



# Doncaster Council

## Report

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Date: 26<sup>th</sup> November, 2021

To the Chair and Members of the  
AUDIT COMMITTEE

### STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2020/21 – DRAFT 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 2020/21 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 (draft 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 (Amendment) Regulations 2021 amended this date to 30<sup>th</sup> September for 2021. There were resource capacity constraints on the part of the external auditors, Grant Thornton, which resulted in the audit of the accounts not being concluded in time to meet the 30<sup>th</sup> September publication date. Grant Thornton highlighted this in their Audit Plan in July 2021, presented to the Audit Committee meeting on 29<sup>th</sup> July 2021, which set out that the audit would take place from August and was targeted to be completed by the end of November 2021.
3. Grant Thornton expects to issue an unqualified audit opinion on the Council's financial statements for 2020/21; subject to all outstanding queries being resolved to their satisfaction.
4. Grant Thornton have provide an update on the timescales for the Value for Money (VfM) for 2020/21 and issuing the Auditor's Annual Report (AAR). Grant Thornton expect to issue the AAR before the end of February 2022.
5. Overall the draft ISA 260 report is a positive one, with four adjusted misstatements.
6. Attached to this report is the draft ISA 260 report. A revised 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 2020/21 financial year; and
  - b. the Council's income and expenditure for the 2020/21 financial year.

#### Annual Governance Statement

8. The Council is 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 2020-21 have been reviewed in line with the guidance and an Annual Governance Statement has been produced (Appendix B). This document demonstrates our governance compliance by:
  - a. **3** key areas of improvement have been completed or have been effectively managed to the extent that they are no longer significant (page 13);
  - b. **5** new significant issues arising from the 2020-21 review of effectiveness of the corporate governance arrangements (pages 6-9);
  - c. Updates on the **4** key areas identified during previous years that remain an issue in 2020-21 (pages 10-12).
9. Since the draft AGS was presented at Audit Committee in April 2021, we have also reviewed the current issues contained within the AGS to reflect the latest position.

#### **EXEMPT REPORT**

10. Not applicable.

#### **RECOMMENDATIONS**

11. It is recommended that the Audit Committee:
  - a. Note the contents of the draft external audit ISA 260 report;
  - b. Consider the Letter of Representation included in the draft ISA 260 report, and endorse for signature by the Chair of the Audit Committee and the Chief Financial Officer;
  - c. Approve the Statement of Accounts 2020/21; and
  - d. Approve the Annual Governance Statement 2020/21, for signature by the Mayor and the Chief Executive; and
  - e. Delegate authority to the Chief Financial Officer, in consultation with the Chair, to agree any adjustments to the Statement of Accounts 2020/21, following the completion of the audit by Grant Thornton, should any changes be necessary, prior to signing by the Chief Financial Officer and the Chair of the Audit Committee.

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

12. 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

13. The Council's 2020/21 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 & Assistant Director of Finance) and published on the Council's website on 28<sup>th</sup> June 2021. This was in line with the statutory deadline of 31<sup>st</sup> July 2021. The Accounts and Audit (Amendment) Regulations 2021 amended the normal statutory date from 31<sup>st</sup> May to 31<sup>st</sup> July for 2020.
14. The unaudited accounts were presented to this Committee for information on 8<sup>th</sup> July 2021. Grant Thornton were presented with these draft accounts on 28<sup>th</sup> June 2021.

### Outcomes of the Audit

15. The external audit began in August 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 draft ISA 260 report.
16. 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.
17. Grant Thornton have made one recommendation this year, which is a Medium priority. This relates Management challenge of experts and stand back review. This is detailed in the draft ISA 260 report page 29.
18. There were four adjusted misstatements relating to Property, Plant and Equipment and the Pension Fund liability. These are detailed in the draft ISA 260 report page 33.
19. There were thirteen misclassification and disclosure changes. These are detailed in the draft ISA 260 report pages 34-35.
20. The accounts were made available for public inspection for 30 working days (in accordance with the Accounts and Audit (England) Regulations 2015) on Tuesday, 29<sup>th</sup> June 2021, 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.

21. Grant Thornton expect to complete their work on Value For Money (VfM) for 2020/21 and issue the Auditor's Annual Report (AAR) by the end of February 2022. An audit letter explaining the reasons for the delay was sent to the Chair of the Audit Committee in September. This is in line with the National Audit Office's revised deadline which requires the AAR to be issued no more than three months after the date of the opinion on the financial statements.
22. The Letter of Representation requires endorsement by the Committee as an important final stage in the audit of the Council's 2020/21 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.

### OPTIONS CONSIDERED

23. Not applicable.

### REASONS FOR RECOMMENDED OPTION

24. 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

25. 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>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 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><b>Doncaster Learning:</b> Our vision is for learning</p>	

	<p>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

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

<b>Risks / Assumptions</b>	<b>Probability</b>	<b>Impact</b>	<b>Proposed Action</b>
Robustness of correct outturn figure	Low	Medium	Work has been undertaken during monitoring and closedown process to process all transactions and prepare for audit. This included senior officer quality assurance review and control; and internal verification and checks by finance and technical officers.
The Audit identifies a material / significant finding or inaccuracy in the production of the accounts.	Low	High	Continuous dialogue with Grant Thornton throughout the year. Specific discussions on key complex / technical areas are as part of the monthly audit liaison group meetings

## **LEGAL IMPLICATIONS [Officer Initials...SRF... Date...18.11.21]**

27. 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. Further specific legal advice can be provided on any matters arising.

## **FINANCIAL IMPLICATIONS [Officer Initials...RI... Date...18.11.21]**

28. The Council's Statement of Accounts are prepared in line with the Accounts and Audit Regulations 2015 and International Financial Reporting Standards.
29. The audit fee budget is managed by the Director of Corporate Resources and this review is included in the planned expenditure for the 2020/21 audit.

## **HUMAN RESOURCES IMPLICATIONS [Officer Initials...SH... Date...18.11.21]**

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

## **TECHNOLOGY IMPLICATIONS [Officer Initials...PW... Date...18.11.21]**

31. There are no specific technology implications relating to the contents of this report. As outlined in Appendix A (Action Plan – IT Recommendations), ICT are aiming to update the passwords for the Northgate Revenues & Benefits system as part of the ongoing security project. In addition, the policy of notification of leavers has been reinforced within the Council.

## **HEALTH IMPLICATIONS [Officer Initials...RS... Date...18.11.21]**

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

## **EQUALITY IMPLICATIONS**

33. This report has no specific equality implications.

## **CONSULTATION**


34. Not applicable.


## **BACKGROUND PAPERS**

35. Following background papers: -
- Unaudited Statement of Accounts 2020/21 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 (Amendment) Regulations 2021
  - The Code of Practice on Local Authority Accounting 2020/21 ('The Code') - based on IFRS

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