significant risks

Auditor Commentary on Accounting for the Pension Fund Surplus/Asset in the Council's financial statements

(2) Our observations of the draft accounts and actuary reports presented for audit

Our observations highlighted that:

- The Council received its actuary's report on 16 May 2023 for the year to 31 March 2023 which was used to prepare the draft accounts. This indicated a net asset position of £98.8m. This was derived after netting off the pension obligations of £1,324m from the asset valuation of £1,423m. The corresponding net pension fund liability as at 31 March 2022 was £316.3m therefore, the total year on year movement from liability to an asset position was £415.1m in a 12 month period. The biggest fluctuation year-on-year was in the reduction in present value of funded defined obligations from c£1,734m to £1,324m (by c24%). The primary reason for this decrease is attributable to an increase in the discount rate from 2.7% [31.3.22] to 4.75% [31.3.23].
- Using this information and considering the requirements of IFRIC 14, the Council requested the calculation of the asset ceiling from its actuary. The asset ceiling was calculated by the Council's actuary at £62.6m. As a result, the Council reduced its pension asset valuation of £98.8m by this amount, leaving £36.2m which was recorded in the Council's draft accounts as an asset related to the defined benefit pension scheme.

(3) Our challenges to management on the draft accounts disclosures / accounting treatment and subsequent management actions

- We challenged management's actuary when the first asset ceiling calculation was made by capping the future working lifetime of the employer for a shorter period. According to IFRIC14 accounting principles, asset ceiling calculations should consider the expected life of the pension plan, in this case local government defined benefit scheme's expected lifetime. We considered the working lifetime (expected life of the plan) to be indefinite due to the nature of the pension scheme. Therefore, annuity in perpetuity should be used in determining the asset ceiling.
- Management agreed with this view and following discussions, the actuary agreed to revise the asset ceiling calculation based on the expected life of the pension scheme, in line with IFRIC14 principles. The revised asset ceiling calculation was obtained from the actuary by management for our audit purposes. The updated asset ceiling calculation provided by the Council's actuary following audit challenge was £644.4m. The asset ceiling is larger than the Council's share of the pension fund asset and management has agreed to recognise the full pension asset figure of £98.8m in its accounts.
- However, the total pension net asset position of £98.8m includes an unfunded defined benefit obligation of £20.3m that has been netted off against the funded asset position. Under IAS19, a funded asset position can only be netted off against an unfunded liability when, (a) the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and (b) the entity intends to settle the obligations on a net basis or to release the surplus in one plan and settle its obligations under the other plan simultaneously. Our work indicates none of these apply to the Council and such netting off cannot be performed. In previous years this unfunded balance had been included within the overall pension fund liability amount. As a result, the pension fund asset should be shown as £119.1m (£98.8m plus the £20.3m unfunded obligation) and the unfunded pension obligations of £20.3m should be shown separately as a liability related to the defined benefit pension scheme on the Council's balance sheet (and Note 39). This adjustment is included within Appendix D, Audit Adjustments, in summary, an adjustment of £83.0m is required to the pension asset valuation on the balance sheet (long term assets) and an adjustment of £20.3m as a liability related to the defined benefit pension scheme (totalling £62.7m).
- The Council's accounting for the pension asset is now in line with IFRIC 14 and the accounting principles highlighted on page 11. The Council was one of a few authorities who correctly requested the calculation of the asset ceiling from its actuary and used this to determine the pension asset value to be included within the draft accounts for 2022-23. Given the limited available guidance available at the time of preparing the draft accounts in this area, and no previous asset position in a local government pension scheme was available, the Council did significantly more than other authorities in interpreting IFRIC 14, the asset ceiling calculation and the corresponding entries to be included in its draft accounts.

(4) Revised accounts – summary amendments and disclosures

We have summarised below the amendments made from the draft to final financial statements in relation to defined benefit asset as at 31 March 2023

- The asset ceiling is now larger than the Council's share of the pension fund asset position. Therefore, management has agreed to recognise the full asset value of £119.1m on the balance sheet as a long-term asset along with a separate entry for unfunded pension obligations of £20.3m as a liability related to the defined benefit pension scheme (at the bottom of the balance sheet). This results in a total adjustment of £62.7m (£83.0m increase to pension asset and £[20.3] increase to unfunded pension obligation) and is shown at Appendix D.
- Additional disclosures are to be made to accounting policies to reflect IFRIC14 accounting principles
- Additional disclosures are to be made to note 39 of the financial statements, Defined Benefit Pension Scheme
- It is important to note that there is no impact on the Council's useable reserves arising from these amendments or the Council's outturn position impacting on the general fund balance.

Overall, this issue is an unusual national issue for 2022-23 impacting on a number of local authorities for the first time, in terms of financial reporting, accounts preparation and audit.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Accounting for the transition of Doncaster Children's Service Trust back into the Council on 1 September 2022

(Risk relating to the Council and Group)

Doncaster Children's Services Trust, an arm's length management organisation (ALMO) which had been operational since 2013 formally transferred back all Children's services to the Council on 1 September 2022.

There is a risk that the accounting entries, accounting treatment adopted and the valuation of assets and liabilities used to bring Doncaster Children's Services Trust back into the Council's accounts may be inappropriate or erroneous potentially resulting in a material error.

We therefore identified the accounting for the transition of Doncaster Children's Service Trust back into the Council on 1 September 2022 as a significant risk, which was one of the most significant assessed risks of material misstatement.

As part of our audit work, we have:

- reviewed management's approach to account for the transfer of Doncaster Children's Service Trust back into the Council on 1 September 2022 and management's supporting assessment of the proposed approach
- considered the approach taken by management to ensure that all assets and liabilities are brought into the Council's accounts at an appropriate valuation and in compliance with the CIPFA Code
- reviewed the Council's approach to account for estimates and the accounting treatment for other areas of income and expenditure to ensure this is appropriate and in line with the Council's existing accounting policies and the CIPFA Code
- obtained third party corroboration where available to support the accounting entries and estimates made by the Council
- consulted with our technical team where appropriate to ensure appropriate accounting treatment and disclosure.

There are no issues arising from our work that require reporting to the Audit Committee. See also our findings on page 14 overleaf relating to Doncaster Children's Service Trust.

2. Financial Statements: Key findings arising from the Group audit

Component	Work performed	Group audit impact and findings
<p>St Leger Homes of Doncaster Ltd (SLHD)</p>	<p>We adopted a targeted approach of the material balances and transactions of SLHD within the Group financial statements for the year ended 31 March 2023.</p> <ul style="list-style-type: none"> Our audit approach included obtaining sufficient assurances based on group materiality over material balances and transactions of SLHD outside the group boundary, based on group materiality. This included the SLHD net pension fund asset only. 	<p>From our work completed to date, there are no issues to report from the consolidation of SLHD into the Council's group accounts. However, we noted that the financial statements for St Leger Homes of Doncaster Limited have not incorporated the pension fund net asset valuation. We raised this issue with Council management who have liaised with management at SLHD. Following discussions, we understand the accounts for SLHD have now been signed off and no amendment can be made. Instead, the Council will incorporate the net pension valuation as part of the consolidation exercise of the group accounts. This matter is also reported at Appendix D.</p> <p>There are no other issues arising from our work that require reporting to the Audit Committee.</p>
<p>Doncaster Children's Services Trust Ltd (DCST) – part year to 31 August 2022</p>	<p>Doncaster Children's Services Trust, which had previously been consolidated in the group financial statements formally transferred back all Children's services to the Council on 1 September 2022. From 1 September 2022, all transactions relating to DCST form part of the City of Doncaster Council.</p> <p>Following an exercise undertaken by management which considered all expenditure, income, assets and liabilities of DCST, management concluded that once intercompany balances had been removed, and given all expenditure and income fell within the same service line headings within the Comprehensive Income and Expenditure Statement, there were no material other balance remaining except the net pension valuation. As a result, the Council has not prepared accounts for DCST for the five months to 31 August 2022.</p> <p>We have reviewed management's approach which appears reasonable, and confirms that once intercompany balances are removed, no material other balances remain except for the net pension valuation. We have also tested income and expenditure as part of our routine testing work during the financial statements audit. In addition, we have separately considered the net pension fund valuation which is now part of City of Doncaster Council at 31 March 2023.</p>	<p>The Council has not prepared accounts for Doncaster Children's Services Trust for the five months to 31 August 2022. This is because once intercompany balances are removed, no material other balances remain except for the net pension valuation.</p> <p>There are no issues arising from our work except for the following matter:</p> <ul style="list-style-type: none"> Group MIRS - the group MIRS reports that DCST is not included in the group accounts, but the adjustment made to the opening balance of reserves is £31.597m which is material. The Council has now transferred the DCST reserve through the Group CIES which flows through to the Group Balance Sheet and Group MIRS. This adjustment is also shown at Appendix D. <p>There are no other issues arising from our work that require reporting to the Audit Committee.</p>

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Auditor commentary and view
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IFRS 16 implementation

FRAB agreed with the deferral of IFRS 16 to 2024- 25. Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. If management elect to implement IFRS 16 from April 2023 (early adoption) then in the 2022-23 accounts as a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts

The Council has decided not to adopt the standard early in its financial statements. The Council has included a high level reference to IFRS16 in its accounts, Note 3 - Accounting Standards that have been issued but have not yet been adopted.

Management and the audit team will liaise during the 2023-24 audit to ensure the requirements of the new standard are being followed and plans are developed for IFRS 16 implementation to be adequately reported in the 2023-24 accounts and fully adopted in the 2024-25 accounts.

Recognition and Presentation of Grant Income

The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal / agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income.

The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.

Note 33 to the accounts includes a detailed analysis of grant income covering grant income recognised through the Comprehensive Income and Expenditure Statement (CIES). Note 33 also includes grants and contributions received in advance. Note 2, accounting policies provides the accounting principles supporting grant income.

Our audit testing of grant income relating to 2022-23 has not identified any non-compliance with the requirements for grant accounting as specified in the Code. Our work involved, reviewing the Council's treatment of grants as either agent (where the Council passes on the grant without having control over its award) or principal (where the Council determines the grant award to be provided). Grant awards where the Council is acting as principal are recorded within the Council's CIES whereas grants where the Council has acted as agent are not.

Our work also reviewed the appropriateness of the disclosures made and we undertook sample testing of a number of grants.

No issues have been identified in the recognition and presentation of Grant Income.

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Auditor commentary and view
<p>Measurement of Infrastructure Assets:</p> <ul style="list-style-type: none">• The Code requires infrastructure to be reported in the Balance Sheet at depreciated historical cost, that is historic cost less accumulated depreciation and impairment. Depreciation depends upon the use of appropriate useful economic lives.• The update to the Code (November 2022) provides a temporary relief from the requirement to report the gross book value and accumulated depreciation for infrastructure assets, because historical reporting practices and resulting information deficits mean that this information is unlikely to faithfully represent the asset position to the users of financial statements.• An amendment to the Local Authority Capital and Finance regulations (SI 2022 No 1232) permits Local Authorities when derecognising components of infrastructure assets, replaced by expenditure on existing assets, to determine the relevant amount to be nil.• The Council has material infrastructure assets, at net value basis, there is therefore a potential risk of material misstatement related to the infrastructure balance.	<p>Our audit work has not identified any issues in respect of the measurement of infrastructure assets. Our work did however identify a disclosure issue:</p> <ul style="list-style-type: none">• Note 12 – Property, Plant and Equipment on infrastructure and derecognition indicates that the Council has opted not to apply regulation 30M of SI 1232/2022 that allows the carrying amount to be deemed to be nil and instead is applying the requirements of the Code. We understand from management that this disclosure is incorrect and the Council does comply with regulation 30M of SI 1232/2022. Management has agreed to update this note and correct the disclosure. <p>There are no other matters arising from our work that require reporting to the Audit Committee.</p>
<p>Equal pay claims and the potential liabilities:</p> <ul style="list-style-type: none">• There have been recent publicity in local government sector where certain councils have accumulated equal pay claims. In some cases, these claims have resulted in recognising significant liabilities on the balance sheet. This has created significant financial and cashflow challenges during an economic crisis where public services have already been impacted due to increasing service demands and cost pressures.• As part of our 2022-23 audit, we inquired on such existing equal pay claims at the Council, directing our inquiries to the s151 Officer.• Our objective was to identify any unrecorded liabilities in relation to equal pay claims at the Council.	<p>Our work indicated:</p> <ul style="list-style-type: none">• The Council settled all such claims prior to 2016-17 and there are no such existing claims from the work done by the Council• After 2016-17, the Council has not received notification of any potential equal pay claims through the Advisory, Conciliation, and Arbitration Service (ACAS), Early Conciliation process, through its Employment Relations Forum or through its internal grievance process• The Council has undertaken work such as job evaluation schemes to identify any such potential liabilities and none has been found. <p>Additionally, we have also obtained management representation on this matter – see Appendix G for draft letter of representation.</p>
<p>IT General Controls (ITGC) work:</p> <p>As part of our audit procedures on the financial statements, we conducted our ITGC work. This was targeted on general IT controls and was performed by our IT specialists. The objective was to identify any significant deficiencies in IT general controls that could lead to any material errors in the financial statements.</p>	<p>No material issues were noted from our IT General Controls work this year.</p>

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements in-line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment
Council Dwellings valuation: £787m	<p>The Council is required to revalue its Council housing in accordance with Department of Levelling up Housing and Communities (DLUHC) Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties.</p> <p>The Council engaged the District Valuer from the Valuation Office Agency (VOA) to complete the valuation of these properties. The valuation was at 31 March 2023 and valued Council Housing at £787.2m, a net increase of £40.0m from 2021-22 (£747.2m).</p>	<ul style="list-style-type: none"> The District Valuer is RICS qualified and valued the entire housing stock using the beacon methodology, in which a detailed valuation of representative property types was then applied to similar properties Our work indicated that this methodology was applied correctly to the 2022-23 valuation We have assessed the valuer to be competent, capable and objective in carrying out the valuations We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report We have agreed the HRA valuation report to the accounts We have compared the valuation movements with the Gerald Eve (property valuation specialists) national report and held discussions with our own valuation auditor’s expert. These discussions are still on going. We have also challenged management and the Council’s valuation expert on valuation differences identified through our sensitivity analysis work using other relevant indices. These discussions remain on-going and we intend make our conclusions before we issue the audit opinion. <p>There are no issues arising from our work that we wish to bring to the attention of the Audit Committee.</p>	<p>We consider management’s process is appropriate and key assumptions are neither optimistic or cautious</p> <p>(Green)</p>

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic or cautious
- [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements in-line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment
<p>Other Land and Buildings valuation: £470.1m</p>	<p>Other land and buildings comprises £405.1m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The remainder of other land and buildings (£65.0m) are not specialised in nature (such as car parks) and are required to be valued at existing use in value (EUV) at year end.</p> <p>The Council has engaged its in-house RICS qualified valuer to complete the valuation of assets on a five yearly cyclical basis as permitted by Code of Practice on Local Authority Accounting. Approximately 54% of total other land and buildings assets (by gross value) were revalued during 2022-23.</p> <p>Management has also considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 31 March 2023, to determine whether there has been a material change in the total value of these properties.</p> <p>The total year end valuation of Other land and buildings was £456.9m (PY £428.9m).</p>	<ul style="list-style-type: none"> • We have assessed the Council’s in-house valuer, to be competent, capable and objective • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate, including floor areas and have no issues to report • The valuation methods remain consistent with the prior year • In relation to assets not revalued in the year, we have compared the Gerald Eve (valuation specialists) property valuation report and held discussions with our own valuation auditor’s expert. These discussions are still on going. We have also challenged management and the Council’s valuation specialist on valuation differences identified through our sensitivity analysis work using other indices. These discussions are still on-going and we intend make our conclusions before we issue the audit opinion. <p>Our audit work has not identified any issues that we wish to bring to the attention of the Audit Committee.</p>	<p>We consider management’s process is appropriate and key assumptions are neither optimistic or cautious (Green)</p>

2. Financial Statements - key judgements & estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

This Year:
Net pension Asset £36.2m (Council)
(Revised to £98.8m after recalculating the asset ceiling – see page 12)

The Council's net pension asset as at 31 March 2023 was £36.2m in its draft accounts (PY deficit /liability £316.3m). Following recalculation of the asset ceiling, the pension asset at 31 March 2023 was revised to £98.8m. This is an overall movement of £415.1m between last year and this year. However, the total pension asset position of £98.8m includes an unfunded defined benefit obligation of £20.3m that should not be netted off under IFRIC 14. As such, the pension fund asset should be shown as £119.1m and the unfunded pension obligation shown separately as a liability of £20.3m. See further details reported on pages 10-12.

We have:

- Assessed the competence, capability and objectivity of management's expert, Hymans Robertson LLP
- Assessed the actuary's approach taken and deemed it reasonable
- Used PwC as an auditor's expert to assess the management actuary and assumptions made by the actuary (see table below)
- Confirmed the completeness and accuracy of the underlying information used to determine the estimate
- Confirmed the reasonableness of the Council's share of pension assets
- Confirmed the reasonableness of the decrease in the liability estimate
- Confirmed the adequacy of the disclosure of the estimate in the financial statements.

We consider management's process is appropriate (after the adjustment made to the draft accounts as stated at page 12) and key assumptions are neither optimistic or cautious **(Green)**

Prior Year:
Net pension liability £316.3m (Council)

The Council continues to engage Hymans Robertson LLP to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at 31 March 2022, utilising key assumptions such as life expectancy, discount rates, salary growth and pension increase rate.

A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return.

Given the significant value of the net pension fund asset/liability, small changes in assumptions can result in significant valuation movements. As indicated above and our reporting at pages 10-12, there has been a £415.1m net actuarial gain during 2022-23. This improved position is largely a result of an increase in the discount rate in excess of the increase in the CPI inflation assumption.

Assumption	Actuary Value	* PwC range	Assessment
Discount rate	4.75%	See comment below	● Green
Pension increase rate	2.95%	See comment below	● Green
Salary increase rate	3.55%	See comment below	● Green
Life expectancy – Males currently aged 45 / 65	21.5/20.5	See comment below	● Green
Life expectancy – Females currently aged 45 / 65	25.2/23.7	See comment below	● Green

*PwC has commented on the Hymans Robertson LLP (management actuary) assumptions as follows: "We are comfortable that the methodologies used by Hymans Robertson to establish assumptions will produce reasonable assumptions as at 31 March 2023 for all employers".

Our work in this area also considered the pension asset accounting and disclosures (pages 10-12).

Our work has not identified any evidence to conclude that management's processes and key assumptions are not appropriate.

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Summary of management’s approach

Audit Comments

Assessment

Grants Income:
£430.1m
(PY £448.0m)

Management has taken into account three main considerations in accounting for grants:

1. whether the Council is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Management’s assessment needs to consider all relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements.
2. whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income
3. whether the grant is a specific or non-specific grant. General un-ringfenced grants are disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts.

There may be judgements over the accounting treatment. Different conclusions may be reached by the Councils depending on how they have applied any discretion in administering the schemes and application of Code guidance.

The Council receives a number of grants and contributions and is required to follow the requirements set out in the Code. The main considerations are to determine whether the Council is acting as principal or agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.

As part of our audit work, we have:

- substantively tested a sample of grants across categories and reviewed management’s assessment as to whether the Council is acting as the principal or agent
- for the samples selected, reviewed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income
- assessed for the sample of grants received, whether the grant is specific or non-specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES or not
- assessed the adequacy of disclosure of grants received and judgement used by management as part of our detailed testing.

Our work is now complete and has not identified any matters to report.

We consider management’s process is appropriate and key assumptions are neither optimistic or cautious
(Green)

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Additional procedures carried out to address risks arising from our findings
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
E5 ERP Finance system	ITGC assessment (design and Implementation) and application controls assessment	 Green	 Green	 Green	 Green	N/A - None
Northgate (Revenue and benefit System)	ITGC assessment (design and Implementation) and application controls assessment	 Green	 Green	 Green	 Green	N/A None
Open Housing (Housing Rents System)	ITGC assessment (design and Implementation) and application controls assessment	 Green	 Green	 Green	 Green	N/A- None

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Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements (red)
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk (amber)
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope (green)
-  Not in scope for testing

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Council's Audit Committee and the Chief Financial Officer. We have not been made aware of any significant incidents in the year and no issues have been identified during the course of our audit.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. However, our work identified that Note 34 - Related party disclosures does not report the amount of transactions and balances between the Council and the companies that are subsidiaries, associates or joint ventures: (1) St Leger Homes of Doncaster; Doncaster Childrens Services trust and Arthur Street Developments. The value of transactions and balance should be disclosed where material from the viewpoint of either the Council or the related party. Management has agreed to expand this disclosure. This issue is also reported at Appendix D.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	The proposed letter of management representation is included at Appendix H. As highlighted at Appendix H, an additional representation was obtained in relation to: (a) Equal Pay liabilities, based on the assessment and work carried out by the Council, there is no requirement to recognise any Equal Pay liabilities on the balance sheet, as at 31 March 2023.
Confirmation requests from third parties	We requested from management permission to send a confirmation request to the Council's bankers, and entities who were involved with the Council's investments and borrowings. This permission was granted and the requests were sent and responded to with positive confirmations.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements to date. Our work did identify a small number of presentational disclosure amendments (including in respect of IFRIC 14, see page 10-12) which have been processed by management and these are set out at Appendix D.
Audit evidence and explanations / significant difficulties	As in the previous four years, we have continued to experience good co-operation and engagement from the Council throughout our 2022-23 audit. There are no significant difficulties to report in terms of receipt of audit evidence for all information and explanations requested.

2. Financial Statements: other communication requirements



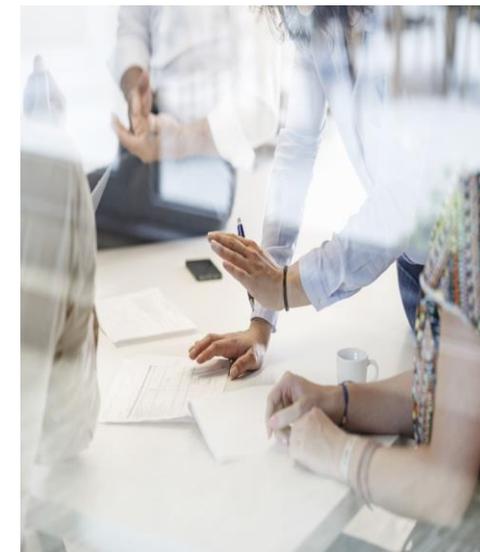
Our responsibility

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

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none">• 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 entity'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, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities• for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none">• the nature of the Council and the environment in which it operates• the Council's financial reporting framework• the Council's system of internal control for identifying events or conditions relevant to going concern• management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none">• a material uncertainty related to going concern has not been identified• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our review of the Annual Governance Statement and Narrative report identified no issues. We plan to issue an unmodified opinion in this respect as reported at Appendix H.</p> <p>Overall, no material inconsistencies have been identified.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • if we have applied any of our statutory powers or duties • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness(es). <p>We have nothing to report on these matters. Our Value for Money work is underway and is expected to be completed for the Audit Committee meeting on 1 February 2024.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out certain procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>The NAO requires the work to be completed once the audit opinion is provided on the financial statements.</p> <p>In 2022, the NAO increased the audit threshold to £2bn expenditure for authorities that required detailed WGA audit work. The NAO's 2022-23 guidance has now been issued and this threshold remains in place for 2022-23 WGA work, therefore in common with recent years, the Council's WGA submission should only require limited audit input.</p> <p>We anticipate issuing this return to the NAO after issuing the audit opinion and we have targeted this for December 2023.</p>
Certification of the closure of the audit	<p>As in previous years, we intend to delay the certification of the closure of the 2022-23 audit of the Council in the audit report, as detailed at Appendix I, until we have completed any required work on the WGA consolidation exercise mentioned above and completed our Value for Money responsibilities with the issue of the Auditor's Annual Report.</p>



3. Value for Money arrangements

Approach to Value for Money work for 2022-23

The National Audit Office issued its updated guidance for auditors in January 2023. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report (AAR). An audit letter explaining the reasons for the delay was sent to Chair of the Audit Committee on 28 September 2023 and is also attached at Appendix I to this report for completeness. We expect to issue our finalised Auditor's Annual Report in January 2024 and present this to the Audit Committee meeting on 1 February 2024. This would be ahead of the National Audit Office's revised deadline, which requires the AAR to be issued no more than three months after the date of the opinion on the financial statements.

As reported in our Audit Plan issued on 19 April 2023, we did not identify any risks of significant weaknesses from our initial planning work. However, we noted three areas that we would further consider as part of our VFM audit work:

- the actions being taken by the Council to manage its financial position in the short to medium term given the increasing financial pressures faced and its use of reserves
- progress made by the Council to address the issues identified in the Ofsted inspection report of Children's Services and the implementation of the action plan
- progress in actioning the DSG deficit recovery plan.

As part of our 2022-23 VFM work, we have considered each of these areas and are currently assessing the progress made by the Council, before we conclude our 2022-23 value for money work. However, we are satisfied that these areas do not impact on our 2022-23 accounts audit or opinion. As part of our 2022-23 VFM review, we are also following up on the progress being made by the Council to implement the two improvement recommendations made last year, 2021-22. We will report our findings in the Auditor's Annual Report.

As noted above and as many other local authorities across the country, the Council is facing cost pressures resulting from increasing children services demands, inflation, interest rates, energy and pay expenditure. This is challenging on the Council's ability to deliver the agreed budget and setting Medium Term Financial Plans. We will summarise our findings on these areas as part of our VFM work and report to you through our Auditor's Annual Report in early 2024.

It is important to note that our VFM risk assessment will continue until we issue our 2022-23 Auditor's Annual Report in January 2024. Our view is there are no VFM issues that would have a material impact on our ISA(UK) audit work and therefore would not restrict us in completing the audit of the financial statements and issuing our 2022-23 audit opinion on the Council's accounts.

4. Independence and ethics

Independence and ethics

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

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

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

Details of fees charged are detailed at Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details please see the Grant Thornton website.

Audit and non-audit services

There are no non-audit services that have been provided to the Group.

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Group. The following services were identified as well as the threats to our independence and associated safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related:			
No services provided	-	-	-
Non-audit related:			
No services provided	-	-	-

4. Independence and ethics (continued)

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council or Group.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group or Council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council / Group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council or Group, senior management or staff that would exceed the threshold set in the Ethical Standard.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Audit Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation
- H. Audit opinion
Audit letter in respect of delayed VFM work

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management / those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and / or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings (ISA260) Report, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings (ISA260) Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified the following recommendation for the Council as a result of issues identified during the course of our financial statement audit. We have agreed our recommendation with management and we will report on progress on this recommendation during the course of the 2023-24 audit. The matter reported here is limited to those deficiencies that we have identified during the course of our audit and that we have concluded is of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Low	<p>1. Accounting for the disposal of assets</p> <p>The Council currently accounts for the gain or loss on the sale of assets by deducting the sale proceeds received from the carrying value of the asset. However, we have noted that in some instances, where a sale straddles two financial years, the sale proceeds recognised are allocated between the two years on a cash basis as opposed to an accruals basis. Whilst these transactions are infrequent and not considered significant, the Council should account for asset sales on completion and include all cash receipts at that time, any cash received in advance (for example from deposits) should be held as received in advance until the sale is completed and accounted for at that time.</p>	<p>Recommendation</p> <p>We recommend the Council should account for asset sales on completion and include all cash receipts at that time, any cash received in advance (for example from deposits) should be held as received in advance until the sale is completed and accounted for at that time.</p> <p>Management response:</p> <p>Agreed. The Council will review asset sales and capital receipts received in year and treat any deposits for sales yet to complete as a capital receipt in advance and where future instalments are to be received these will be treated as deferred capital receipts.</p>

C. Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2021-22 financial statements, which resulted in two recommendations being reported in our 2021-22 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Vehicles, Plant and Equipment</p> <p>In reviewing the Council's asset register for vehicles, plant and equipment, we noted a large number of assets which had been fully depreciated showing a Net Book Value (NBV) of zero, but still remaining in the asset register. Following discussions with management, we became aware that these assets were no longer held by the Council as they had been fully depreciated and disposed of and should have been removed.</p> <p>In total, there were 320 assets with a gross book value of £11.2m. Management has now removed these assets from the asset register and updated Note 12 to the financial statements.</p> <p>There is a need for the Council to ensure that when assets reach the end of their useful life, they are removed from the asset register, or provided with an extended useful life and possible valuation if the asset still remains in use.</p> <p>A periodic review of all vehicles, plant and equipment each year will help ensure fully depreciated assets and those which are no longer used are removed from the asset register.</p>	<p>The Council has introduced an additional exercise at year end to review any item of vehicles, plant and equipment with a £0 net book value or in the last year of its useful economic life to confirm if it is still in use. Assets are now removed unless confirmation is received that assets remain in use in which case, they are given an extended useful economic life based on the information provided.</p>
✓	<p>Infrastructure assets</p> <p>The Department for Levelling Up, Housing and Communities issued a Statutory Instrument (SI) relating to Infrastructure assets on 25 December 2022. This enabled the Council to assume disposals at nil values when replacing infrastructure asset components. The Council's current records do not enable the IAS16 principles to be fully followed in 2021-22 and whilst we have placed reliance on the SI for 2021-22, there is a need for the Council to put robust plans in place to clearly demonstrate the different types of infrastructure assets that they hold, their Useful Economic Lives (UELs) and their depreciation charges, in advance of the expected CIPFA Code update on this issue in 2025-26.</p>	<p>The Council has now reviewed and updated its arrangements. The Council complies with regulation 30M of SI 1232/2022.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

D. Audit Adjustments

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

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

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves £000
Balance Sheet – Assets related to defined benefit pension scheme			
Actuarial (gains) / losses on pension assets / liabilities	(83,002)		0
Asset related to defined benefit pension scheme	20,302	83,002	0
Net pension asset related to defined benefit pension scheme increases from £36.2m to £119.2m following the recalculation of the pension asset ceiling from £62.6m to £644m. Please also see first two misclassification and disclosure changes overleaf.		(20,302)	
Balance Sheet – PPE			
Property, Plant & Equipment	-	2,814	0
Unusable Reserves	-	(2,814)	
Understatement of the valuation of a school by £2.8m due to an input error in the obsolescence factor.			
Overall impact	(62,700)	62,700	£nil
	No impact to Surplus /Deficit of provision of services.	Increase Long Term Assets by £62.7m	No impact on the useable reserves of the Council.
	Impact only on Other Comprehensive Income & Expenditure (bottom part of the CIES) - increase by £62.7m	Increase Long Term Liabilities by £62.7m	

D. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
<p>Note 39 – Defined Benefit Pension Scheme</p> <p>Note 39 reports net asset of £36.2m for the LGPS defined benefit pension scheme with the impact of the asset ceiling of £62.595m, however, the group accounts also report a net asset of £36.2m with the impact of the asset ceiling reported as £93.279m. Note: see also asset ceiling issue below.</p>	<p>The asset ceiling reported in the group accounts appears incorrect and should be updated. Reference should also be included to refer to IFRIC 14 to explain the impact of the asset ceiling in Note 39.</p> <p>Management response:</p> <p>The asset ceiling of £93.279m is erroneous and will be updated. Narrative to be updated to also refer to IFRIC 14 in Note 39. Note: see also asset ceiling matter below.</p>	✓
<p>Calculation of Pension Asset Ceiling</p> <p>Our review of the Actuary’s calculation of the asset ceiling relating to the LGPS noted an anomaly in the assumption used for the expected life of the pension plan. This was set at 9.3 years whereas it should be indefinite, given the LGPS will continue into the future.</p>	<p>The asset ceiling calculation should be re-calculated and the updated asset ceiling figure used within the financial statements.</p> <p>Management response:</p> <p>Agreed, the Actuary has now recalculated the asset ceiling as £644m. We have revised the asset ceiling figure to £644m and also updated the pension net assets to £119.2m and a pension unfunded obligation of £20.3m (net impact £98.9m). These changes have been made throughout the accounts.</p>	✓
<p>Note 28 Pooled Budget</p> <p>The Pooled Budget note does not clearly describe the nature of the arrangement between the Council and the ICB.</p>	<p>The note should be expanded to set out the nature of the Pooled Budget agreement, for example if there is joint control and this meets the definition of a joint operation.</p> <p>Management response</p> <p>Note to be updated. The pooled budget is considered a joint operation as both parties have joint control, have rights to the assets, and obligations for the liabilities in respect of the pooled budget arrangement. As a joint operation the Council accounts for the assets, liabilities, revenues and expenses relating to the Council’s interest in the joint operation</p>	✓

D. Audit Adjustments

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
<p>Note 16 – Financial Instruments</p> <p>The narrative relating to Financial Guarantees – Bank, refers to pooling bank accounts of the Council, DCST and SLHD and states ‘the Council is the controlling body’.</p>	<p>The use of the term ‘controlling body’ infers the Council is able to control the bank accounts of DCST and SLHD. This reference should be removed unless the Council is in control of these bank accounts.</p> <p>Management response</p> <p>Wording to be updated and use of ‘controlling body’ removed.</p>	✓
<p>Note 34 - Related party disclosures</p> <p>The note does not report the amount of transactions and balances between the Council and the companies that are subsidiaries, associates or joint ventures:</p> <ul style="list-style-type: none"> • St Leger Homes • Doncaster Childrens Services trust • Arthur Street Developments. <p>The value of transactions and balance is required where these are considered material from the viewpoint of either the council or the related party.</p>	<p>The note should be expanded to include the amount of transactions and balances between the Council and the companies that are subsidiaries, associates or joint ventures.</p> <p>Management response</p> <p>Agreed, the note to be expanded. Arthur Street Developments is not material for either the Council or Arthur Street developments.</p>	✓
<p>Note 35 – Capital Expenditure and Capital Financing</p> <p>Review of the capital financing requirement calculation identified an error relating to a capital contribution of £7.7m which had been erroneously included. Note 35 is overstated by £7.7m.</p>	<p>The note should be updated to correct for this error.</p> <p>Management response</p> <p>Agreed, the note has been updated.</p>	✓
<p>Group MIRS</p> <p>The group MIRS reports that DCST is not included in the group accounts, but the adjustment made to the opening balance of reserves is £31.597m which is material.</p>	<p>The note should be updated to correct for this error.</p> <p>Management response</p> <p>Agreed, the Council has now transferred the DCST reserve through the Group CIES which flows through to the Group Balance Sheet and Group MIRS. Note that DCST has never included the net pension liability in their accounts, as a result, the Council in previous years has added this liability in on consolidation.</p>	✓

D. Audit Adjustments

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
<p>Note 1 – Expenditure and Funding Analysis</p> <p>The position reported in the EFA on page 21 is inconsistent with the revenue position reported in the narrative report on page 7.</p>	<p>The position reported in the Expenditure and Funding Analysis should more clearly reconcile with the Narrative Report.</p> <p>Management response</p> <p>Noted, this will be updated next year during the 2023-24 draft accounts production process.</p>	X
<p>Note 2 – Accounting Policies</p> <p>The note on page 36 states that short term investments / loans are those that are readily convertible to known amounts of cash with insignificant risk of change in value. That is part of the definition of cash equivalents.</p> <p>The policy also states that investments / loans with a longer maturity (ie >12 months) do not become short term once their remaining maturity period falls between three and twelve months. That is a departure from the definition of a current asset/ liability per the CIPFA Code of practice on local authority accounting 2022-23.</p>	<p>The wording included in the note should be updated to ensure compliance with the CIPFA Code of practice on local authority accounting 2022-23.</p> <p>Management response</p> <p>Agreed, to be updated.</p>	✓
<p>Note 45 – Critical Judgements in Applying Accounting Policies</p> <p>Central Government Funding is identified as a critical judgement, however, there is no indication of impairment arising from funding levels. We are uncertain why this is a critical judgement.</p>	<p>The note should be reviewed for appropriateness and if necessary, updated to include the impact of impairments arising.</p> <p>Management response</p> <p>We have reconsidered this disclosure and no longer consider it to be appropriate. The Central Government Funding critical judgement will be removed.</p>	✓
<p>Note 12 – Property, Plant and Equipment</p> <p>Note 12 on infrastructure and derecognition indicates that the Council has opted not to apply regulation 30M of SI 1232/2022 that allows the carrying amount to be deemed to be nil and instead is applying the requirements of the Code. We understand this disclosure is incorrect and the Council does comply regulation 30M of SI 1232/2022.</p>	<p>The current disclosure requires updating to indicate the Council does comply with regulation 30M of SI 1232/2022.</p> <p>Management response</p> <p>Wording to be updated.</p>	✓

D. Audit Adjustments

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
<p>Note 16 – Financial Instruments</p> <p>Classification of financial instruments states that items described as ‘payroll’ are excluded as not meeting the definition of financial instruments.</p>	<p>The wording referring to payroll is confusing and should be updated to refer to the annual leave accrual.</p> <p>Management response</p> <p>Agreed, wording to be updated.</p>	✓
<p>Note 16 – Financial Instruments</p> <p>Page 59 of the draft accounts refers to trade debtors of £20.962m outstanding but this is inconsistent with note 17 which reports trade receivables of £40.711m. We understand the difference relates to manual accruals at year end.</p>	<p>It is difficult to reconcile the two figures and the disclosure should be expanded to show manual accruals to allow easier reconciliation.</p> <p>Management response</p> <p>Agreed, to be updated.</p>	✓
<p>Note 17 and 21 – Short Term Debtors & Creditors</p> <p>The balance on other receivables (£42.1m- Note 17) and other payables (£23.6m – Note 21) are material and should be broken down further.</p>	<p>The balances for other receivables (£42.1m- Note 17) and other payables (£23.6m – Note 21) are material and should be broken down further.</p> <p>Management response</p> <p>Agreed, further detail to be added.</p>	✓
<p>Group Note g – Defined Benefit Pension Scheme</p> <p>Page 102 of the draft accounts reports movements in the group MIRS which differ from those reported for the Council. This is not appropriate since statutory adjustments between the accounting and funding basis should not be applied to group entities. There is a mismatch between note g and the group MIRS.</p>	<p>The note should be updated to ensure the correct disclosures and amounts are shown.</p> <p>Management response</p> <p>Agreed, to be updated.</p>	✓
<p>Note 12 - Property, Plant and Equipment</p> <p>The PPE revaluations disclosure table shown on page 51 of the draft accounts currently includes for other land and buildings the net book value (NBV) of assets revalued rather than the gross book value (GBV).</p>	<p>The note should be updated to correctly show the gross book value of other land and buildings.</p> <p>Management response</p> <p>Agreed, to be updated.</p>	✓

D. Audit Adjustments

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
<p>Note 12 - Property, Plant and Equipment</p> <p>The table included on page 48 of the draft accounts includes De-recognition – other for vehicles plant and equipment which were included within De-recognition – disposals in the prior year. The Council should take a consistent approach between years.</p>	<p>The Council should take a consistent approach to record De-recognition between years.</p> <p>Management response</p> <p>Agreed, De-recognition for 2021-22 has now been amended to be consistent with the current year (2022-23). A note had been added to explain this amendment.</p>	✓
<p>Note 12 - Property, Plant and Equipment</p> <p>The table on page 50 of the draft accounts shows a depreciation charge of £42.6m for 2022-23 compared to £9.7m in 2021-22. The increase relates to the change in asset lives for infrastructure assets. However, this significant movement has not been explained for the reader of accounts.</p>	<p>The note should be expanded to explain the movement in the depreciation charge between years and the reason for the increase.</p> <p>Management response</p> <p>Agreed, to be updated.</p>	✓
<p>Note 36 – Leases</p> <p>The minimum lease payment included in the table on page 78 for both 2020-22 and 2022-23 are incorrectly disclosed as they incorrectly include finance costs.</p>	<p>The disclosure for minimum lease payments should be corrected and exclude finance costs.</p> <p>Management response</p> <p>Agreed, to be corrected.</p>	✓
<p>Note 31 – Audit Fees</p> <p>Audit fees are shown within note 31 at £213,000 whereas they should be £212,000.</p>	<p>Audit fees should be corrected in note 31 to show £212,000.</p> <p>Management response</p> <p>Agreed, now updated.</p>	✓
<p>Group Accounts – Note g</p> <p>The financial statements for St Leger Homes of Doncaster Limited (SLHD) for 2022-23 have not incorporated the pension fund net asset valuation. We have raised this with Council management to discuss with the management of SLHD and to update their draft accounts to incorporate the net pension asset valuation.</p>	<p>The draft accounts for SLHD should be updated to incorporate the net pension asset valuation.</p> <p>Management response</p> <p>Following discussions with SLHD management, the accounts for SLHD have now been signed off and no amendments can be made. However, the Council will incorporate the net pension valuation as part of consolidation of the group accounts.</p>	✓

D. Audit Adjustments

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
<p>Note 39 Defined Benefit Pension Schemes</p> <p>The table included on page 81 of the draft accounts shows the reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the code. The amount disclosed is currently £(56,276)k but should be £(33,544)k.</p>	<p>The note should be updated to show the correct reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits.</p> <p>Management response</p> <p>Agreed, to be updated.</p>	✓
<p>Group Cashflow Statement</p> <p>The net surplus/deficit on provision of services does not agree to the Group CIES by £6.8m. This is due to a non-cash adjustment being recorded on the wrong line. There is no net impact on the cashflow statement.</p>	<p>The cashflow statement should be updated to correctly record the non-cash adjustment.</p> <p>Management response</p> <p>Agreed, to be updated.</p>	✓

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022-23 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on useable reserves £'000	Reason for not adjusting
1. As last year, the South Yorkshire pension fund auditor noted in their IAS19 report an unadjusted error relating to Pooled Investment Vehicles (PIVs) of £46.4m relating to all admitted bodies. For Doncaster this unadjusted error totals £6.2m, representing the Council's share - (an increase to investment assets).	-	6,200	-	This is not considered material.
2. Capital expenditure on museum converted to storage de-recognised incorrectly.	(829)	-	(829)	This is not considered material.
Overall impact	£(829)	£6,200	£(829)	-

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021-22 financial statements. This adjustment has no ongoing implications for the Council's accounts as it is taken into account in the 2022-23 valuation. Please see issue above.

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves £000	Reason for not adjusting
The South Yorkshire pension fund auditor noted in their IAS19 report an unadjusted error relating to Pooled Investment Vehicles (PIVs) of £27.3m relating to all admitted bodies. For Doncaster MBC this unadjusted error totals £3.6m - representing the Council's share - (an increase to investment assets).	-	3,600	-	This is not considered material.
Overall impact	Nil	3,600	Nil	-



E. Fees and non-audit services

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non-audit services.

Audit fees 2022-23	Proposed Planned fee £	Proposed Final fee £
Council Audit	212,180	222,180*
Total audit fees (excluding VAT)	212,180	222,180

* Given the significance of the national issue of accounting for pension fund asset valuations and IFRIC14 for both the group and the Council, and the work required by us on your housing benefit transactions (as we do not audit the housing benefit claim), we have proposed an additional £10k from our original planned audit fee. Our work remains ongoing at the time of this report, as does work in respect of the valuation of land and buildings and pensions. We will update management and the Audit Committee, at the point we conclude our audit with our final proposed audit fee.

Note: All variations to the scale fee (see overleaf) will need to be approved by PSAA. Please also note that DLUHC has continued to set aside £15m of funding to deal with the expected increase in 2022-23 audit fees, a direct response to one of the key findings of the Redmond Review into local authority external audit.

The 2022-23 planned fees reconcile to the revised version of the financial statements following an amendment to the draft accounts in Note 31 - External Audit Costs with a £10k reconciling difference as detailed above.

None of the above services were provided on a contingent fee basis. This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

We confirm that no non-audit or audited related services have been undertaken for the Council or group.

E. Fees and non-audit services

PSAA Scale fee for 2022-23	£150,680
Increased challenge and depth of audit work and testing in order to meet the audit quality challenge of the regulator	£3,750
Enhanced audit procedures for Property, Plant and Equipment, including the use of an Auditor's Expert	£5,000
The revised Value for Money (VfM) approach, introduced under the new NAO Code in 2020-21 (after the 2017 PSAA tender)	£20,000
Increased audit requirements relating to ISA 540 Revised - Auditing Accounting Estimates and Related Disclosures	£6,000
Enhanced audit procedures for journals and grants testing, given the risk of management override of controls	£5,000
Enhanced audit procedures for Payroll – Change of circumstances	£500
Enhanced audit procedures for Collection Fund – reliefs testing	£750
Increased audit requirements of ISA 315 Revised - identifying and assessing the Risks of Material Misstatement	£6,000
Costs associated with additional work required given the audit sits within the FRC population of a 'major' audit	£1,500
Enhanced audit procedures for Infrastructure assets	£2,500
Additional testing within the Housing Revenue Account	£500
Accounting for the significant risk of the transition of Doncaster Children's Service Trust into the Council on 1 September	£10,000
Additional audit work in respect of the Group & Council's share of the Pension Fund asset position & the implications of IFRIC14	£5,000
Performing sufficient and appropriate audit work on housing benefit related transactions (as we do not audit the HB claim)	£5,000
Total proposed audit fees 2022-23 (excluding VAT)	£222,180

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	<p>The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of:</p> <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	<p>Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.</p>
Professional scepticism	<p>The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible.
Definition of engagement team	<p>The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor.</p> <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	<p>The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance.
Documentation	<p>The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.</p>

G. Management Letter of Representation (draft)

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
No 1 Whitehall Riverside
Leeds LS1 4BN

[Date] – (TO BE DATED SAME DATE AS AUDIT COMMITTEE)

Dear Grant Thornton UK LLP

City of Doncaster Council Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of City of Doncaster Council and its subsidiary undertakings, St Leger Homes of Doncaster Limited for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.

- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Council financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the group and Council have been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

G. Management Letter of Representation (draft)

- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. **We have considered the unadjusted misstatements schedule included in your Audit Findings Report . We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end.** The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have considered whether the Council is required to reflect a liability in respect of equal pay claims within its financial statements. We confirm that we are satisfied that no liability needs to be recognised on the grounds that:
- The Council settled all such claims prior to and during 2016-17 and there are no such existing claims from the work done by the Council
 - After 2016-17, the Council has not received notification of any potential equal pay claims through the Advisory, Conciliation, and Arbitration Service (ACAS), Early Conciliation process, through it's Employment Relations Forum or through it's internal governance process
 - The Council has undertaken work such as job evaluation schemes to identify any such potential liabilities and non has been found.
- xiv. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xv. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

- a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

- xvi. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
- xvii. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

Information Provided

- xviii. We have provided you with:
- a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
- b. additional information that you have requested from us for the purpose of your audit; and
- c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

G. Management Letter of Representation (draft)

- xix. We have communicated to you all deficiencies in internal control of which management is aware.
- xx. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xxi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxiii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxv. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxvii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxviii. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 23 November 2023.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

H. Audit opinion (proposed)

Our proposed audit opinion is included below.

We anticipate we will provide the group and Council with an unmodified 'clean' audit report

Independent auditor's report to the members of City of Doncaster Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of City of Doncaster Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2023 which comprise, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Comprehensive Income and Expenditure Account, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2023 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Financial Officer and Assistant Director of Finance and Technology's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Chief Financial Officer and Assistant Director of Finance and Technology's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Chief Financial Officer and Assistant Director of Finance and Technology's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer and Assistant Director of Finance and Technology with respect to going concern are described in the relevant sections of this report.

H. Audit opinion

Other information

The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Financial Officer and Assistant Director of Finance and Technology is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Chief Financial Officer and Assistant Director of Finance and Technology

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer and Assistant Director of Finance and Technology. The Chief Financial Officer and Assistant Director of Finance and Technology is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer and Assistant Director of Finance and Technology determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer and Assistant Director of Finance and Technology is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

H. Audit opinion

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.

We enquired of management and the Audit Committee, concerning the group and Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- material closing journals posted during the preparation of the financial statements including periods 12 and 13

- material and unusual journals which fall outside the auditor's expectations which are considered as high risk journals such as journals posted by senior management, journals posted by staff not in the journals posting approval list, journals with no descriptions, journals with unusual descriptions which are outside our expectations and non-routine.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on above high-risk journals
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings valuation and pension asset and liability valuation; and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector in which the group and Authority operates

H. Audit opinion

- understanding of the legal and regulatory requirements specific to the Authority and group including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for City of Doncaster Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

H. Audit opinion

- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2023.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature

Gareth Mills, Key Audit Partner

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

Leeds

Date: TBC

I. Audit letter in respect of delayed VFM work



Councillor Austen White
Chair of Audit Committee
City of Doncaster Council
Floor 2, Civic Office
Waterdale
Doncaster
DN1 3BU

28 September 2023

Dear Cllr White

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. Unfortunately, as in the prior years, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected.

The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many opinions on the financial statements as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to finalise our report with management by the end of December 2023, with a presentation of the Report expected to take place at the 1 February 2024 meeting of the Audit Committee. This timing would be well within the NAO's requirements to finalise our VFM work within three months of signing the opinion on the Council's 2022-23 accounts.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Gareth

Gareth Mills

Key Audit Partner and Engagement Lead for City of Doncaster Council



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