Grant Thornton

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

Year ended 31 March 2020

8 October 2020

Contents

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Doncaster Metropolitan Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19	The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council from March 2020. Given the impact of the pandemic only started from mid-March, additional costs have not had a major impact on the financial outturn for 2019-20, however, the scale of impact is being felt during 2020-21. There have been significant financial challenges as the Council responded to the COVID-19 pandemic through additional costs to support operational services, lost income through reduced trading activity and some cessation of services. In addition, council tax payments and business rates payments reduced as lock down started, businesses closed, and staff furloughed. Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.	We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 21 April 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 6. Restrictions for non-essential travel has meant both Council and audit staff have had to work remotely, including remotely accessing working papers and financial systems. In addition, meetings have been replaced by telephone and video conferencing arrangements which has also been extended to Council Committee meetings including the Audit Committee. We were provided with the Council's draft 2019-20 statement of accounts on 7 July 2020, ahead of the revised 31 August 2020 deadline.
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.	Our audit work was completed remotely during July to October 2020. Our findings are summarised on the following pages. We have identified the following adjustments to the financial statements: • Pension fund liability - an increase in the Council's pension fund liabilities of £8.0m resulting from the actual pension valuation not taking place at 31 March 2020 (£6.9m), and not incorporating the impact of the Goodwin judgement (£1.1m) • Group consolidation: Doncaster Children's Services Trust - the omission of the opening pension liability of £14.2m in the group accounts, the under recording of both income and expenditure of £4.5m and the erroneous inclusion of prior year comparatives for 2018-19. None of the above adjustments impact on the Council's General Fund position. Further details of the audit adjustments are detailed on pages 6 to 10 and at Appendix C. We have also raised recommendations for management as a result of our audit work at Appendix A. Our follow up of recommendations from the prior year's audit are detailed at Appendix B. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix E) or material changes to the financial statements, subject to the following outstanding matters: • completing our work on financial instruments, employee remuneration, PPE, Pension fund assets and liabilities and group accounts

Financial Statements continued		• assurance from the South Yorkshire Pension Fund auditor on the 2019/20 Pension Fund accounts. Until received, currently expected mid to late October 2020, we will be unable to complete our audit work and issue our audit opinion. Where the pension fund auditor's report refers to a material uncertainty relating to Covid-19, we will need to consider the impact on the Council's accounts and our audit report • completion of our internal quality review processes, including final reviews of the file by both the senior manager and engagement lead, specifically in respect of significant audit risks of PPE revaluations and the Pension Fund liability • procedures for Whole of Government Accounts • reviewing the final version of the financial statements • obtaining and reviewing the management letter of representation • updating our post balance sheet events review, to the date of signing the opinion. We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation. Our anticipated audit report opinion will be unqualified with an Emphasis of Matter paragraph, relating to the material uncertainty around the valuation of land and buildings as a direct impact of Covid-19. This is due to the Council's valuers reporting a material uncertainty in their valuation reports and also being reported in the Council's financial statements. This is a consistent finding across our local authority audits.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council's value for money arrangements. We have concluded that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. The VfM risks identified at the planning stage of our audit were the Council's Financial Standing and preparations for Brexit. We have not identified any new VfM risks in relation to Covid-19. We therefore anticipate issuing an unqualified value for money conclusion, as detailed at Appendix E. Our findings are summarised on section three of this report.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of our work under the Code but will not be able to issue our completion certificate until we have completed our work on the Whole of Government consolidation pack.

Acknowledgements

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

2. Financial statements - Audit approach

Overview of the scope of our audit

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

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

Audit approach

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

- an evaluation of the Council's internal controls environment, including its IT systems and controls
- an evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of each component and to determine the planned audit response. From this evaluation we determined that a targeted approach was required as part of our audit of St Leger Homes of Doncaster Ltd and Doncaster Children's Services Trust; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our Audit Plan, as communicated to you on 21 April 2020, to reflect our response to the Covid-19 pandemic.

Conclusion

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

- completing our work on financial instruments, employee remuneration, PPE, Pension fund assets and liabilities, group accounts, capital expenditure and financing and cash flow;
- assurance from the South Yorkshire Pension Fund auditor on the 2019/20 Pension Fund accounts
- procedures for Whole of Government Accounts
- reviewing the final version of the financial statements
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

Our approach to materiality

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

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

Materiality area	Group Amount (£)	Council Amount (£)	Qualitative factors considered:
Materiality for the financial statements	11,041k	10,944k	Materiality has been based on 1.5% of the Authority's gross expenditure
Performance materiality	7,729k	7,661k	Our performance materiality has been set at 70% of our overall materiality
Trivial matters	550k	550k	This is set at 5% of financial statements materiality and reflects a level below which stakeholders are unlikely to be concerned by uncertainties.
Materiality for specific transactions, balances or disclosures	-	15k	The senior officer remuneration disclosure in the Statement of Accounts has been identified as an area requiring a lower materiality due to its sensitive nature.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Covid– 19 The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to: • Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation • Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates • Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen • Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.	As part of our work we: • worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 7 July 2020 • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council's property valuation expert • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic • evaluated whether sufficient audit evidence could be obtained through remote technology • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment • discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence. On the basis of our work, we concluded that our anticipated audit report opinion would be unqualified with an emphasis of matter relating to the material uncertainty around the valuation of land and buildings. Note that this change to our opinion is a direct result of the impact of Covid-19. The reporting of a material uncertainty on the valuation of land and buildings is consistent across our local authority audits.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
The revenue cycle includes fraudulent transactions 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 Doncaster Metropolitan Borough Council, mean that all forms of fraud are seen as unacceptable.	We reviewed our rebuttal of this risk during the final accounts audit and concluded our assessment as detailed in the Audit Plan was still appropriate. As we did not consider this to be a significant risk for the Council, we did not undertake any specific work in this area other than our normal audit procedures, including validating total revenues to council tax, non domestic rates and central government grants income.
Management over-ride of controls 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 to date has not identified any issues in respect of management override of controls.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of land and buildings The Authority 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 £1.5billion) and the sensitivity of this estimate to changes in key assumptions. In previous years, valuations have taken place as at 1 April each year, the start of the financial year, following discussions with management during 2018-19 the Council revised the valuation date to the year end, 31 March. Additionally, management will need to ensure the carrying value in the Authority'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 valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	As part of our audit 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 • in a new development for 2019-20, engaged our own valuer to assess the instructions to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuation • tested revaluations made during the year to see if they had been input correctly into the Authority's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management had satisfied themselves that these were not materially different to current value at year end • considered, where the valuation date was not 31 March 2020 for assets valued in year, the arrangements management had used to ensure the valuation remains materially appropriate at 31 March 2020. Whilst our audit work remains on-going, our audit work to date has not identified any issues in respect of the valuation of land and buildings except for the following matters: • the Council uses two specialist valuers, the Valuation Office Agency (VOA) for housing stock and the Council's own in-house valuer for all other assets. Both valuation reports include a material valuation uncertainty paragraph as a result of Covid-19. We consider it appropriate to include an emphasis of matter in our audit opinion relating to this material uncertainty. It is important to note that this is a national issue, applying to most local authorities with material land and building asset bases • given the material valuation uncertainty as a result of Covid-19 included in the valuation reports, we have asked management to expand their existing Covid-19 disclosures in the financial statements to refer to these material uncertainties. Management has agreed to expand the existing disclosures.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of pension fund net liability The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£471m in the Authority's balance sheet at 31 March 2019) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	As part of our work, we have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • obtained assurances from the auditor of the South Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Our audit work on the valuation of the pension fund net liability remains on-going. Our audit work to date has identified that the Council used the figures for its pension fund net liability of £430.3m, issued by its actuary in April 2020. The figures provided by the actuary were based on asset valuations as at 31 January 2020, uplifted for expected changes to 31 March 2020. Following audit work, we asked the Council to obtain an updated actual asset valuation as at 31 March 2020, to identify any material difference in pension fund asset values between the projected figures used by the actuary at 31 January 2020 and the actual position at the year end. We also asked the Council to obtain confirmation that the impact of the McCloud judgement had been included and the likely impact of the Goodwin judgement on the pension fund net liability at 31 March 2020. The Council's actuary has confirmed: • the impact of the McCloud judgement has been included in the pension fund net liability at 31 March 2020 • the impact of the Goodwin judgement totals -£1.1m at 31 March 2020. This is an emerging national issue relating to equal survivor benefits between same and opposite sex widowers • the difference between the actuary's estimate of asset values included at 31 January 2020 and the actual outturn at 31 March 2020 is an increased liability of -£6.9m. Given these differences total £8.0m, the Council has agreed to amend the financial statements. We also are awaiting assurance from the South Yorkshire Pension Fund auditor on the 2019/20 Pension Fund accounts. Until received, currently expected mid to late October 2020, we will be unable to complete our audit work and issue our audit opinion. Where the pension fund auditor's report refers to a material uncertainty relating to Covid-19, we will need to consider the impact on the Council's accounts and our audit report.

Significant findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
St Leger Homes of Doncaster Ltd (SLH)	Beever and Struthers (Manchester)	We adopted a targeted approach to the statutory audit performed by Beever and Struthers focussing on classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements. Our work focussed on the net pension liability, total income and cost of sales which were the more significant account balances at St Leger Homes of Doncaster Ltd. No significant issues were identified by Beever and Struthers and an unqualified audit opinion on St Leger Homes of Doncaster was issued by Beever and Struthers on 20 July 2020.	Our audit work is complete except for: • receipt of payroll reconciliations between St Leger Homes of Doncaster Ltd and Doncaster Metropolitan Borough Council • supporting information to confirm the treatment of capitalisation expenditure. Subject to the satisfactory resolution of the outstanding information above, there are no issues to report from the consolidation of St Leger Homes of Doncaster Ltd into the Authority's group accounts.
Doncaster Children's Service Trust (DCST)	Smith Craven (Doncaster)	We adopted a targeted approach of the material balances and transactions of Doncaster Children's Service Trust's financial statements for year ended 31 March 2020. Our work focussed on the net pension liability, payroll, total income and cost of sales which were the more significant account balances. No significant issues were identified by Smith Craven and we understand an unqualified audit opinion on Doncaster Children's Service Trust is expected shortly.	Our audit work is complete except for: • receipt of payroll reconciliations between DCST and the Council. Our audit work on the consolidation exercise of DCST identified the following issues: • the omission of the opening pension liability of £14.2m in the group accounts • the under recording of external income and expenditure of £4.5m • the erroneous inclusion of prior year comparatives. Management has agreed to adjust the draft accounts for these issues and insert an additional note on group income and expenditure in the updated financial statements.

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Provisions for NNDR appeals - £6.8m	The Council is responsible for repaying a proportion of successful rateable value appeals. Management calculates the level of provision required and is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. There has been an increase in provision of £1.68m during the year.	• The underlying information used to determine the estimate appears appropriate • The calculation of the NNDR provision is consistent with the approach taken last year • An appropriate accounting policy is included in Note 2 of the Statement of Accounts.	● Green
Land and Buildings – Council Housing - £655.2m	The Council is required to revalue its Council housing in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged its valuer, Valuation Office Agency (VOA), to complete the valuation of these properties. The valuation was at 31 March 2020 and valued Council Housing at £655.2m, a net increase of £26.2m from 2018-19 (£629.0m). In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included a Covid-19 disclosure in Note 5 and following our discussions has agreed to further expand the disclosure to include reference to the valuation uncertainty.	• The Council's valuer VOA valued the entire housing stock on 31 March 2020 using the beacon methodology. This is change to the valuation date which was previously 1 April at the start of the financial year. VOA confirmed that there has been no impairment in Beacon values to 31 March 2020 • There has been an increase in the housing stock valuation of £26.2m. Our review of the increase with the Gerald Eve report indicates the increase is reasonable • Capital additions to Council housing total £19.1m for 2019-20 of which £16.9m have been de-recognised as a result of various factors including voids, asbestos and adaptations. There have been no impairments to Council housing during the year • We have assessed the Council's valuer, Valuation Office Agency, 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 and have no issues to report • The valuation method remains consistent with the prior year except the valuation date has moved to the year end, 31 March 2020 providing a more accurate valuation • We have agreed the HRA valuation report to the Statement of Accounts.	● Green

Assessment

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

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Other - £659.2m	Other land and buildings comprises £402.0m 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. The remainder of other land and buildings (£257.2m) are not specialised in nature (such as car parks) and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its in-house valuer to complete the valuation of properties as at 31 March 2020 on a five yearly cyclical basis. This is a change to the prior year when assets were valued on 1 April at the start of the financial year. Approximately 40% of total assets (by value) were revalued during 2019-20. In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included a Covid-19 disclosure in Note 5 and following our discussions has agreed to further expand the disclosure to include reference to the valuation uncertainty. The valuation of properties valued by the valuer has resulted in a net decrease of £56.9m. Management has also considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 31 March 2020, to determine whether there has been a material change in the total value of these properties. The total year end valuation of Other land and buildings was £659.2m.	• 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 method remains consistent with the prior year except that the valuation has moved to the year end, 31 March 2020 • We confirm consistency of the estimate against the Gerald Eve report, and reasonableness of the increase in the estimate • We have agreed the General Fund valuation report to the Fixed Asset Register and to the Statement of Accounts. The economic lives of infrastructure assets are decided when purchased and can range from 3 to 98 years. These are then not subsequently reviewed. We understand some of the revalued assets have their useful lives assessed during the revaluation exercise, but this is not documented in the valuation reports provided. The economic lives used are also different to the accounting policy which refers to 40 years. We recommend a regular review of asset useful lives, preferably in line with the capital programme cycle of five years. In addition, the infrastructure useful economic life accounting policy of 40 years should be updated to reflect the range actually used. This is included as a recommendation in the Action Plan.	● Green

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Net pension liability – £430.3m	The Council's net pension liability at 31 March 2020 is £430.3m (PY £471.4m) comprising the South Yorkshire Local Government Pension Scheme. The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed at 31 March 2020, utilising key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £41.1m net actuarial gain during 2019-20.	• We have assessed the Council's actuary, Mercers, to be competent, capable and objective • We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2019-20 roll forward calculation carried out by the actuary and have no issues to raise. • We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:	

Assumption	Actuary Value	PwC comments	Assessment
Discount rate	2.3% - 2.4%	Assumption appears reasonable	Green
Pension increase rate	2.1%	Assumption appears reasonable and methodology appropriate.	Green
Salary growth	1.25% - 1.5% above CPI	In line with 2019 valuation.	Green
Life expectancy – Males currently aged 45 / 65	Pensioners: 22.4 Non-pensioners: 23.9	Overall mortality assumptions appear reasonable.	Green
Life expectancy – Females currently aged 45 / 65	Pensioners: 25.2 Non-pensioners: 27.1	Overall mortality assumptions appear reasonable.	Green

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate
- We have confirmed there were no significant changes in 2019-20 to the valuation method.
- Reasonableness of estimate – following the quantification of the Goodwin judgement at 31 March 2020 (-£1.1m), and updating of the estimate of asset values from 31 January to the actual outturn at 31 March 2020 (-£6.9m), the Council has agreed to revise its estimate and increase the pension liability by £8.0m;
- Management has agreed to update the May 2020 IAS 19 estimate in the Statement of Accounts to reflect the impact of Goodwin (-£1.1m) and the actual valuation as at 31 March 2020 (-£6.9m).

Significant findings – Going Concern

Our responsibility

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

Going concern material uncertainty disclosures

It has been a challenging year due to the Covid-19 pandemic and the impact of this has been through additional costs to support operational services, lost income through reduced trading activity and some cessation of services. In addition, council tax payments and business rates payments reduced as lock down started, businesses closed, and businesses furloughed staff. The additional costs have not had a significant impact on the financial outturn for 2019-20 as the pandemic only started to impact from mid-March, however, the scale of the impact is being felt during 2020-21 and into 2021-22. Given the sensitive nature of these disclosures, we have identified this as an area of focus in our audit.

Going concern commentary	Auditor commentary
Management's assessment process Management has an established process in place and prepare a detailed budget each year which is approved by Members. The budget is developed based on a number of assumptions including funding from Government, savings required to be delivered and the pressures facing the Council. To ensure effective management, the budget is broken down by service area and routinely monitored on a monthly basis with performance reported to Cabinet. Cash flow is also routinely monitored as part of the Council's treasury management arrangements. The Council has in place a three year Medium Term Financial Strategy 2021-22 - 2023/24 to allow it to effectively plan its finances ahead and ensure it is able to effectively manage its financial position. The updated MTFS was approved by Cabinet on 29 September 2020 and incorporates the impact of Covid-19. In assessing its going concern position, management look ahead twelve months from its reporting date and have regard to its future cash flow position including whether current spending is in accordance with budget.	• Following its review of going concern, management has concluded it remains a going concern and it is appropriate to continue to prepare its accounts on a going concern basis • The Council has delivered in year savings of £17.4m compared to a target of £18.8m and has managed the financial pressures faced to ensure expenditure remains within the approved budget. The Council delivered an underspend of £1.4m for 2019-20 after the use of general fund balances of £4.3m, which were offset by the release of £6.4m of earmarked reserves, increasing the overall general fund balance at the year end from £14.4m to £16.5m • We have considered management's assessment of going concern as a basis for compiling the financial statements. The arrangements management has in place appear appropriate • The budget setting processes used to prepare the annual budget and the monitoring arrangements in place are considered appropriate and adequate • The Chief Financial Officer and Assistant Director of Finance routinely monitors the Council's financial position and reports regularly to Members • The Covid-19 pandemic has had a considerable impact on the Council from March 2020. The additional costs have not had a significant impact on the financial outturn for 2019-20 given the pandemic started to impact from mid-March. However, the scale of impact is being felt during 2020-21. There have been significant financial challenges as the Council responded to the COVID-19 pandemic through additional costs to support operational services, lost income through reduced trading activity and some cessation of services. • In addition, council tax payments and business rates payments have reduced as lock down began, businesses closed and businesses furloughed staff. The Council currently estimates the impact of Covid-19 for 2020-21 to be £18.2m which has been off set by underspends elsewhere of £4.9m resulting in net additional Covid-19 costs of £13.3m. The Council has received grants from Central Government of £21.8m which will be used to offset the additional Covid-19 costs for 2020-21 with the balance being carried forward into 2021-22 (where there is an expected budget gap of between £5.5m and £15.0m). • We are awaiting receipt of detailed monthly cashflow projections from management.

Significant findings – going concern

Going concern commentary	Auditor commentary
Work performed We considered management's going concern assessment including the assumptions used and consideration of its Medium Term Financial Strategy.	• Our work confirmed the management's arrangements for assessing going concern are adequate and management's use of the going concern basis of preparation is reasonable. • The financial impact of Covid-19 is estimated by the Council to be £18.2m for 2020-21 which has been off set by underspends elsewhere of £4.9m resulting in net additional Covid-19 costs of £13.3m. The Council has received grants from Central Government of £21.8m which will be used to offset the additional Covid-19 costs for 2020-21 with the balance being carried forward into 2021-22 (where there is an expected budget gap of between £5.5m and £15.0m). • We have not identified any material uncertainties that may cast significant doubt on the Authority's ability to continue as a going concern for the foreseeable future • Whilst uncertainty relating to Covid-19 is referred to in the financial statements, we have suggested disclosure should be further enhanced by management specifically referring to the impact it may have on the Council's operations. Management has agreed to further enhance its disclosure relating to Covid-19.
Concluding comments	• Management has agreed to further enhance the Covid-19 disclosure in the 2019-20 financial statements • On the basis of our work, we have concluded that the going concern assertion is appropriate for the Authority's financial statements.

Other matters for communication

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

Issue	Auditor commentary
Matters in relation to fraud	We have discussed the risk of fraud with the Chief Financial Officer and Assistant Director of Finance and have also written to the Chair of the Audit Committee. We have not been made aware of any material incidents in the year and no other issues have been identified during the course of our audit.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed based on our work undertaken to date.
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	A letter of representation has been requested from the Council which is included at Appendix F and in the Audit Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's bank (Lloyds). This permission was granted and the confirmation has been received. We also requested permission to send direct confirmations for investments held by the Council, these were issued earlier in the year and have been received.
Disclosures	Our review found no material omissions in the financial statements to date. Our work did identify a small number of presentational disclosure amendments which have been processed by management and these are set out at Appendix B.
Audit evidence and explanations / significant difficulties	All information and explanations requested from management was provided. We would like to record our thanks to the finance team in providing all the information requested remotely despite the challenges of remote working resulting from Covid-19.

Other responsibilities under the Code

Issue	Commentary
Other information	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. No inconsistencies have been identified. However, our review of the Annual Governance Statement against the CIPFA 2016 Delivering Good Governance Framework identified that there was no reference within the Annual Governance Statement relating to 'Developing the entity's capacity, including the capability of its leadership and the individuals within it'. Management is updating the Annual Governance Statement for this omission. No further inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – please see our proposed audit opinion at Appendix E.
Matters on which we report by exception	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties Following the expected updating of the AGS referred to above, we have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. This work is not yet commenced and will be completed once all other audit work has been concluded.
Certification of the closure of the audit	As a result of the need to complete the WGA work noted above, we do not expect to be able to certify the completion of the 2019-20 audit of the Council in our auditor's report, as detailed at Appendix E. This is in common with a number of local authorities where certification on closure of the audit takes place following completion of the WGA review by December 2020.

3. Value for Money

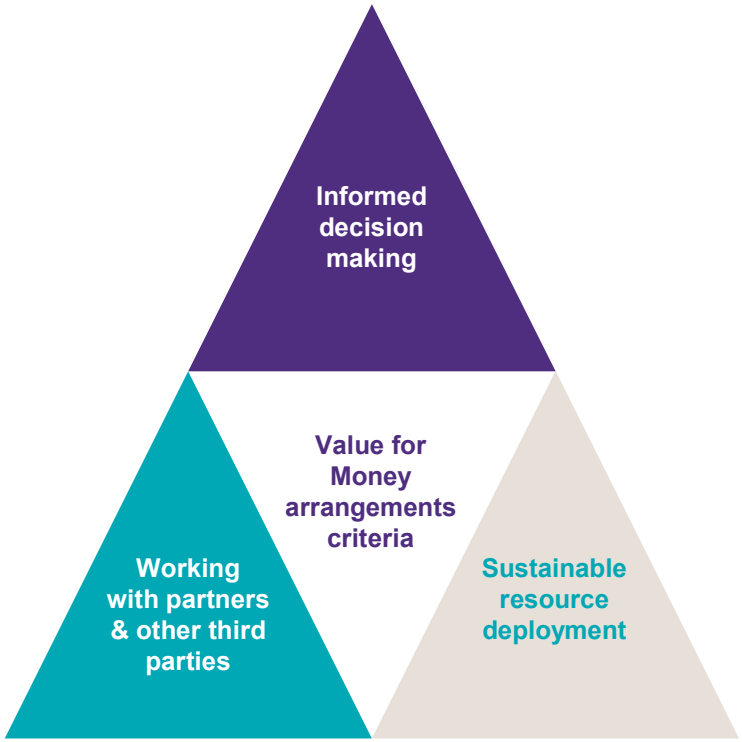
Background to our VFM approach

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

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

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

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



Risk assessment

We carried out an initial risk assessment in December 2019 and identified two significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated January 2020.

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

Value for Money

Our work

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

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

1. **Financial standing** – the Authority as other authorities, continues to operate under significant financial pressures.
2. **Brexit** - the UK left the European Union on 31 January 2020 with a transition period until 31 December 2020. There will be national and local implications resulting from Brexit that will impact on the Authority, which it will need to plan for.

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

Overall conclusion

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

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

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Value for Money

Key findings

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

Significant risk per our Audit Plan (January 2020)	Findings	Conclusion
Financial Standing Doncaster Metropolitan Borough Council, in common with other authorities, continues to operate under significant financial pressures. For 2019-20, the Council is planning to deliver a balanced outturn position but to achieve this, needs to deliver savings of some £18.8m whilst managing cost pressures within Adults, Health and Well-Being. The Quarter 2 Finance and Performance Improvement Report, presented to Cabinet on 19 November 2019, detailing the financial performance to Month 6 (September 2019), indicated the majority of savings plans were on track to be delivered by 31 March 2020. We will continue to monitor the Authority's financial position through regular meetings with senior management and consider how the Authority manages overspends within Adults, Health and Well-Being. We will continue to assess progress in the identification and delivery of the £18.8m savings required and plans in place to identify cost improvements into 2020-21 and beyond.	The Council delivered an outturn General Fund underspend for 2019-20 of £1.4m. Overall, the Council delivered underspends in the main service areas including Adult Health and Wellbeing (£0.7m), Doncaster Children's Services Trust (£1.2m), Economy and Environment (£0.7m) and Corporate Resources (£0.3m) while Children and Young People achieved a balanced year end position. This is an improvement over 2018/19 for Adult Health and Wellbeing which was overspent and results from the rebasing of the service budget. Overspends were contained to other Council wide budgets of £2.0m including £0.85m relating to the floods in November 2019 and £0.77m vired to Corporate Resources for laptop purchases relating to Covid-19 and the necessity for remote home working. Actual savings delivered by directorates totalled some £17.4m compared to a savings target of £18.8m for 2019-20 (a 92.6% delivery rate). This compares to the savings target in 2018/19 of £7.8m with £9.9m being achieved. The Council's underspend of £1.4m for 2019-20 was after the use of general fund balances of £4.3m, which were offset by the release of £6.4m of earmarked reserves, increasing the overall general fund balance at the year end from £14.4m to £16.5m. The Housing Revenue Account also delivered an outturn underspend of £1.4m for 2019-20 mainly due to lower management fees (£0.3m), lower bad debts (£0.9m) and general underspends in other areas of £0.1m. Capital spend during the year totalled £86.9m (General Fund) compared to a budget of £119.2m, the variance arose as a result of a number of high values sales expected in 2019-20 slipping into 2020-21 and delaying capital spending. Key developments during 2019-20 included the new Danum Gallery, Library and Museum (DGLAM).	The Council continues to operate under significant financial pressures, however, it has effective arrangements in place to routinely monitor its budget and take appropriate action to mitigate against any significant variances or additional calls on resources. This has helped deliver an underspend of £1.4m for 2019-20. Whilst the Council has a savings target for 2020-21 of £7m, it has a good record of delivering the savings required and considers the savings achievable. The impact of Covid-19 has had a significant impact on the Council from mid March 2020, with additional costs to support operational services, lost income, reduced council tax and business rates payments all impacting on the Council's financial standing. The impact of Covid-19 for 2019-20 has been limited given its impact commenced during March 2020. The impact for 2020-21 has been estimated by the Council at £18.2m which is reduced by underspends of £4.9m to £13.3m. Central Government grant support of £21.8m will meet the expected costs in 2020-21 with the balance being carried forward into 2021-22. The Council continues to effectively manage its financial position and expects the impact of Covid-19, whilst unexpected, to be manageable within the support received.

Value for Money

Significant risk	Findings	Conclusion
Financial Standing continued	The Council approved the 2020-21 budget on 5 March 2019, Council Tax for 2020-21 increased by 1.99% plus an additional 2% for the Adult Social Care precept, a total increase of 3.99%. The Council also received additional Social Care Support Grant of £9.6m which was unexpected (and originally not budgeted for) for 2020-21. This resulted in an overall surplus budget of £1.2m for 2020-21 and with budget savings planned of £7m, increased the surplus budget to £8.2m. This surplus was transferred to reserves to deliver a balanced budget for 2020-21. The Covid-19 pandemic has had a considerable impact on the Council from March 2020. Given the pandemic only started to impact from mid-March, the additional costs have not had a significant impact on the financial outturn for 2019-20. The Council delivered an outturn General Fund underspend for 2019/20 of £1.4m. However, the scale of impact is being felt during 2020-21. There have been significant financial challenges as the Council responded to the COVID-19 pandemic through additional costs to support operational services, lost income through reduced trading activity and some cessation of services. In addition, council tax payments and business rates payments have reduced as lock down began, businesses closed and some businesses furloughed staff. The Council estimates the impact of Covid-19 for 2020-21 to be £18.2m which has been off set by underspends elsewhere of £4.9m resulting in net additional Covid-19 costs of £13.3m. The Council has received grants from Central Government of £21.8m which will be used to offset the additional Covid-19 costs for 2020-21 with the balance being carried forward into 2021-22 (where there is an expected {most likely} budget gap of £13m).	

Value for Money

Significant risk per our Audit Plan (January 2020)	Findings	Conclusion
Brexit The UK is now due to leave the European Union on 31 January 2020 with a transition period until 31 December 2020. There will be national and local implications resulting from Brexit that will impact on the Authority, which the Authority will need to plan for. We are aware of the Authority's planning for Brexit from our consideration of the Authority's arrangements as part of our prior year VFM related work. For the current year, we will consider the Authority's on-going arrangements and plans to mitigate any risks on Brexit.	On 23rd June 2016, the UK voted to leave the European Union. Article 50 was triggered on 29th March 2017 and the UK formally left the EU on 31 January 2020. While the UK has agreed the terms of its EU departure, both sides are agreeing their future relationship during the transition period, which began immediately after the UK left the EU and is due to end on 31 December 2020. During this 11-month period, the UK will continue to follow all of the EU's rules and its trading relationship will remain the same. Since the result of the June 2016 referendum, the Council has continued to monitor developments. The first report on Brexit was presented to the Scrutiny and Overview Management Committee on 27 February 2018. This report recognised the possibility of a no deal Brexit and highlighted that planning was underway for a range of possible scenarios relating to an EU Exit. It also confirmed a multi-agency approach through the South Yorkshire Local Resilience Forum (LRF), a multiagency partnership which brings together the local organisations needed to plan and prepare for major emergencies in the county. This included all the local authorities and blue light services in the region, who had been working together for the last few months to understand the consequences of an EU Exit, including a possible No Deal EU exit and preparing contingency plans. A report to Cabinet on 7 May 2019 provided an update on the Council's preparations for Brexit and set out to: • provide dedicated support to businesses using the Government funding received to both mitigate any negative impacts of Brexit and take advantages of opportunities (for example to increase exports); • establish a flexible Contingency Fund to allow Doncaster to address the challenges created by Brexit as they emerge.	The Council has continued to monitor Brexit developments following the referendum in June 2016 and has continued to liaise with neighbouring authorities and other agencies to ensure a co-ordinated approach to an EU exit through the South Yorkshire Local Resilience Forum. The Council recognises Brexit may impact on local businesses and set up a £325,000 fund to support the challenges faced as they arise. It has also set up a dedicated page on Brexit on its website to support both individuals and businesses. The Council continues to monitor developments and liaise with its partners to ensure it remains prepared for Brexit on 31 December 2020. The Council has appropriate arrangements in place for managing both the local and national implications resulting from Brexit. However, whilst officers continue to manage and assess Brexit preparations on a monthly basis, the last formal public report to members was in May 2019 (to Cabinet). There is a need to formally update members on Brexit preparations on a regular basis. We have raised a recommendation in this regard. We will continue to monitor the Council's plans to manage Brexit as part of our 2020-21 audit.

Value for Money

Significant risk	Findings	Conclusion
Brexit continued	Since this report to Cabinet in May 2019, we understand regular updates on Brexit have been provided to members at the Executive Board. The South Yorkshire Local Resilience Forum has continued to meet on a regular basis and has been the main forum for the Council for planning for a national No Deal Brexit. There is also a Local Resilience Forum multiagency Brexit planning group in place which has assessed the potential future risks for South Yorkshire from a No Deal Brexit based on the range of potential impacts as listed on the GOV.UK website. Areas considered include transport infrastructure, energy needs (gas, electricity, petrol, diesel), food and water requirements, health and social care provision, community tensions and the economic impact on businesses. Based on this continuing work, there are multiagency contingency plans in place which continue to be monitored and reviewed. Within the Council, the majority of the work to prepare for Brexit has been undertaken by the existing teams based within the Corporate Services and Regeneration Directorates. There is also recognition that should an emergency situation arise, Council officers may need to be temporarily redeployed as part of response and recovery arrangements. The Council has set up a dedicated page on Brexit on its website providing information to support residents and businesses.	

4. Independence and ethics

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

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

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

Details of fees charged are included at Appendix D

Audit and Non-audit services

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

	Fees £	Threats identified	Safeguards
Audit related:			
Certification of Housing Benefits Subsidy return	*£19,000 base fee	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £19,000 base fee in comparison to the total fee for the audit of £149,280 and in particular relative to Grant Thornton UK LLP's turnover overall. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related:			
None	-	-	-

NOTE:

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

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

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

Appendix A: Action Plan

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

Assessment	Issue and risk	Recommendations
● High	**Group accounts consolidation** Our audit work on the consolidation exercise identified the omission of the opening pension liability of £14.2m in the group accounts, the under recording of external income and expenditure of £4.5m and the erroneous inclusion of prior year comparatives	Management should introduce a formal process to review the group consolidation exercise once completed and ensure appropriate disclosures have been made, including appropriate group notes and prior year comparatives. This exercise should be undertaken each year. **Management response** Agreed. We are updating the draft accounts to correct for these errors and have added additional disclosure notes for both income and expenditure. All prior year comparatives relating to the Children's Trust have been removed. A formal review process will be introduced from 2020-21.
● Medium	**Economic lives – Infrastructure assets** The economic lives of infrastructure assets are decided when purchased and can range from 3 to 98 years. The economic lives used are different to the accounting policy which refers to 40 years.	The infrastructure useful economic life accounting policy of 40 years should be updated to reflect the range actually used. **Management response** Agreed. This will be introduced from 2020/21.
● Medium	**Brexit** Officers continue to manage and assess Brexit preparations on a monthly basis. However, the last formal public report to members was in May 2019 to Cabinet.	There is a need to formally update members on Brexit preparations and the on-going impact of Brexit going forward. **Management response** We continue to provide regular updates on Brexit to directors and members at the Executive Board. We will continue with this arrangement whilst the situation is unknown and will include formal updates in the quarterly finance & performance improvement reports going forward.

Appendix B: Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2018-19 financial statements, which resulted in three recommendations being reported in our 2018-19 Audit Findings (ISA260) 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
✓	The valuation of the Council's housing stock had not been updated to reflect the increase in valuation from 1 April 2018 to 31 March 2019. There is a risk that asset values are not correctly recorded in the financial statements.	Management has changed the valuation date to the year end, 31 March. This now avoids the need to update the valuation to the year end.
✓	The valuation of the CAST Theatre had been carried in the Council's accounts for five years at an inflated value resulting from a failure to recognise a lease had been granted at a peppercorn rent. There is a risk that asset values are not correctly recorded in the financial statements.	A comprehensive review of the Council's commercial lease portfolio has been undertaken in 2019-20. Any new leases granted are subject to a formal assessment at the point of completion to ensure the correct carrying value.
✓	Capital additions to Council housing included spending which added no value requiring an additional impairment. There is a risk that assets are carried at the year end in the financial statements at an inappropriate valuation.	A formal process was introduced for Financial Management and Strategic Asset Management as part of the Asset Valuation process to capture capital additions. All additions are subject to review and where relevant Asset Valuations undertaken to reflect in year changes.

Assessment:

✓ Action completed

X Not yet addressed

Appendix C: Audit adjustments

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

Impact of adjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on Useable Reserves £'000
Pension fund liability			
(1) Updating pension fund valuation to 31 March 2020: a net increase in the liability	6,900 (Actuarial loss)	6,900 (increase to liability)	0
(2) Impact of Goodwin judgement: resulting in an increase in the liability	1,100 (Actuarial loss)	1,100 (increase to liability)	0
Group consolidation – Doncaster Children's Services Trust			
(1) Omission of the opening pension liability in the group accounts	14,152 (Actuarial loss)	14,152 (increase to liability)	0
(2) Under recording of both income and expenditure in the group accounts	4,500	0	0
(3) The erroneous inclusion of prior year comparatives.	Various	Various	0
Overall impact:	**26,652**	**22,152**	**No impact**

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.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Group Pension disclosure (Page 97)	Pension liability should be updated to £502,841k.	The Pension liability should be updated to £502,841k. **Management response** Now updated	✓
Material Uncertainty disclosure (Page 37)	The Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included a general Covid-19 disclosure in Note 5 which does not refer to the material uncertainty.	The Council should expand its general Covid-19 disclosure in Note 5 which should also refer to the material uncertainty relating to land and buildings valuation. **Management response** Agreed. We will further expand this disclosure to include reference to the valuation uncertainty relating to land and buildings.	✓
Group CIES (Page 87)	The current year deficit should be £777,604k rather than £773,908k.	The Group CIES deficit should be £777,604k rather than £773,908k **Management response** Now corrected and updated.	✓
PFI liabilities (Page 53)	PFI liabilities have the same current values as the fair value.	The PFI liabilities should be reviewed as they are normally different to their fair values. **Management response** To be considered for the 2020/21 accounts process.	X

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 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 total net expenditure £'000	Reason for not adjusting
NONE	-	-	-	
Overall impact	**£0**	**£0**	**£0**	

Appendix D: Fees

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

Audit fees	Proposed fee per Audit Plan £	Final fee £
Council Audit	149,280	TBC+
Total audit fees (excluding VAT)	**149,280**	**TBC**

+ To confirm additional inputs relating to the impact of Covid-19 and additional work on group consolidation.

Total audit fees reconcile to the financial statements as follows:

Total fees per financial statements (Note 31)	£189k
Less - additional fees relating to 2018-19 billed in 2019-20	£7k
Less - certification fees relating to 2018-19 billed in 2019-20	£33k
TOTAL Audit fees 2019-20	£149k

Non-audit fees for other services	Proposed fee £	Final fee £
Audit Related Services:		
Housing Benefit Subsidy return 2019-20	19,000*	TBC
Non-Audit Related Services:		
None	-	-
Total non- audit fees (excluding VAT)	**19,000***	**TBC**

NOTE:

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

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

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

Appendix E: Draft Audit Opinion

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

TO BE CONFIRMED

Audit opinion

TO BE CONFIRMED

Appendix F: Management letter of representation (draft)

LETTER TO BE PRINTED ON CLIENT HEADED PAPER

Our ref:
Your ref: PSS

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

19 October 2020

Dear Sirs

Doncaster Metropolitan Borough Council
Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of Doncaster Metropolitan Borough Council and its subsidiary undertakings, St Leger Homes of Doncaster Ltd (SLH) and Doncaster Children's Services Trust (DCST) for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the Council and group 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 2019/20 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 Council and group'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 2019/20 ("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 Council and group 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.

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 Council and group financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the Council [and group] has 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.

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 Council and group 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. 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 no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council and group'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 current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council and group's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xv. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council and group'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, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic from whom you determined it necessary to obtain audit evidence.

xvi. We have communicated to you all deficiencies in internal control of which management is aware.

xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii. 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.

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and group, 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.

xx. 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.

xxi. 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.

xxii. We have disclosed to you the identity of the Council and group's related parties and all the related party relationships and transactions of which we are aware.

xxiii. 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

xxiv. 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

xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Council and group'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 19 October 2020.

Yours faithfully

Name……

Position……

Date……

Name……

Position……

Date……

Signed on behalf of the Council