

# Comprehensive Income and Expenditure Statement (CI&ES)

|  | Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |
|--|----------------------------|-----------------------|--------------------------|
| Adults, Health & Wellbeing                                 | 149,689                    | (85,733)              | 63,956                   |
| Corporate Resources  | 129,362                    | (94,805)              | 34,557                   |
| Council Wide Budgets                                       | 18,163                     | (1,234)               | 16,929                   |
| Economy & Environment                                      | 91,215                     | (26,029)              | 65,186                   |
| Learning & Opportunities, Skills & Culture                 | 222,161                    | (132,102)             | 90,059                   |
| Public Health  | 33,370                     | (29,247)              | 4,123                    |
| Housing Revenue Account                                    | 51,601                     | (77,719)              | (26,118)                 |
| <b>Net Cost of Services</b>                                | <b>695,561</b>             | <b>(446,869)</b>      | <b>248,692</b>           |
| Other operating expenditure                                |                            |                       | 49,297                   |
| Financing and investment income and expenditure            |                            |                       | 29,590                   |
| Taxation and non-specific grant income                     |                            |                       | (292,771)                |
| <b>(Surplus) / Deficit on Provision of Services</b>        |                            |                       | <b>34,808</b>            |
| (Surplus) / Deficit on revaluation of non current assets   |                            |                       | (102,320)                |
| Actuarial (gains) / losses on pension assets / liabilities |                            |                       | (165,549)                |
| (Gains) / Losses on revaluation of financial instruments   |                            |                       | 603                      |
| <b>Other Comprehensive Income and Expenditure</b>          |                            |                       | <b>(267,266)</b>         |
| <b>Total Comprehensive Income and Expenditure</b>          |                            |                       | <b>(232,458)</b>         |

Income and expenses allocated to Directorates per management reporting structure

Income and expenses not allocated to service lines, e.g. council tax, capital grants (which would distort service lines if included there)

In the private sector this would be the profit / loss of a company. Agrees to Movement in Reserves Statement

Gains / losses in the measurement of assets and liabilities. Arise due to changes in market valuations, interest rates or measurement assumptions in relation to pensions assets and liabilities

Agrees to movement in the Balance Sheet

# Movement in Reserves Statement

(only 2 columns shown for illustration)

|  | General Fund<br>£'000   | HRA<br>£'000          |
|--|-------------------------|-----------------------|
| Balance at 31 <sup>st</sup> March 2021 brought forward                   | (131,502)               | (8,267)               |
| <b><u>Movement in reserves during 2021/22</u></b>                        |                         |                       |
| Total Comprehensive Income and Expenditure                               | 29,650                  | 5,158                 |
| Adjustments between accounting basis and funding basis under regulations | (29,816)                | (3,581)               |
| <b>(Increase) / Decrease in 2021/22</b>                                  | <b><u>(166)</u></b>     | <b><u>1,577</u></b>   |
| Balance at 31 <sup>st</sup> March 2022 carried forward                   | <b><u>(131,668)</u></b> | <b><u>(6,690)</u></b> |

(Surplus) or deficit for the year. Note the joint position for GF and HRA of £34,808 (which equals the figure in CI&ES)

Statutory adjustments such as replacing depreciation with MRP, pension liabilities with contributions (IAS19) etc.

Gives the change in the General Fund balance over the year. This agrees to the final GF outturn position as reported to Cabinet in June and contribution to Earmarked and General Reserves.

# Balance Sheet – Assets and Liabilities

The largest asset. PPE includes all the Council's property asset portfolio.

|  | 31 <sup>st</sup> March 2022 |                  | 31 <sup>st</sup> March 2021 |                  |
|--|-----------------------------|------------------|-----------------------------|------------------|
|  | £'000                       | £'000            | £'000                       | £'000            |
| Property, Plant & Equipment                    | 1,504,952                   |                  | 1,419,642                   |                  |
| Heritage Assets                                | 9,050                       |                  | 9,120                       |                  |
| Investment Property                            | 1,696                       |                  | 1,710                       |                  |
| Intangible Assets                              | 2,478                       |                  | 3,891                       |                  |
| Long Term Investments                          | 3,238                       |                  | 3,841                       |                  |
| Long Term Debtors                              | 6,894                       |                  | 7,024                       |                  |
| <b>Long Term Assets</b>                        |                             | <b>1,528,308</b> |                             | <b>1,445,228</b> |
| Short Term Investments                         | 25,010                      |                  | 25,007                      |                  |
| Assets Held for Sale                           | 21,829                      |                  | 31,084                      |                  |
| Inventories                                    | 1,253                       |                  | 1,071                       |                  |
| Short Term Debtors                             | 88,765                      |                  | 96,400                      |                  |
| Cash and Cash Equivalents                      | 67,558                      |                  | 64,413                      |                  |
| <b>Current Assets</b>                          |                             | <b>204,415</b>   |                             | <b>217,975</b>   |
| Cash and Cash Equivalents                      | (27)                        |                  | 0                           |                  |
| Short Term Borrowing                           | (63,790)                    |                  | (103,070)                   |                  |
| Short Term Creditors                           | (83,078)                    |                  | (73,913)                    |                  |
| Provisions                                     | (1,593)                     |                  | (1,722)                     |                  |
| Revenue Grants Receipts in Advance             | (31,749)                    |                  | (16,228)                    |                  |
| Capital Grants Receipts in Advance             | (1,860)                     |                  | (8,917)                     |                  |
| <b>Current Liabilities</b>                     |                             | <b>(182,097)</b> |                             | <b>(203,850)</b> |
| Provisions                                     | (16,282)                    |                  | (14,720)                    |                  |
| Long Term Borrowing                            | (398,902)                   |                  | (419,357)                   |                  |
| Deferred Liabilities                           | (40,400)                    |                  | (41,846)                    |                  |
| Donated Assets Account                         | 0                           |                  | 0                           |                  |
| Revenue Grants Receipts in Advance             | 0                           |                  | (1,044)                     |                  |
| Capital Grants Receipts in Advance             | (6,063)                     |                  | (2,541)                     |                  |
| Liability related to defined benefit pension s | (316,316)                   |                  | (439,641)                   |                  |
| <b>Long Term Liabilities</b>                   |                             | <b>(777,963)</b> |                             | <b>(919,149)</b> |
| <b>Net Assets</b>                              |                             | <b>772,663</b>   |                             | <b>540,204</b>   |

Long term assets i.e. those expected to provide benefits to the Council beyond 12 months.

Current assets i.e. those anticipated to be consumed in 12 months, the normal operating cycle for the Council

Current liabilities i.e. those liabilities anticipated to be settled within 12 months

The largest liability. This figure is highly volatile and is dependent upon the actuary's assumptions e.g. a 0.1% increase in the inflation rate would result in a £30.0m increase.

Long-term liabilities i.e. these liabilities that are anticipated to be settled beyond 12 months.

Agrees to total reserves figure. The balance as at 31<sup>st</sup> March 2022 of £772,663 has INcreased by £232,458 which is the surplus in the CI&ES for 2020/21

# Informing the audit risk assessment for Doncaster Metropolitan Borough Council 2021/22



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

# Table of Contents

| <b>Section</b>   | <b>Page</b> |
|--|-------------|
| Purpose  | 4           |
| General Enquiries of Management                        | 6           |
| Fraud  | 8           |
| Fraud Risk Assessment                                  | 9           |
| Laws and Regulations                                   | 14          |
| Impact of Laws and Regulations                         | 15          |
| Related Parties  | 17          |
| Going Concern  | 19          |
| Accounting Estimates                                   | 21          |
| Accounting Estimates - General Enquiries of Management | 22          |
| Appendix A – Accounting Estimates                      | 25          |

## Purpose

The purpose of this report is to contribute towards the effective two-way communication between Doncaster Metropolitan Borough Council's external auditors and Doncaster Metropolitan Borough Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

**Please consider the questions in this document from both a standalone Council and group accounts perspective**

### Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

### Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

## Purpose

This report includes a series of questions on each of these areas and the response we have received from Doncaster Metropolitan Borough Council's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.



# General Enquiries of Management

| Question  | Management response   |
|---|---|
| 1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?  | The COVID-19 pandemic and the recovery from it continued to affect the Council during 2021/22.                                  |
| 2. Have you considered the appropriateness of the accounting policies adopted by Doncaster Metropolitan Borough Council?<br>Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they? | Accounting policies are reviewed on an annual basis, there have been no significant changes in accounting policy during 2021/22 |
| 3. Is there any use of financial instruments, including derivatives? If so, please explain  | Yes all financial instruments are shown in the note in the Statement Of Accounts (SOA). There are no derivatives.               |
| 4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?  | COVID-19 funding received from Government used to pay out business grants and many other forms of support                       |

## General Enquiries of Management

| Question  | Management response   |
|---|---|
| 5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?   | None  |
| 6. Are you aware of any guarantee contracts? If so, please provide further details  | Only those disclosed in the Financial Instruments note in relation to pension guarantees            |
| 7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details   | No  |
| 8. Other than in house solicitors, can you provide details of those solicitors utilised by Doncaster Metropolitan Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years? | BrowneJacobson<br>Forbes<br>Geldards<br>Kennedy's<br>Womble Bond Dickinson<br>Trowers<br>Shoosmiths |
| 7   | Through Insurance Team  |

# Fraud

## Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Doncaster Metropolitan Borough Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Doncaster Metropolitan Borough Council's management.

# Fraud risk assessment

| Question   | Management response   |
|--|---|
| <p>1. Has Doncaster Metropolitan Borough Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the council's risk management processes link to financial reporting?</p> | <p>Annual audit report completed on an annual basis that sets out potential fraud risk.</p> <p>Annual assessment also provided by Head of Internal Audit and Chair of Audit Committee – previous low risk assessment still stands</p> <p>Fraud risks are identified in the annual audit plan and risk assessment. Annual fraud report identifies low incidence of fraud and nothing of impact on the financial statements</p> <p>Risk of fraud impacting upon financial reporting is classified as low.</p> |
| <p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>  | <p>These are all set out in the Fraud risk register – cyber fraud is identified as the highest risk.</p> <p>There are a series of measures to manage all risks identified</p>   |
| <p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Doncaster Metropolitan Borough Council as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>   | <p>Not aware of any significant instances</p>   |

## Fraud risk assessment

| Question   | Management response  |
|--|--|
| 4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?  | These are identified, collated and then raised and rated through the Governance Group before being considered further as part of quarterly Finance and Performance Reporting. Significant weakness or risk are ultimately reported through to Audit Committee.     |
| 5. Have you identified any specific fraud risks? If so, please provide details<br><br>Do you have any concerns there are areas that are at risk of fraud?<br><br>Are there particular locations within Doncaster Metropolitan Borough Council where fraud is more likely to occur? | The is a detailed fraud risk register maintained by Internal Audit<br><br>These are identified in the Fraud Risk Register<br><br>These are identified in the Fraud Risk Register   |
| 6. What processes does Doncaster Metropolitan Borough Council have in place to identify and respond to risks of fraud?   | Internal audit plan and progress reports and annual reports all cover both proactive and reactive work covering fraud<br>Some proactive fraud work covers data matching, continual analytics, fraud awareness training, specific anti-fraud and corruption reviews |

# Fraud risk assessment

Appendix D

| Question  | Management response  |
|---|--|
| <p>7. How do you assess the overall control environment for Doncaster Metropolitan Borough Council, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p> | <p>Positive opinion given in previous Head of Internal Audit Annual reports and will be for 21/22 year</p> <p>Positive opinion given in previous Head of Internal Audit Annual reports the Annual Governance Statement and again for 21/22 year</p> <p>These are set out in Internal Audit progress reports and individual internal audit reports and other forms of correspondence</p> <p>All are covered in previous responses</p> <p>There is always this risk present especially with collusion but this is low risk and especially in the public sector</p> |
| <p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>  | <p>Yes – but minimised reporting structure<br/>Assessed as low risk</p>  |

# Fraud risk assessment

| Question   | Management response   |
|--|---|
| <p>9. How does Doncaster Metropolitan Borough Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p> | <p>Monitor Contract Procedure Rules and elements of the Financial Procedure Rules and report to audit committee. Annual Modern Slavery Statement published</p> <p>Communication through the annual Performance and Development Review (PDR) scheme, Doncaster charter and sections of the council constitution states the code of conduct for employees.</p> <p>Members of professional bodies agree to ethical standards.<br/>Staff are expected to report their concerns to their manager or if inappropriate , elsewhere as set out in whistleblowing policy / Antifraud and corruption policy<br/>Such concerns have been low level for several years and have remained so throughout 21/22</p> |
| <p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>  | <p>All set out in the Fraud risk Register</p> <p>All set out in the Fraud risk Register</p>   |
| <p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>  | <p>No.</p> <p>Declaration of interest completed by all officers and members.</p>  |

## Fraud risk assessment

| Question  | Management response  |
|---|--|
| <p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p> | <p>Annual Report of the Head of Internal Audit and Annual Fraud report</p> <p>Has oversight and awareness through the above report and seek assurance over the outcomes of these including management implementing actions to address weaknesses</p> <p>These arrangements have continued as normal during the 21/22 year.</p> |
| <p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>   | <p>Whistle blowing has traditionally been very low and this has continued in 21/22. All such incidents follow the appropriate processes.</p>   |
| <p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>  | <p>No</p>  |



# Law and regulations

## Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that Doncaster Metropolitan Borough Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

# Impact of laws and regulations

| Question  | Management response   |
|---|---|
| <p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Doncaster Metropolitan Borough Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the council's regulatory environment that may have a significant impact on the council's financial statements?</p> | <p>Service managers ensure service is compliant with relevant laws and regulations. Annually, assurances provided to this for the Annual Governance Statement (AGS) which is then thoroughly checked and challenged as required</p> <p>Service managers ensure service compliant with relevant laws and regulations. Legal services team help and support as required</p> <p>None</p> |
| <p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>  | <p>Through the AGS, Internal Audit progress and annual reports. Reports on compliance with Contract and Financial procedure rules and other reports from management</p>   |
| <p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>  | <p>None identified</p>  |
| <p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>  | <p>All potential items are shown in the contingent liabilities note in the Statement of Accounts</p>  |

## Impact of laws and regulations

| Question   | Management response  |
|--|--|
| 5. What arrangements does Doncaster Metropolitan Borough Council have in place to identify, evaluate and account for litigation or claims?                 | These are referred to Legal Service team and Insurance teams as required |
| 6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details | None   |

# Related Parties

## Matters in relation to Related Parties

Doncaster Metropolitan Borough Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Doncaster Metropolitan Borough Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the council, or of any body that is a related party of the council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the council's perspective but material from a related party viewpoint then the council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

## Related Parties

| Question  | Management response   |
|---|---|
| <p>1. Have there been any changes in the related parties including those disclosed in Doncaster Metropolitan Borough Council's 2020/21 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and Doncaster Metropolitan Borough Council</li> <li>whether Doncaster Metropolitan Borough Council has entered into or plans to enter into any transactions with these related parties</li> <li>the type and purpose of these transactions</li> </ul> | <p>Process the same as in previous years looking at all members and Heads of Service and above Officers declaration forms. Please refer to related parties working paper for members and Officers for more details.</p>             |
| <p>2. What controls does Doncaster Metropolitan Borough Council have in place to identify, account for and disclose related party transactions and relationships?</p>   | <p>Declarations of Interest completed by all officers annually or when a change in circumstance arises. Reviewed and approved by line management.<br/>Members complete the form termly or when a change in circumstance arises.</p> |
| <p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>   | <p>Forms are reviewed and approved by line management any issues will be highlighted</p>  |
| <p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>  | <p>As above</p>   |

# Going Concern

## Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

# Going Concern

| Question  | Management response   |
|---|---|
| <p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Doncaster Metropolitan Borough Council will no longer continue?</p>   |   |
| <p>2. Are management aware of any factors which may mean for Doncaster Metropolitan Borough Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>  | No  |
| <p>3. With regard to the statutory services currently provided by Doncaster Metropolitan Borough Council, does Doncaster Metropolitan Borough Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Doncaster Metropolitan Borough Council to cease to exist?</p> | It is expected these services will be delivered by the Council for the foreseeable future |
| <p>4. Are management satisfied that the financial reporting framework permits Doncaster Metropolitan Borough Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>         | Yes   |

# Accounting estimates

## Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.



# Accounting Estimates - General Enquiries of Management

| Question   | Management response  |
|--|--|
| 1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures? | <p>Material classes of transaction - Property, plant and equipment and pension.</p> <p>Material conditions – Pandemic, natural disaster</p>  |
| 2. How does the council's risk management process identify and address risks relating to accounting estimates?   | <p>Appendix A lists all the significant uses of accounting estimates, e.g. valuations, provisions, accruals etc. All are reviewed as part of the closure of accounts process. The possibility of misstatement is mitigated by quality assurance checks. Provisions are reviewed regularly and reserve balances are in place to mitigate any potential shortfall.</p> |
| 3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?  | <p>Evidence and assumptions used to form the basis of estimates is reviewed to ensure it is still relevant and suitable for use.</p>   |
| 4. How does management review the outcomes of previous accounting estimates?   | <p>Rolling reviews of assets, review asset population not revalued in year based on current year revaluations, asset verification exercise carried out on a rolling programme. Schools identified as a large value asset group and are therefore now revalued annually.</p> <p>Pension assumptions reviewed annually.</p> <p>Provisions reviewed annually</p>        |
| 5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?   | <p>No</p>  |

# Accounting Estimates - General Enquiries of Management

| Question   | Management response   |
|--|---|
| <p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>   | <p>Use actuary for pension information.<br/>           Qualified officers used for asset valuations.<br/>           District valuer used for dwelling valuations.<br/>           Link used to supply fair value for financial instruments.</p>  |
| <p>7. How does the council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>   | <p>Valuers are issued with instruction letter and contract with requirements is in place with the district valuer.<br/>           Pension – DMBC participate in the annual bulk exercise to obtain the IAS19 disclosures.<br/>           Quality Assurance is carried out.</p>                                |
| <p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>  | <p>Valuations – variances over a certain % are reviewed and challenged, district valuer beacon sheets reviewed<br/>           Pensions – finance officers review assumptions to ensure they are in line with expectations<br/>           Quality Assurance is carried out.</p>                                |
| <p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul> | <p>Audit committee – unaudited and audited accounts presented to audit committee with report highlighting high risk areas<br/>           Audit Committee chair – briefed before meeting<br/>           Training offered to new audit committee members and refresher training offered to existing members</p> |

## Accounting Estimates - General Enquiries of Management

| Question  | Management response   |
|---|---|
| 10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they? | None  |
| 11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?   | Yes   |
| 12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate?   | Audit committee – unaudited and audited accounts presented to audit committee with report highlighting high risk areas Detailed training and awareness sessions also provided |

## Appendix A - Accounting Estimates

| Estimate                            | Method / model used to make the estimate   | Controls used to identify estimates                              | Whether management have used an expert                          | Underlying assumptions:<br>- Assessment of degree of uncertainty<br>- Consideration of alternative estimates | Has there been a change in accounting method in year? |
|-------------------------------------|--|--|---|--|---|
| Valuation of other land & buildings | DRC, EUV, Fair Value, Historic Cost. Valued as at 31 <sup>st</sup> March   | BCIS rates, local information such as sale prices, rental income | Valuations reviewed by RICs qualified officers                  | Stated on individual valuation certificates  | No  |
| Valuation of council dwellings      | current value, determined using the basis of existing use value for social housing (EUV-SH). Valued as at 31 <sup>st</sup> March | Value based on achievable sale prices then reduced               | Yes – District Valuer   | 41% EUV – use of this % is supported by local evidence.  | No  |
| Fair value of debt instruments      | Valuations made using comparable investments or for PWLB loans new borrowing (certainty) rates                                   | PWLB rates published by Debt Management Office                   | Yes – fair value estimates provided by Link (treasury advisors) | Accrued interest included – assuming PWLB rates are comparable with market rates                             | No  |
| Depreciation (useful economic life) | Straight line method, based on opening value as at 1 <sup>st</sup> April.  | Treatment of asset classifications and UEL applied as per policy | Only in obtaining the most recent asset valuations used.        | Asset is still in use, useful economic life.   | No  |

## Appendix A - Accounting Estimates

| Estimate   | Method / model used to make the estimate  | Controls used to identify estimates   | Whether management have used an expert   | Underlying assumptions:<br>- Assessment of degree of uncertainty<br>- Consideration of alternative estimates  | Has there been a change in accounting method in year? |
|--|---|---|--|---|---|
| Valuation of defined benefit net pension fund liabilities          | Liabilities have been assessed on an actuarial basis using the projected unit credit method.                  | An estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. | The liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Council fund being based on the latest full valuation of the scheme | Rates of inflation, longevity, increase in salaries, increases in pension and rate for discounting liability. | No  |
| Expenditure accruals   | Automatic system accruals, manual – guidance provided   | Budget holder monitoring, significant variances, review of new year transactions  | N/A  | Potential uncertainty around value<br>Most appropriate estimate used  | No  |
| Provisions estimate (specifically business rates & insurance fund) | Appeals provision model based on previous appeals success %.<br><br>Insurance – based on previous claims data | Insurance Team  | N/A  | Methods used and associated % used is changed each year.  | No  |
| <sup>26</sup> PFI liabilities                                      | Waste – based on Rotherham due to being lead authority  | Based on model used   | N/A  | PFI model is most appropriate estimate  | No  |

## Appendix A - Accounting Estimates

| Estimate  | Method / model used to make the estimate                     | Controls used to identify estimates | Whether management have used an expert | Underlying assumptions:<br>- Assessment of degree of uncertainty<br>- Consideration of alternative estimates               | Has there been a change in accounting method in year? |
|---|--|-------------------------------------|--|--|---|
| Credit loss and impairment allowance (bad debt provision) | Rules based around age of account and indicators on account. | All information is system generated | N/A                                    | Provision provided based on age and indicators reviewed by officers and can be over ridden based on additional information | N/A   |