The Audit Findings (ISA 260) Report for Doncaster Metropolitan Borough Council

Year ended 31 March 2022

17 October 2022

Contents

Your key Grant Thornton team members are:

Gareth Mills

Key Audit Partner & Engagement Lead

T 0113 200 2535

E gareth.mills@uk.gt.com

Perminder Sethi

Engagement Senior Manager

T 0113 200 2547

E perminder.sethi@uk.gt.com

Greg Charnley

Engagement Manager

T 0113 200 2558

E greg.f.charnley@uk.gt.com

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 planning 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 the Council or all 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.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit Committee.

Gareth D Mills

Name: Gareth Mills

For Grant Thornton UK LLP

Date: 17 October 2022

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Doncaster Metropolitan Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the
  year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely from July through to concluding in November. Our findings are summarised in Section Two of this report. As at the date of this report, we have not identified any audit adjustments impacting on the Council's outturn position and useable reserves.

Our work identified a number of disclosure and presentational audit adjustments which are detailed at Appendix C. We have raised one audit recommendations for management as a result of our work in the Action Plan at Appendix A. Our follow up of recommendations from the prior year are detailed at Appendix B.

Our work is nearing completion in advance of our target sign off date of the end of November. At present, there are no matters of which we are aware that would require modification of our proposed audit opinion (Appendix E) or material changes to the financial statements, subject to the following outstanding matters:

- completing the remaining elements of our work on PPE, pension fund assets and liabilities, payables and receivables, journals, grant income, operating expenditure, the Group audit and additional assurance from the pension fund auditor
- publication of the Statutory Instrument (SI) from the Department for Levelling Up, Housing and Communities (DLUHC) on the statutory override for the accounting arrangements relating to infrastructure assets (see also page 13 for further details)
- completion of our internal quality review processes, including final reviews of the file by both the Engagement Manager and Engagement Lead, specifically in respect of significant audit risks of PPE valuation, pension fund liability and journals testing
- reviewing the final version of the financial statements, Narrative Report and Annual Governance Statement
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Timing of the completion of the 2021-22 audit

In our discussions with management, our approach is to conclude all work on the audit by 30 November 2022 in line with the statutory target. However, there is a national issue across the sector in terms of accounting for infrastructure assets (set out in more detail on page 13) which is expected to be resolved via the issuing of a Statutory Instrument from DLUHC.

We have agreed with management that we will await the publication of the SI in order to avoid issuing a qualified opinion. The timing of the SI from DLUHC is hoped to be around 30 November to coincide with the statutory date, however at the time of this report the exact publication date remains unclear. The SI is expected to resolve the infrastructure accounting issue across the sector and should all other aspects of the audit be concluded appropriately, we would expect to issue a clean (unqualified) audit opinion at that time.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report in time for the Audit Committee meeting on 26 January 2023. This is ahead of the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued within three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our initial planning work identified no significant VFM weaknesses in the Authority's arrangements. As other authorities, the Council is facing increasing costs resulting from inflation, particularly relating to energy and pay expenditure which is impacting on the Council's ability to deliver to agreed budgets. We will summarise the findings from our work in our Auditor's Annual Report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

Subject to the completion of our work on the Council's VFM arrangements, our review of the Council's Whole of Government Accounts (WGA) submission, and the issue of a Statutory Instrument in respect of Infrastructure Assets, we expect to be in a position to issue our audit certificate by the end of February 2023.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and support provided by the finance team and other staff during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings (ISA260) Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be presented to the Audit Committee on 27 October 2022.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls
- an evaluation of the components of the Group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of each component and to determine the planned audit response. From this evaluation we determined that a targeted approach was required as part of our audit work on the following Group components, St Leger Homes of Doncaster Ltd (SLH) and Doncaster Children's Service Trust (DCST). This is consistent with our audit approach last year
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to the outstanding queries being resolved and a statutory instrument being issued in respect of accounting for infrastructure assets, we anticipate issuing an unqualified audit opinion by 30 November 2022. These outstanding items include:

- completing the remaining elements of our work on PPE, pension fund assets and liabilities, payables and receivables, journals, grant income, operating expenditure, the Group audit and additional assurance from the pension fund auditor
- publication of the Statutory Instrument from the Department for Levelling Up, Housing and Communities (DLUHC) on the statutory override for the accounting arrangements relating to infrastructure assets (see also page 13 for further details)
- completion of our internal quality review processes, including final reviews of the file by both the Engagement Manager and Engagement Lead, specifically in respect of significant audit risks of PPE valuation, pension fund liability and journals testing
- reviewing the final version of the financial statements, Narrative Report and Annual Governance Statement
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

On receipt of the draft financial statements for 2021-22, we revised the materiality levels as reported in our audit plan dated 6 July 2022 to reflect the increase in net cost of services of some £60m.

The updated materiality levels are shown in the table alongside for both the Council and the group.

Materiality area	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Revised materiality for the financial statements	10,648k	10,433k	We have determined materiality at 1.5% of gross operating expenditure for the year. We consider this as the most appropriate criteria given stakeholders interest in the Council delivering its budget. There are no changes to this threshold or benchmark to that set out in our Audit Plan dated 6 July 2022.
Original materiality	*9,419K*	*9,247k*	
Revised performance materiality	7,453k	7,303k	Assessed to be 70% of financial statement materiality.
Original performance materiality	*6,593k*	*6,473k*	
Revised trivial matters	532k	521k	This equates to 5% of materiality. This is our reporting threshold to the Audit Committee for any errors identified.
Original trivial matters	*470k*	*462k*	
Revised materiality for senior officer remuneration disclosures	-	15k	The senior officer remuneration disclosures in the Financial Statements have been identified as an area requiring specific materiality due to its sensitive nature. There are no changes to this threshold from our Audit Plan dated 6 July 2022.
Original materiality for senior officer remuneration disclosures	*-*	*15k*	

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls (Risk relating to the Council) 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. 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.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied and made by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work in this area remains ongoing, however, to date has not identified any issues in respect of management override of controls. We will provide a verbal update to the Audit Committee on 27 October should any significant issues arise from completing our work in this area.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Risk of fraud in revenue recognition and expenditure (Risk relating to the Council) **Revenue** Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including at the Council, mean that all forms of fraud are seen as unacceptable. **Expenditure** Whilst not a presumed significant risk we have had regard to Practice Note 10 (Audit of financial statements and regularity of public sector bodies in the United Kingdom). Having considered the nature of the expenditure streams at the Authority, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because: • there is little incentive to manipulate expenditure for a Council where services are provided to the public through taxpayers funds • there is no significant pressures on general fund reserves of the Council • Covid -19 funding has been sufficiently provided for additional expenditure and loss of income during 2020-21 and into 2021-22.	As part of our final accounts audit process, we have reconsidered our rebuttal of both revenue and expenditure recognition and consider the rebuttal to still remain appropriate. Notwithstanding that we have rebutted these risks we have undertaken a significant level of work on the Council's revenue streams, as they are material to the financial statements audit. As part of our audit work, we have: **Accounting policies and systems** • Evaluated the Council's accounting policies for recognition of income and expenditure for it's material income and expenditure streams and compliance with the CIPFA Code • Updated our understanding of the Council's business processes associated with accounting for income and expenditure. **Fees, Charges and other service income** • Agreed, on a sample basis, income and year end receivables from other income supporting evidence. **Taxation and non specific grant income** • Income for national non-domestic rates and council tax is predictable and therefore we would conducted substantive analytical procedures • For other grants we sample tested items for supporting evidence and checked the appropriateness of the accounting treatment was in line with the CIPFA Code. **Expenditure** • Agreed, on a sample basis, non pay expenditure and year end payables to supporting evidence • Undertook detailed substantive analytical procedures on pay expenditure. We also carried out sufficient and appropriate audit procedures to ascertain that recognition of income and expenditure was in the correct accounting period using cut off testing. From our audit work to date, there are no issues arising that require reporting to the Audit Committee.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings, including Council dwellings (Risk relating to the Council) The Council 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 £1.2 billion) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council'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. We therefore identified the closing valuation of land and buildings, including council dwellings as a significant risk, which was one of the most significant assessed risks of material misstatement.	As part of our work we have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • discussed with the valuer the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engaged our own auditor's expert valuer to assess the instructions issued to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation • tested revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end • considered, where the valuation date is not 31 March 2022 for assets valued in year, the arrangements management has used to ensure the valuation remains materially appropriate at 31 March 2022. Our audit work to date has not identified any issues in respect of the valuation of land and buildings.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of the pension fund net liability (Risk relating to the Council) The Council'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. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£316.3m in the Authority's balance sheet {Group £390.8m}) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates. 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.	We have: • 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 • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability • 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 • 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 • 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. Our audit work to date has not identified any issues in respect of valuation of the pension fund liability except for the following disclosure issue: • our review of the pensions disclosures within Note 39 Defined Benefit Pension Schemes identified that no sensitivity analysis had been provided for pension assets valued at level 3 to recognise the estimation uncertainty in relation to the valuation of these assets. Following discussions with management, this disclosure has now been added. This amendment is also included at Appendix C. We have recently been informed by our Technical Department of some additional information required from the pension fund auditor in relation to their IAS 19 letter. The additional information relates to the valuation of assets and the approach taken to reviewing asset prices to independent sources of evidence, including clarifying how assurance has been obtained that fund managers and / or custodians have priced investments independently. This information should already be available to the pension fund auditor and should not require any additional work. We understand other audit firms are taking a similar approach regarding obtaining this information. We have requested this additional information from the Council's pension fund auditor.

2. Financial Statements – Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
St Leger Homes of Doncaster Ltd (SLH)	Beever and Struthers	We adopted a targeted approach of the material balances and transactions of SLH within the Group financial statements for the year ended 31 March 2022. • Our audit approach included obtaining sufficient assurances based on group materiality over any material balances and transactions of SLH outside the group boundary based on group materiality. This included the SLH net pension fund liability, total income and cost of sales and any other material balances and transactions outside the Group • Our work to date has not identified any material issues that require reporting to you. Beever and Stuthers issued an unqualified audit opinion on the 2021-22 accounts of SLH on 29 July 2022. No significant issues were identified from their work.	Our audit work in this area is currently in progress. From our work completed to date, there are no issues to report from the consolidation of St Leger Homes of Doncaster Ltd into the Council's group accounts.
Doncaster Children's Services Trust Ltd (DCST)	Smith Craven	We adopted a targeted approach of the material balances and transactions of DCST within the Group financial statements for the year ended 31 March 2022. • Our audit approach included obtaining sufficient assurances based on group materiality, over any material balances and transactions of DCST outside the Group boundary. This included the DCST net pension fund liability, payroll costs, total income and cost of sales and any other relevant material balances and transactions outside the Group • Our work to date has not identified any material issues that require reporting to you. Smith Craven issued an unqualified audit opinion on the 2021-22 accounts of DCST on 17 August 2022. No significant issues were identified from their work.	Our audit work in this area is currently in progress. From our work completed to date, there are no issues to report from the consolidation of Doncaster Children's Services Trust into the Council's group accounts.

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Auditor commentary and view
IFRS 16 implementation Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. If management elect to implement IFRS 16 from April 2022 (early adoption) then in the 2021-22 accounts as a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts	The Council has decided not to adopt the standard early in its financial statements. The Council has included a high level reference to IFRS16 in its accounts at Note 3, Accounting Standards that have been issued but have not yet been adopted. Management and the audit team will liaise during the 2022-23 audit to ensure the requirements of the new standard are being followed and plans are in place for this issue to be adequately reported in the 2023-24 accounts and fully adopted in the 2024-25 accounts.
Recognition and Presentation of Grant Income The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.	Note 33 to the accounts includes a detailed analysis of grant income covering grant income recognised through the Comprehensive Income and Expenditure Statement (CIES) as well as reporting grants and contributions received in advance. The note provides the accounting principles supporting grant income. Our audit testing of grant income relating to 2021-22 has not identified any non-compliance with the requirements for grant accounting as specified in the Code. Our work involved reviewing the Council's treatment of grants including Covid-19 related grants as either agent (where the Council passes on the grant without having control over its award) or principal (where the Council determines the grant award to be provided). Grant awards where the Council is acting as principal are recorded within the Council's CIES whereas grants where the Council has acted as agent are not. Our work also reviewed the appropriateness of the disclosures made and we undertook sample testing of a number of grants, no issues have arisen from our work to date.
IT General Controls (ITGC) work As part of our audit procedures on the financial statements, we conducted our ITGC work. This was targeted on general IT controls and was performed by our IT specialists. The objective was to identify any significant deficiencies in IT general controls that could lead to any material errors in the financial statements.	No issues were noted from our IT General Controls work this year. We are pleased to note that the Council has actioned one of the two IT recommendations raised last year relating to: • disabling leaver access on the Nortgate System in a timely manner. However, our second recommendation relating to strenthening password settings for Northgate database administrators still remains outstanding. We understand implementation of this recommendation has been delayed due to staffing capacity issues within the Revenues and Benefits Section.

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Auditor commentary and view
Valuation of Infrastructure Assets The Code requires infrastructure to be reported in the Balance Sheet at depreciated historical cost, that is historic cost less accumulated depreciation and impairment. In addition, the Code requires a reconciliation of gross carrying amounts and accumulated depreciation and impairment from the beginning to the end of the reporting period. The Council has material infrastructure assets of some £280m at 31 March 2022, there is therefore a potential risk of material misstatement related to the infrastructure balance.	Our review of the Council's arrangements for accounting for infrastructure assets noted that its arrangements, as with most other authorities, does not fully comply with the requirements of the CIPFA Code of Practice on Local Authority Accounting and International Accounting Standard (IAS) 16, which establishes the principles for recognising property, plant and equipment as assets, measuring their carrying amounts, and measuring the depreciation charges and impairment losses. The Council, in common with most other local authorities capitalises additional expenditure on infrastructure assets, for example on resurfacing roads. However, the amount written out against the gross value of infrastructure assets and depreciation following these improvement works may not fully write out the appropriate proportion of the improvements made. As a result, there is a risk that the Council's Net Book Value (NBV) for infrastructure assets may be materially misstated. The valuation of Infrastructure assets in local government continues to be an on-going national issue. Given the value of infrastructure assets at the Council totals over £279m, a resolution for the sector is necessary before we are able to conclude on the 2021-22 audit. We understand the Department for Levelling Up, Housing and Communities (DLUHC) is in the process of issuing a Statutory Instrument which would provide a statutory override given most authorities do not fully comply with current accounting requirements on infrastructure assets. We understand the DLUHC is aiming to issue the Statutory Instrument during November, but given the State Funeral of HM Queen Elizabeth II, this may be delayed into early December 2022. We will continue to keep the finance team and the Audit Committee briefed on any developments as they arise.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Council Dwellings valuation: £747.2m	The Council is required to revalue its Council housing in accordance with Department of Levelling up Housing and Communities (DLUHC) Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council engaged the District Valuer from the Valuation Office Agency (VOA) to complete the valuation of these properties. The valuation was at 31 March 2022 and valued Council Housing at £747.2m, a net increase of £86.5m from 2020-21 (£660.7m). The increase is principally due to revaluations (£83.6m) and additions (£19.4m) and is offset by non-enhancing capital expenditure (£19.3m).	• The District Valuer is RICS qualified and valued the entire housing stock using the beacon methodology, in which a detailed valuation of representative property types was then applied to similar properties • Our work indicated that this methodology was applied correctly to the 2021-22 valuation • We have assessed the valuer to be competent, capable and objective in carrying out the valuations • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report • We have agreed the HRA valuation report to the accounts • We have compared the valuation movements with the Gerald Eve (property valuation specialists) national report and held discussions with our own valuation auditor's expert. These discussions are still on going. We have also challenged management and the Council's valuation expert on valuation differences identified through our sensitivity analysis work using other relevant indices. These discussions remain on-going and we intend make our conclusions before we issue the audit opinion. There are no issues arising to date from our work that we wish to bring to the attention of management or the Audit Committee.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious **(Green)**

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic or cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Other Land and Buildings valuation: £435.6m	Other land and buildings comprises £349.8m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£85.8m) are not specialised in nature (such as car parks) and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its in-house RICS qualified valuer to complete the valuation of assets on a five yearly cyclical basis as permitted by Code of Practice on Local Authority Accounting. Approximately 53% of total other land and buildings assets (by gross value) were revalued during 2021-22. Management has also considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 31 March 2022, to determine whether there has been a material change in the total value of these properties. The total year end valuation of Other land and buildings was £435.6m (PY £432.4m).	• We have assessed the Council's in-house valuer, to be competent, capable and objective • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate, including floor areas and have no issues to report • The valuation methods remain consistent with the prior year • In relation to assets not revalued in the year, we have compared the Gerald Eve (valuation specialists) property valuation report and held discussions with our own valuation auditor's expert. These discussions are still on going. We have also challenged management and the Council's valuation specialist on valuation differences identified through our sensitivity analysis work using other indices. These discussions are still on-going and we intend make our conclusions before we issue the audit opinion.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious **(Green)**

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Net pension liability (Council)

£316.3m

Summary of management's approach

Per the draft accounts, the Council's net pension liability at 31 March 2022 is £316.3m (PY £439.6m) comprising the South Yorkshire Local Government Pension Scheme.

The Council used Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed at 31 March 2019, utilising key assumptions such as life expectancy, discount rates, salary growth and pension increase rate.

Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £165.5m net actuarial gain during 2021-22. The improved position results mainly from an increase in pension asset values of £91.4m and a reduction in pension liabilities of £31.9m.

Audit Comments

- We have assessed the Council's actuary, Hymans Robertson, to be competent, capable and objective
- We have performed additional tests in relation to the accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the roll forward calculation carried out by the actuary and have no issues to raise.
- We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – please see the table below for our comparison of actuarial assumptions. The PwC report has also indicated that they are comfortable with Hymans Robertson's methodologies used to establish assumptions and they will produce reasonable assumptions as at 31 March 2022 for all employers.

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.70% to 2.75%	Assumption appears reasonable	●
Pension increase rate	3.15% - 3.30% p.a.	Assumption appears reasonable and methodology appropriate.	●
Salary growth	CPI and CPI + 1.0% p.a.	In line with expectation.	●
Life expectancy – Males	Pensioners: 20.1 – 22.7 Non-pensioners: 21.4 – 24.3	Overall mortality assumptions appear reasonable.	●
Life expectancy – Females	Pensioners: 22.9 – 24.9 Non-pensioners: 24.8 – 26.7	Overall mortality assumptions appear reasonable.	●

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate
- We have confirmed there were no significant changes in 2021-22 to the valuation method
- We are awaiting confirmation that the valuation of assets is based on 31 March 2022 valuations.

Assessment

We consider management's process is appropriate and key assumptions are neither optimistic or cautious

(Green)

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income: **£448.1m**	Management has taken into account three main considerations in accounting for grants: 1. whether the Council is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Management's assessment needs to consider all relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements. 2. whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income 3. whether the grant is a specific or non-specific grant. General un-ringfenced grants are disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts. There may be judgements over the accounting treatment. Different conclusions may be reached by councils depending on how they have applied any discretion in administering the schemes and application of Code guidance.	The Council receives a number of grants and contributions and is required to follow the requirements set out in the Code. The main considerations are to determine whether the Council is acting as principal or agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income. As part of our audit work, we have: • substantively tested a sample of grants across categories and reviewed management's assessment as to whether the Council is acting as the principal or agent • for the samples selected, reviewed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income • assessed for the sample of grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES or not • assessed the adequacy of disclosure of grants received and judgement used by management as part of our detailed testing. Our work to date has not identified any matters to report.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious **(Green)**

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision: £6.4m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance The year end MRP charge for 2021-22 was £6.4m, a net decrease of £2.2m from the prior year (£8.4m).	The MRP charge is an area of increasing focus for local authority external auditors following recent highly publicised financial challenges at certain local authorities where MRP charges were found to be inappropriate. We understand the reduction in MRP of £2.2m between 2020-21 and 2021-22 is due principally to the repayment of legacy debt outstanding for the former South Yorkshire County Council amounting to £2.4m which was fully repaid in 2020-21. For our 2021-22 audit, we compared the MRP charge as a percentage of the Capital Financing Requirement. Typically, we would expect the charge to be around 2% representing an asset life of 50 years. At Doncaster for 2021-22, the MRP charge is £6.4m against a Capital Financing Requirement of £368.8m, which is 1.74% (or equivalent to an average asset life of 57 years). In previous years, the Council had overprovided on its MRP and if this is taken into account for 2021-22, the overall MRP charge equates to an additional £4m which would increase the overall MRP charge to over 2%. We will continue to monitor the Council's MRP calculation as part of our audit work next year, 2022-23.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious **(Green)**

2. Financial Statements - other communication requirements

We set out alongside details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Council's Audit Committee and the Chief Financial Officer. We have not been made aware of any material incidents in the year and no other issues have been identified during the course of our audit.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A standard letter of representation has been requested from the Council. The letter of management representation is included at Appendix F.
Confirmation requests from third parties	We requested from management permission to send a confirmation request to the Council's bankers, and entities who were involved with the Council's investments and borrowings. This permission was granted and the requests were sent and responded to with positive confirmations.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review to date has found no material omissions in the financial statements except for: • in reviewing the Council's asset register for vehicles, plant and equipment, we noted a large number of assets which had been fully depreciated showing a Net Book Value (NBV) of zero, but still remaining in the asset register. Following discussions with management, we became aware that these assets were no longer held by the Council as they had been fully depreciated and disposed of, and should have been removed. In total, there were 320 assets with a gross book value of £11.2m. Management has now removed these assets from the asset register and updated Note 12 to the financial statements. There is a need for the Council to ensure that when assets reach the end of their useful life, they are removed from the asset register, or provided with an extended useful life and appropriate valuation if the asset still remains in use. A periodic review of all vehicles, plant and equipment each year will help ensure fully depreciated assets and those which are no longer used are removed from the asset register. We have raised a management recommendation in this regard. Our work also identified a small number of presentational disclosure amendments which have been processed by management and these are set out at Appendix C.
Audit evidence and explanations / significant difficulties	As last year, we have experienced good, continued co-operation from the Council for all information and explanations requested. In order to finalise our audit, we expect to receive continued timely engagement and responses from management. There are no significant difficulties to report in terms of receipt of audit evidence.

2. Financial Statements - other communication requirements

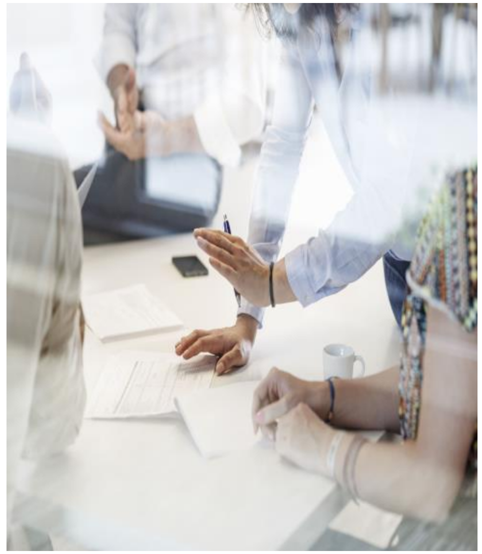
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • 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 entity'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, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. Our work noted some disclosure omissions from the Annual Governance Statement and other minor presentational matters. These have been adequately rectified by management. These are reported at Appendix C. We plan to issue an unmodified opinion in this respect as reported at Appendix E.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • if we have applied any of our statutory powers or duties • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness(es). We have nothing to report on these matters. Our Value for Money work is underway and will be completed for the Audit Committee meeting on 26 January 2023.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council is once again expected to exceed the specified group reporting threshold we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. We note that guidance for this work has not yet been issued and therefore this work has not yet commenced. The NAO requires the work to be completed once the audit opinion is provided on the financial statements and has not yet released data collection instructions.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021-22 audit of the Council in the audit report, as detailed at Appendix E, until we have completed our work on the WGA consolidation exercise mentioned above, completed our Value for Money responsibilities with the issue of the Auditor's Annual Report, and received the Statutory Instrument in respect of Infrastructure Assets. This is in common with the vast majority of other local authorities given the later audit deadline for the VFM work and the current lack of instructions for WGA work and guidance on infrastructure assets.



3. Value for Money arrangements

Approach to Value for Money work for 2021-22

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by 26 January 2023 for the Audit Committee meeting. This is ahead of the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our initial planning work identified no significant VFM weaknesses in the Authority's arrangements.

As with other local authorities, the Council is facing increasing costs resulting from inflation, particularly relating to energy and pay expenditure which is impacting on the Council's ability to deliver to agreed budgets. We will summarise the findings from our work in our Auditor's Annual Report.

4. Independence and ethics

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed at Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 (grantthornton.co.uk)]

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Group. The following services were identified as well as the threats to our independence and associated safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related:			
No services provided	-	-	-
Non-audit related:			
No services provided	-	-	-

Appendices

A. Action Plan – Audit of Financial Statements

We have identified one recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on this recommendation during the course of the 2022-23 audit. The matter reported here is limited to those deficiencies that we have identified during the course of our audit and that we have concluded is of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Medium	**Vehicles, Plant and Equipment** In reviewing the Council's asset register for vehicles, plant and equipment, we noted a large number of assets which had been fully depreciated showing a Net Book Value (NBV) of zero, but still remaining in the asset register. Following discussions with management, we became aware that these assets were no longer held by the Council as they had been fully depreciated and disposed of, and should have been removed. In total, there were 320 assets with a gross book value of £11.2m. Management has now removed these assets from the asset register and updated Note 12 to the financial statements.	There is a need for the Council to ensure that when assets reach the end of their useful life, they are removed from the asset register, or provided with an extended useful life and possible valuation if the asset still remains in use. A periodic review of all vehicles, plant and equipment each year will help ensure fully depreciated assets and those which are no longer used are removed from the asset register. **Management response** Agreed. An additional exercise will run alongside Plant, Vehicle and Equipment (PVE) verification where the relevant officers will review any item of PVE with a £0 net book value or in the last year of its useful economic life to confirm if still in use, assets will be removed unless a positive response is received or will be given an extended useful economic life based on the information provided by the officer.

B. Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2020-21 financial statements, which resulted in three recommendations being reported in our 2020-21 Audit Findings Report. We have followed up on the implementation of our recommendations and note progress alongside.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Management Challenge of experts and stand back review** A number of assets have been inappropriately valued or recorded in the financial statements including: • the valuation of the Doncaster Dome, Cast Theatre and some Leisure Centres, incorrectly applying an adjustment factor of 75% • recording the recently built Cinema within assets under construction when it had been completed before the year end • including the Adwick Social Education Centre at full valuation when it had been earmarked for demolition. Insufficient challenge and consideration by management of valuations and asset categorisations can result in assets being incorrectly valued or inappropriately disclosed within the financial statements.	Our audit work indicates that arrangements have now been strengthened with an increased level of management challenge of valuers and an improved level of reasonableness reviews.
X	Weaknesses in password settings for Northgate database administrators During our audit, we noted that all accounts assigned administrator access on the database underlying the Revenues and Benefits system (Northgate) were not automatically required to select strong passwords. Specifically, we noted that all the accounts were set to use direct password authentication (i.e. users login through entering a password at the database level) and have the DEFAULT profile applied. The DEFAULT profile was noted to: • not require a minimum password length • not require use of complex passwords • allow passwords to be reused.	Our audit work indicates that action to strengthen password settings for Northgate database administrators still remains outstanding. We understand implementation of this recommendation has been delayed due to staffing capacity issues within the Revenues and Benefits Section. Management should agree a clear timescale to implement this recommendation. We will continue to follow up this recommendation as part of our planned programme of work in 2022-23.

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Leaver access is not disabled on the Northgate system in a timely manner During our audit, we noted on the Revenues and Benefits system (Northgate) that leaver accounts are not disabled in a timely manner. Specifically, for the sample leaver we reviewed it was noted that it took their line manager over a month (38 days) to notify IT. Management should review guidance and / or training given to line managers to ensure prompt notification of leavers.	Our audit work indicates this recommendation has now been actioned.

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves £000
Vehicles, Plant and Equipment (Note 12)	-		-
Gross book value		(11,200)	
Depreciation		11,200	
In reviewing the Council's asset register for vehicles, plant and equipment, we noted a large number of assets which had been fully depreciated showing a Net Book Value (NBV) of zero, but still remaining in the asset register. These assets are no longer held by the Council and should have been removed. In total, there were 320 assets with a gross book value of £11.2m. Management has now removed these assets from the asset register and updated Note 12 to the financial statements.			
Overall impact	£Nil	£Nil	£Nil

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

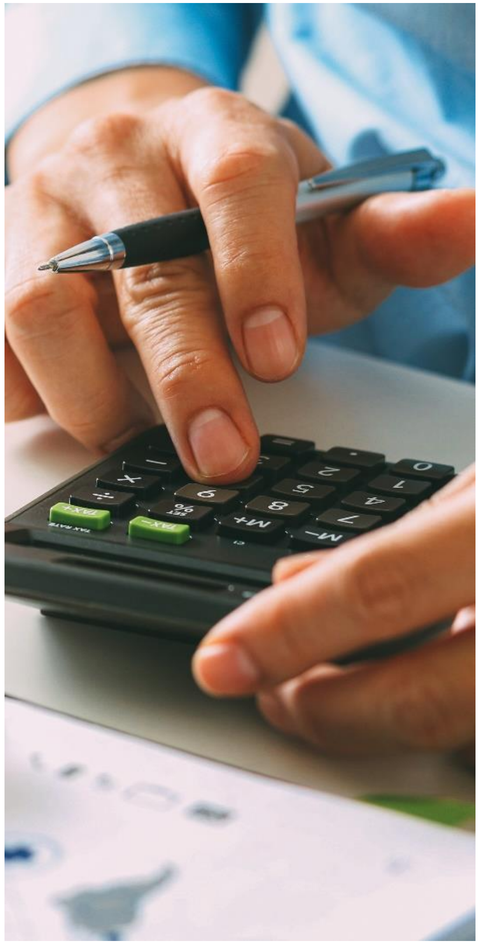
Disclosure omission	Auditor recommendations	Adjusted?
Note 31 – External Audit Costs The fee disclosure relating to 2021-22 erroneously included a line for additional fees of £85k which should be amended to £0.	The line included within Note 31, External Audit Costs additional fees should be amended to read £0. **Management response** This has now been adjusted.	✓
Note 16 – Financial Instruments The debtors and creditors disclosures within the financial instruments note should be amended to correctly classify assets and liabilities as financial instruments where the definition is met.	Update the disclosure of debtors and creditors within Note 16, Financial Instruments to correctly classify assets and liabilities as financial instruments. **Management response** This has now been updated.	✓
Note 39 Defined Benefit Pension Schemes A sensitivity analysis is not included within Note 39 to show pension assets valued at level 3 to recognise the estimation uncertainty in relation to the valuation of these assets.	A sensitivity analysis should be added to Note 39 Defined Benefit Pension Schemes for the pension assets valued at level 3 to recognise the estimation uncertainty in relation to the valuation of these assets. **Management response** This has now been agreed to be updated.	TBC
Narrative Report A number of amendments were made to the draft Narrative Report to improve clarity of the saving targets and financial outturn disclosures. Narrative disclosure changes were also required to reflect the Ofsted SEND review from February 2022, and drawing out service areas where delivery had been below expectations to provide a more balanced Narrative Report for readers.	Update the Narrative Report to provide further information on the savings target, updated narrative on the Ofsted SEND review, and further disclosure of services where delivery is behind expectations to provide a more balanced view of performance. **Management response** Management has agreed to make these changes.	TBC

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Disclosure omission	Auditor recommendations	Adjusted?
Note 3 Accounting Standards that have been issued but have not yet been adopted The disclosure at Note 3 in relation to the implementation of IFRS 16 should be expanded to make clear the Council has opted to defer implementation until 2024-25.	The disclosure at Note 3 should be expanded to make it clear to that the Council has opted to defer the implementation of IFRS16 until 2024-25. Management response This has now been updated.	✓
Note 6 Events after the Balance Sheet Date There is no disclosure indicating that Doncaster Children's Services Trust Limited (DCST) transferred to the Council on 1 September 2022 and three schools converted to academies.	Disclosure should be made at Note 6 to disclose that on 1 September 2022, all services provided by Doncaster Children's Services Trust Limited transferred to the Council and three schools converted to academies. Management response This has been agreed to be updated.	TBC
Note 4 Critical Judgements Note 4 Critical Judgements includes reference to the group accounts which is not considered to be a critical judgement.	Reference to the group accounts within Note 4 Critical Judgements should be removed as this is not considered to be a critical judgement. Management response This has now been agreed to be updated.	TBC
Note 32 Dedicated Schools Grants *Note 32 does not include narrative to explain how the Council's DSG deficit is being recovered and the actions being taken to balance the DSG position.*	Additional narrative should be added under the table at Note 32 to explain how the deficit is being recovered and the Council's action plan to balance the DSG position. Management response This has now been agreed to be updated.	✓
Various other minor disclosures We identified a number of other minor disclosure amendments to improve financial reporting and transparency for the reader of the accounts.	Update the financial statements for minor disclosure amendments noted. Management response Management has agreed to amend the financial statements.	TBC

C. Audit Adjustments



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021-22 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves £000	Reason for not adjusting
NONE	-	-	-	-
Overall impact	£Nil	£Nil	£Nil	-

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in 2020-21 .

D. Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit fees 2021-22	Proposed fee £	Final fee £
Council Audit	212,680	212,680
Total audit fees (excluding VAT)	**212,680**	**212,680**

We confirm that no non-audit or audited related services have been undertaken for the Council or group.

Non-audit fees for other services	Proposed fee £	Final fee £
NONE	-	-
Total non-audit fees (excluding VAT)	-	-

The 2021-22 fees reconcile to the revised version of the financial statements following an amendment to the draft accounts in Note 31 - External Audit Costs.

E. Audit opinion

We anticipate we will provide the group and Council with an unmodified 'clean' audit report. Our draft audit opinion is included below.

To be confirmed

E. Audit opinion

To be confirmed

E. Audit opinion

To be confirmed

F. Management Letter of Representation (draft)

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
No 1 Whitehall Riverside
Leeds LS1 4BN

27 October 2022

Dear Sirs

Doncaster Metropolitan Borough Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Doncaster Metropolitan Borough Council and its subsidiary undertakings, Doncaster Children's Services Trust and St Leger Homes Ltd for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the group and Council financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the group and Council has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

F. Management Letter of Representation (draft)

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

   a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
   b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
   c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.
   d. We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements.

xv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

xvi. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

Information Provided

xvii. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
   b. additional information that you have requested from us for the purpose of your audit; and
   c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

xviii. We have communicated to you all deficiencies in internal control of which management is aware.

xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:

   a. management;
   b. employees who have significant roles in internal control; or
   c. others where the fraud could have a material effect on the financial statements.

xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

F. Management Letter of Representation

xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiv. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.

xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 27 October 2022.

Yours faithfully

Name……………………………

Position…………………………

Date……………………………

Name……………………………

Position…………………………

Date……………………………

Signed on behalf of the Council

G. Audit letter in respect of delayed VFM work

Councillor Austen White
Chair of Audit Committee
Doncaster Metropolitan Borough Council
Waterdale
Doncaster
DN1 3BU

Grant Thornton UK LLP
No1 Whitehall Riverside
Leeds
LS1 4BN

T +44 (0)113 245 5514
F +44 (0)113 246 5055
www.grant-thornton.co.uk

17 October 2022

Dear Councillor White

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. Unfortunately, as in the prior year, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected.

The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many opinions on the financial statements as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 26 January 2023.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Gareth

Gareth Mills

Engagement Lead and Key Audit Partner for Doncaster MBC

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