



Doncaster Council

Report

Date: 27th October, 2022

To the Chair and Member of the
AUDIT COMMITTEE

STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2021/22 – DRAFT ISA 260 REPORT TO THOSE CHARGED WITH GOVERNANCE

EXECUTIVE SUMMARY

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 2021/22 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 31st July. The Accounts and Audit (Amendment) Regulations 2021 amended this date to 30th September for 2022. In December 2021, the Department for Levelling-up, Housing and Communities (DLUHC) announced an intention to further extend the deadline for publication of the audited statement of accounts to 30th November, 2022.
3. Grant Thornton expects to issue an unqualified audit opinion on the Council's financial statements for 2021/22; subject to all outstanding queries being resolved to their satisfaction.
4. Grant Thornton have provided an update on the timescales for the Value for Money (VfM) for 2021/22 and issuing the Auditor's Annual Report (AAR). Grant Thornton expect to issue the AAR in time for the Audit Committee on 26th January, 2023.
5. Overall the draft ISA 260 report is a positive one, with 1 adjusted misstatement.
6. Attached to this report is the draft ISA 260 report. The Audit Committee will be updated on any changes to the report.

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 2021/22 financial year; and
 - b. the Council's income and expenditure for the 2021/22 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 2021-22 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. **8** key areas of improvement have been completed or have been effectively managed to the extent that they are no longer significant (pages 9-10);
 - b. **2** new significant issues arising from the 2021-22 review of effectiveness of the corporate governance arrangements (pages 6-7);
 - c. Update on the **1** key area identified during previous years that remains an issue in 2021-22 (page 7).
9. Since the draft AGS was presented at Audit Committee in April 2022, 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 2021/22; and
 - d. Approve the Annual Governance Statement 2021/22, 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 2021/22, 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 2021/22 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 6th July 2022. This was ahead of the revised statutory deadline of 31st July 2022. The Accounts and Audit (Amendment) Regulations 2021 amended the normal statutory date from 31st May to 31st July.
14. The unaudited accounts were presented to this Committee for information on 28th July, 2022. Grant Thornton were presented with these draft accounts on 6th July, 2022.

Outcomes of the Audit

15. The external audit began in July and included examination of evidence relevant to the amounts and disclosures in the financial statements and related disclosure notes. It also included an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements and related notes and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed. This has resulted in the findings and conclusions contained in the 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 1 recommendation this year, which is a Medium priority. This relates to the end of the useful life of Vehicles, Plant and Equipment. This is detailed in the draft ISA 260 report page 26.
18. There was 1 adjusted misstatement relating to the gross book value of Vehicles, Plant and Equipment. This is detailed in the draft ISA 260 report page 29.
19. There were 8 misclassification and disclosure changes. These are detailed in the draft ISA 260 report pages 30-31.
20. An updated unaudited Statement of Accounts is attached at Appendix C. This has been updated for the adjustments referred to in the draft ISA 260 report.

21. Grant Thornton expects to issue an unqualified audit opinion on the Council's financial statements for 2021/22; subject to all outstanding queries being resolved to their satisfaction. However, page 3 of the ISA 260 report notes that an issue affecting the whole local government sector means an unqualified opinion can't be provided until a Statutory Instrument is issued by the government. This may mean that the statutory deadline for completing the audit is missed. Should this occur the Council will publish an explanation for the delay on its website.
22. The accounts were made available for public inspection for 30 working days (in accordance with the Accounts and Audit (England) Regulations 2015) on 7th July, 2022, 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.
23. Grant Thornton expect to complete their work on Value For Money (VfM) for 2021/22 and issue the Auditor's Annual Report (AAR) in time for the Audit Committee meeting on 26th January 2023. This is ahead of 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.
24. The Letter of Representation requires endorsement by the Committee as an important final stage in the audit of the Council's 2021/22 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

25. Not applicable.







REASONS FOR RECOMMENDED OPTION



26. 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

27. These are detailed in the table below: -

Great 8 Priority	Positive Overall	Mix of Positive & Negative	Trade-offs to consider – Negative overall	Neutral or No implications
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 Tackling Climate Change				✓
Comments:				
 Developing the skills to thrive in life and in work				✓
Comments:				
 Making Doncaster the best place to do business and create good jobs				✓
Comments:				
 Building opportunities for healthier, happier and longer lives for all				✓
Comments:				
 Creating safer, stronger, greener and cleaner communities where everyone belongs				✓
Comments:				
 Nurturing a child and family-friendly borough				✓
Comments:				

 Building Transport and digital connections fit for the future				✓
Comments:				
 Promoting the borough and its cultural, sporting, and heritage opportunities				✓
Comments:				
Fair & Inclusive	✓			
Comments: The audited Statement of Accounts provides information on all Council priorities incorporating income and expenditure for all Council services. 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.				

Legal Implications [Officer Initials: SRF | Date: 10/10/22]

28. The Statement of Accounts is prepared in accordance with the appropriate regulations and the Council is subject to statutory external audit and performance by Grant Thornton. Further specific legal advice can be provided on any matters arising.

Financial Implications [Officer Initials: RLI | Date: 07/10/22]

29. The Council's Statement of Accounts are prepared in line with the Accounts and Audit Regulations 2015 and International Financial Reporting Standards.
30. The audit fee budget is managed by the Director of Corporate Resources and this review is included in the planned expenditure for the 2021/22 audit.

Human Resources Implications [Officer Initials: KG | Date: 11/10/22]

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

Technology Implications [Officer Initials: PW | Date: 07/10/22]

32. The final version of the ISA260 will be reviewed by relevant officers and any technology implications will be fed back to the CFO and Chair of Audit Committee prior to signing off the accounts.

RISKS AND ASSUMPTIONS

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

Risks / Assumptions	Probability	Impact	Proposed Action
Robustness of correct outturn figure	Low	Medium	Work has been undertaken during monitoring and closedown process to process all transactions and prepare for audit. This 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

CONSULTATION

34. Not applicable.

BACKGROUND PAPERS

35. Following background papers: -
- Unaudited Statement of Accounts 2021/22 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 2021/22 ('The Code') - based on IFRS

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

AGS	Annual Governance Statement
AAR	Auditor's Annual Report
DLUHC	Department for Levelling-up, Housing and Communities
IFRS	International Financial Reporting Standards

ISA International Standard on Auditing
VfM Value for Money

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