



# Doncaster Council

## Report

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19<sup>th</sup> October, 2020

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

**STATEMENT OF ACCOUNTS, LOCAL CODE OF CORPORATE GOVERNANCE  
AND ANNUAL GOVERNANCE STATEMENT 2019/20 – ISA 260 REPORT TO  
THOSE CHARGED WITH GOVERNANCE**

### **EXECUTIVE SUMMARY**

#### Statement of Accounts

1. In accordance with International Standard on Auditing (ISA) 260, the Council's external auditor is required to issue a report detailing the findings from the 2019/20 audit and the key issues that the Committee should consider before the external auditor issues their opinion on the financial statements.
2. The 'Communication with those charged with governance' report (ISA 260 report attached as Appendix A) has to be considered by 'those charged with governance' before the external auditor can sign the accounts which, under normal circumstances, legally has to be done by 31<sup>st</sup> July. The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 amended this date to 30<sup>th</sup> November for 2020.
3. The external auditor (Grant Thornton) expects to issue an unqualified audit opinion on the Council's financial statements for 2019/20; subject to all outstanding queries being resolved to their satisfaction.
4. Grant Thornton also expects to issue an unqualified Value For Money (VfM) conclusion for 2019/20.
5. Overall the ISA 260 report is a positive one, with five adjusted misstatements.
6. Attached to this report is the draft ISA 260 report. A final version of the ISA 260 report will be presented at the Audit Committee along with any relevant verbal updates.
7. The Section 151 Officer, as the responsible financial officer, re-confirms on behalf of the Council that she is satisfied that the statement of accounts presents a true and fair view of:
  - a. the financial position of the Council at the end of the 2019/20 financial year; and

- b. the Council's income and expenditure for the 2019/20 financial year.

#### Local Code of Corporate Governance and Annual Governance Statement

8. To ensure Doncaster governance arrangement still meet best practice and comply with the requirements of the Accounts and Audit Regulations, a review of Doncaster Local Code of Corporate Governance (Local Code) has been undertaken to ensure the guidance document is still relevant and up to date (Appendix B). The local code shows all the policies and procedures in place at the Council that enable the Council to meet the seven principles of good governance set out in the CIPFA/SOLACE Framework.
9. The Council is also required to prepare, approve and publish an Annual Governance Statement (AGS) in accordance with the Accounts and Audit Regulations and professional accounting practice. The Council's governance arrangements in place during 2019-20 have been reviewed in line with the guidance and an Annual Governance Statement has been produced (Appendix C). This document demonstrates our governance compliance by: -
  - a. Highlighted **6** key areas of improvement that have been completed and have been effectively managed to the extent that they are no longer significant (Page 9-10);
  - b. Identified **3** new significant issues arising from the 2019-20 review of effectiveness of the corporate governance arrangements (Pages 4-5);
  - c. Provided an update on the **4** key areas identified during previous years that remain an issue in 2019-20 (Pages 6-7).
10. Since the draft AGS was presented at Audit Committee in June, there have been no further significant issues identified. We have also reviewed the current issues contained within the AGS to reflect the latest position. This is a really positive position to be able to report as it is a strong indicator that Doncaster's governance arrangements have proven to be sound under the greatest of stress tests presented by the coronavirus pandemic.

#### **EXEMPT REPORT**

11. Not applicable.

#### **RECOMMENDATIONS**

12. It is recommended that the Audit Committee: -
  - a. Note the contents of the external audit ISA 260 report;
  - b. Consider the Letter of Representation and endorse its contents;
  - c. Approve the Statement of Accounts 2019/20; and
  - d. Approve the Annual Governance Statement 2019/20.

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

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

## **BACKGROUND**

### Preparation of the Accounts

14. The Council's 2019/20 accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and the appropriate accounting codes of practice. They were approved by the Council's responsible financial officer (Chief Financial Officer & Director of Corporate Resources) and published on the Council's website on the 7<sup>th</sup> July. This was in line with the statutory deadline of 31<sup>st</sup> July. The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 amended the normal statutory date from 31<sup>st</sup> May to 31<sup>st</sup> July for 2020.
15. The draft accounts were presented to this Committee for information on 23<sup>rd</sup> July 2020. Grant Thornton were presented with these draft accounts on 7<sup>th</sup> July 2020.

### Outcomes of the Audit

16. The external audit began on 8<sup>th</sup> July and included examination of evidence relevant to the amounts and disclosures in the financial statements and related disclosure notes. It also included an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements and related notes and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed. This has resulted in the findings and conclusions contained in the ISA 260 report.
17. Throughout the audit process the Council's Financial Management team have responded promptly to audit queries which have contributed positively to the audit's satisfactory conclusion. Key finance officers take a proactive role in identifying potential risks so that a dialogue can take place with Grant Thornton at an early stage to discuss and seek agreement on significant and often highly complex, accounting issues affecting the year's accounts.
18. There were five adjusted misstatements relating to the Pension Fund liability and the group consolidation of Doncaster Children's Services Trust. These are detailed in the ISA 260 report page 27.
19. There were four misclassification and disclosure changes regarding group pension disclosure, material uncertainty disclosure, Group CIES and PFI liabilities. These are detailed in the ISA 260 report page 27.
20. Grant Thornton have made three recommendations this year: one High priority and two Medium priority. These relate to Group accounts consolidation, economic lives of infrastructure assets and Brexit. These are detailed in the ISA 260 report page 25.
21. The accounts were made available for public inspection for 30 working days (in accordance with the Accounts and Audit (England) Regulations 2015) on Wednesday, 8<sup>th</sup> July 2020, during which, members of the general public were able to inspect the accounts and raise questions on the financial statements and the associated disclosure notes. During this period no inspection visits were made.

22. Grant Thornton intends to issue an unqualified Value for Money (VfM) conclusion stating that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Grant Thornton performed detailed work on two identified risks – Financial Standing and Brexit. This follows on from the positive conclusion obtained last year and is recognition of the work undertaken to embed robust financial and governance arrangements within the Council.
23. The Letter of Representation requires endorsement by the Committee as an important final stage in the audit of the Council’s 2019/20 Statement of Accounts. The letter is from the Section 151 Officer to Grant Thornton and is an assurance from management that the accounts have been prepared correctly and to bring to the auditors’ attention any further matters that need to be taken into account prior to their opinion being issued. The draft letter is included at the end of the draft ISA260 report. A final version will be presented at the Audit Committee along with any relevant verbal updates.

### OPTIONS CONSIDERED

24. Not applicable.

### REASONS FOR RECOMMENDED OPTION

25. The Council is subject to statutory external audit and performance evaluation by Grant Thornton and must prepare annual accounts.

### IMPACT ON THE COUNCIL’S KEY OUTCOMES

26. These are detailed in the table below: -

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

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

## RISKS AND ASSUMPTIONS

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

Risks / Assumptions	Probability	Impact	Proposed Action
Robustness of correct outturn figure	Low	Medium	Work has been undertaken during monitoring and closedown process to process all transactions and prepare for audit. This has included an increase in senior officer quality assurance review and control; and internal verification and checks by finance and technical officers.

The Audit identifies a material / significant finding or inaccuracy in the production of the accounts.	Low	High	Continuous dialogue with Grant Thornton throughout the year. Specific discussions on key complex / technical areas are as part of the monthly audit liaison group meetings
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#### **LEGAL IMPLICATIONS [Officer Initials...SRF... Date...08.10.20]**

28. The Statement of Accounts is prepared in accordance with the appropriate regulations and the Council is subject to statutory external audit and performance by Grant Thornton.

#### **FINANCIAL IMPLICATIONS [Officer Initials...RI... Date...29.09.20]**

29. The Council's Statement of Accounts are prepared in line with the Accounts and Audit Regulations 2015 and International Financial Reporting Standards.
30. The audit fee budget is managed by the Director of Corporate Resources and this review is included in the planned expenditure for the 2019/20 audit.

#### **HUMAN RESOURCES IMPLICATIONS [Officer Initials...KG... Date...08.10.20]**

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

#### **TECHNOLOGY IMPLICATIONS [Officer Initials...PW... Date...07.10.20]**

32. There are no specific technology implications relating to the contents of this report.

#### **HEALTH IMPLICATIONS [Officer Initials...RS... Date...08.10.20]**

33. There are no direct health implications in this report. Effective audit and governance should contribute to improved health and wellbeing.

#### **EQUALITY IMPLICATIONS**

34. This report has no specific equality implications.

#### **CONSULTATION**

35. Not applicable.

#### **BACKGROUND PAPERS**

36. Following background papers: -
- Unaudited Statement of Accounts 2019/20 published on the Council website: - <http://www.doncaster.gov.uk/services/the-council-democracy/statement-of-accounts>
  - Accounts and Audit Regulations 2015
  - The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020

- The Code of Practice on Local Authority Accounting 2019/20 ('The Code') - based on IFRS

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