

# The Annual Audit Letter for Doncaster Metropolitan Borough Council

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Year ended 31 March 2020

11 January 2021



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# 1. Executive Summary

## Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Doncaster Metropolitan Borough Council (the Council) and its subsidiaries (the group) for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings (ISA260) Report on 19 October 2020.

## Our work

## Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council and group's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council and group's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

<b>Materiality</b>	We determined materiality for the audit of the Council's financial statements to be £10,944,000 (Group £11,041,000), which is 1.5% of the Council's (and Group's) gross revenue expenditure.
<b>Financial Statements opinion</b>	We issued an unqualified opinion on the Council and Group's financial statements on 30 November 2020.
	We included an emphasis of matter paragraph in our report in respect of the uncertainty over valuations of the Council's land and buildings and the Authority's share of the pension fund's property investments given the Coronavirus pandemic. This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year.
<b>Whole of Government Accounts (WGA)</b>	We are currently completing work on the Council's consolidation return following guidance issued by the NAO.
<b>Use of statutory powers</b>	We did not identify any matters which required us to exercise our additional statutory powers.

# Executive Summary

**Value for Money arrangements** We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 30 November 2020.

**Certificate** We are currently unable to certify that we have completed the audit of the financial statements of Doncaster Metropolitan Borough Council. This is because we have yet to complete work on the Council's Whole of Government Accounts consolidation return. Once this is completed, we will be able to certify that we have completed the audit of the Council's financial statements in accordance with the requirements of the Code of Audit Practice.

## Working with the Council

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council, both operationally and in preparing the financial statements. 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, face to face meetings have been replaced by telephone and video conferencing arrangements which has also extended to Council Committee meetings including the Audit Committee.

This is our second year of audit at Doncaster Metropolitan Borough Council and we believe we have continued to develop professional working relationships with you and your officers and have delivered a number of positive outcomes, including:

- regular liaison with senior finance managers and members of the Audit Committee to understand the issues facing the Council
- understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness

- sharing our insight – we provided regular Audit Committee updates covering best practice
- providing training – we provided your teams with training on financial statements and annual reporting.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff .

**Grant Thornton UK LLP**  
January 2021

## 2. Audit of the Financial Statements

### Our audit approach

#### Materiality

In our audit of the Council and Group's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the group financial statements to be £11,041,000, which is 1.5% of the group's gross revenue expenditure. We determined materiality for the audit of the Council's financial statements to be £10,944,000, which is again 1.5% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the group and Council's financial statements are most interested in where the group and Council has spent its revenue in the year.

We also set a lower level of specific materiality for senior officer remuneration.

We set a lower threshold of £550,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

#### The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts to check it is consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

# Audit of the Financial Statements

## Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our Audit Plan Addendum	How we responded to the risk	Findings and conclusions
<p><b>Covid-19</b> 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:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• 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</li> <li>• 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</li> <li>• 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.</li> </ul> <p>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.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• 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</li> <li>• evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic</li> <li>• evaluated whether sufficient audit evidence could be obtained through remote technology</li> <li>• evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations</li> <li>• evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment</li> <li>• discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence.</li> </ul>	<p>On the basis of our work, we concluded that our audit report opinion would be unqualified with an emphasis of matter relating to the material uncertainty around the valuation of land and buildings and the Authority's share of the pension fund's property investments. This change to our opinion was 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.</p>

# Audit of the Financial Statements

## Significant Audit Risks continued

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our work we:</p> <ul style="list-style-type: none"> <li>• evaluated the design effectiveness of management controls over journals</li> <li>• analysed the journals listing and determined the criteria for selecting high risk unusual journals</li> <li>• tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gained an understanding of the accounting estimates and critical judgements applied and made by management and considered their reasonableness with regard to corroborative evidence</li> <li>• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>	<p>There were no issues arising from our work which we needed to bring to your attention.</p>

# Audit of the Financial Statements

## Significant Audit Risks continued

Risks identified in our Audit Plan	How we responded to the risk	Findings and conclusions
<p><b>Valuation of land and buildings</b></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>As part of our audit work, we have:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>discussed with the valuer the basis on which the valuation was carried out</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>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</li> <li>tested revaluations made during the year to see if they had been input correctly into the Authority's asset register</li> <li>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</li> <li>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.</li> </ul>	<p>Our audit work did not identify any issues in respect of the valuation of land and buildings except for the following two matters:</p> <ul style="list-style-type: none"> <li>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 included a material valuation uncertainty paragraph as a result of Covid-19. We considered it appropriate to include an emphasis of matter in our audit opinion relating to this material uncertainty. It is important to note that this was a national issue, applying to most local authorities with material land and building asset bases</li> <li>given the material valuation uncertainty as a result of Covid-19 included in the valuation reports, we asked management to expand their existing Covid-19 disclosures in the financial statements to refer to these material uncertainties. Management agreed to expand the existing disclosures.</li> </ul>

# Audit of the Financial Statements

## Significant Audit Risks continued

Risks identified in our Audit Plan	How we responded to the risk	Findings and conclusions
<p><b>Valuation of pension fund net liability</b></p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>As part of our work, we have:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work</li> <li>• assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation</li> <li>• assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability</li> <li>• 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</li> <li>• 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</li> <li>• 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.</li> </ul>	<p>Our audit work identified that the Council used the figures for its pension fund net liability provided by its actuary in April 2020. The figures provided were based on asset valuations as at 31 January 2020, uplifted for expected changes to 31 March 2020.</p> <p>We asked the Council to obtain an updated actual asset valuation as at 31 March 2020. We also asked the Council to obtain confirmation of the likely impact of the Goodwin judgement (an emerging national issue relating to equal survivor benefits between same and opposite sex widowers) on the pension fund net liability at 31 March 2020. The Council's actuary confirmed the impact of the Goodwin judgement totalled -£1.1m at 31 March 2020, and the difference between the actuary's estimate of asset values included at 31 January 2020 and the actual outturn at 31 March 2020 was an increased liability of £6.9m. Given these differences totalled £8.0m, the Council amended its financial statements.</p> <p>Our review of the assurance letter from the South Yorkshire Pension Fund auditor noted that the valuation report for directly held properties of the Pension Fund included a material uncertainty over the pension fund valuation due to Covid-19. Following discussions with Officers, the Council expanded its disclosure to include this material uncertainty in its financial statements.</p> <p>We included an emphasis of matter paragraph in our audit report in respect of the uncertainty over valuations of the Council's share of the pension fund's property investments given the Coronavirus pandemic. This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year.</p>

# Audit of the Financial Statements

## Audit opinion

We issued an unqualified opinion on the Council and Group's financial statements on 30 November 2020.

## Preparation of the financial statements

The outbreak of the Covid-19 coronavirus pandemic had a significant impact on the accounts preparation and audit process. Restrictions for non-essential travel meant both Council and audit staff had to work remotely, including remotely accessing working papers and financial systems. In addition, face to face meetings were replaced by telephone and video conferencing arrangements.

The Council presented us with draft financial statements in accordance with the agreed deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit despite the challenges arising from Covid-19.

## Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit Committee on 19 October 2020.

In addition to the key audit risks reported above, we identified the following adjustments relating to the group consolidation of 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.

Management agreed to adjust the draft accounts for these issues and agreed to 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.

## Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website alongside the draft Statement of Accounts.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

## Whole of Government Accounts (WGA)

We are currently undertaking work in line with instructions provided by the NAO. Once this work is complete, we expect to issue an assurance statement for the group auditor.

## Certificate of closure of the audit

We are unable to certify at this time that we have completed the audit of the financial statements of Doncaster Metropolitan Borough Council. This is because we have yet to complete work on the Council's Whole of Government Accounts consolidation return. Once completed, we will be able to certify that we have completed the audit of the Council's financial statements in accordance with the requirements of the Code of Audit Practice.

## 3. Value for Money conclusion

### Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the 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.*

### Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings report agreed with the Council in October 2020, we agreed one recommendation to address our findings.

### Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

# Value for Money conclusion

## Value for Money Risks

Risks identified in our Audit Plan	How we responded to the risk	Findings and conclusions (as reported in our Audit Findings Report (ISA 260) – October 2020)
<p><b>Financial Standing</b></p> <p>Doncaster Metropolitan Borough Council, in common with other authorities, continues to operate under significant financial pressures.</p> <p>For 2019-20, the Council planned to deliver a balanced outturn position but to achieve this, needed to deliver savings of some £18.8m whilst managing cost pressures within Adults, Health and Well-Being.</p> <p>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.</p>	<p>As part of our work we:</p> <ul style="list-style-type: none"> <li>• reviewed key financial and operational documents</li> <li>• continued to monitor the Authority's financial position through regular meetings with senior management</li> <li>• reviewed progress in the identification and delivery of the £18.8m savings required and plans in place to identify cost improvements into 2020-21.</li> </ul>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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).</p> <p>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.</p>

# Value for Money conclusion

## Value for Money Risks continued

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions (as reported in our Audit Findings Report (ISA 260) – October 2020)
<p><b>Financial Standing continued</b></p>		<p>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.</p> <p>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.</p> <p>The Council estimates (Quarter 1 Finance and Performance Improvement Report – September 2020) that 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).</p> <p><b>Conclusion</b></p> <p>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.</p> <p>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.</p> <p>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.</p>

# Value for Money conclusion

## Value for Money Risks continued

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions (as reported in our Audit Findings Report (ISA 260) – October 2020)
<p><b>Brexit</b></p> <p>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 the Authority will need to plan for.</p> <p>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.</p>	<p>As part of our work we:</p> <ul style="list-style-type: none"> <li>• reviewed key financial and operational documents</li> <li>• discussed key relevant matters with senior management.</li> </ul>	<p>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 were agreeing their future relationship during the transition period, which began immediately after the UK left the EU and ended on 31 December 2020. During this 11-month period, the UK continued to follow all of the EU's rules and its trading relationship remained the same.</p> <p>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.</p> <p>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.</p> <p>A report to Cabinet on 7 May 2019 provided an update on the Council's preparations for Brexit and set out to:</p> <ul style="list-style-type: none"> <li>• 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);</li> <li>• establish a flexible Contingency Fund to allow Doncaster to address the challenges created by Brexit as they emerged.</li> </ul> <p>Since this report to Cabinet in May 2019, we understand regular updates on Brexit have been provided to members at the Executive Board.</p>

# Value for Money conclusion

## Value for Money Risks continued

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions (as reported in our Audit Findings Report (ISA 260) – October 2020)
Brexit continued		<p>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.</p> <p>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.</p> <p><b>Conclusion</b></p> <p>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.</p> <p>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.</p> <p>The Council continues to monitor developments and liaise with its partners to ensure it was prepared for Brexit on 31 December 2020.</p> <p>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 raised a recommendation in this regard which was agreed by management.</p>

# A. Reports issued and fees

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

## Reports issued

Report	Date issued
Audit Plan	January 2020
Audit Findings (ISA260) Report	October 2020
Annual Audit Letter	January 2021

## Fees 2019/20

	Planned fees £	Actual fees £	2018-19 Actual fees £	2017-18 Actual fees KPMG £
PSAA scale fee	126,930	126,930	126,930	164,844
Audit fee variations	*22,350	**46,000	6,500	-
<b>Total proposed fees</b>	<b>149,280</b>	<b>172,930</b>	<b>133,430</b>	<b>164,844</b>

### Audit fee variation

As outlined in our audit plan, the 2019-20 scale fee published by PSAA of £126,930 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. This was reported in our Audit Plan dated 21 January 2020 and has been updated to reflect the actual outturn as summarised in the following table.

Fee variations are subject to PSAA approval.

Area	Reason	Planned variation £	Actual variation £
<b>Pensions – IAS 19</b>	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	3,500	10,000
<b>PPE Valuation – work of experts</b>	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this including the use of a valuation expert.	9,350	15,000
<b>Increased challenge and depth of work</b>	To meet the higher threshold set by the FRC, we have undertaken additional work and challenge in the following areas, including: <ul style="list-style-type: none"> <li>• information provided by the entity (IPE)</li> <li>• journals</li> <li>• management review of controls</li> <li>• accounting estimates</li> <li>• going concern</li> <li>• related parties and similar areas</li> <li>• financial resilience/standing as part of our VFM work.</li> </ul>	5,000	7,500
<b>New standards and developments</b>	This includes preparations for IFRS16, new lease arrangements and other developments including the change to the date of valuation from 31 March to 1 April. The additional work undertaken was less than expected given IFRS16 was deferred.	2,500	1,500
<b>Group accounts</b>	Work required to audit the group consolidation and the significant risk associated with St Leger Homes pensions liability. Additional work was required following the issues identified in the consolidation of Doncaster Children's Services Trust.	2,000	10,000
<b>Covid-19</b>	Additional staffing costs associated with the impact of Covid-19 amounted to some £10,000 but we have absorbed 80% of this and propose an additional £2000.	0	2,000
<b>Overall fee variation</b>		*22,350	**46,000

# A. Reports issued and fees continued

## \*Audit fee variation

Our Audit Plan included a fee variation for £22,350 to take into account the additional audit work to be performed in relation to PPE, pensions and key areas of estimate and judgement. Over the past ten months the current Covid-19 pandemic has had a significant impact on all of our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements for 2019-20 has been multifaceted. This includes:

- Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties.
- Management's assumptions and estimates - there is increased uncertainty over many estimates including property, pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. We included an Emphasis of Matter in the Audit Report in respect of the material uncertainty on property values and the Council's proportion of investment properties from the South Yorkshire Pension Fund.
- Financial resilience assessment – we have been required to consider the financial resilience of audited bodies. This has increased the amount of work that we need to undertake on the sustainable resource deployment element of the VFM criteria necessitating enhanced and more detailed reporting in our ISA260.

We have been discussing this issue with PSAA over the last few months and note these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial audit deadlines also being extended by 4 months and NHS deadlines by a month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <https://www.frc.org.uk/covid-19-guidance-and-advice> (see guidance for auditors) sets out the expectations of the FRC.

As a result of the above, increased costs have been incurred due to the additional time taken to deliver the audit this year. We have discussed the likelihood of an additional fee variation with the S151 Officer, noting an expected variation of 15% of the above planned fee, taking the proposed fee to £172,930. Please note that all proposed additional fee variations are subject to approval by PSAA in line with the Terms of Appointment.

## Fees for non-audit services

Service	Fees £
<b>Audit related services</b>	
- Housing Benefits certification **	19,000
<b>Non-Audit related services</b>	
- 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

## 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 table alongside summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.



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