

City of Doncaster Council Audit Plan 2022-23

Year ending 31 March 2023

19 April 2023



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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.

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1. Key matters



National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is proving challenging for many households, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures like integrating skills and employment provision and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling.

The Council's financial position

Despite the pressures noted above, the Council delivered an outturn underspend of £8.9m in 2021-22. For 2022-23, the Council set a balanced budget with gross expenditure of £526.1m. Council Tax increased by 4.49% (1.99% for Council Tax and a further 2.5% for Adult Social Care). To deliver this balanced budget, the Council needed to deliver savings of £12.1m during 2022-23. However, since the approval of the budget for 2022-23, the financial outlook has worsened. The impact of rising energy, fuel and other prices has impacted on both the Council's revenue and capital budgets for 2022-23. The Quarter 3 Finance and Performance Improvement Report for 2022-23, presented to cabinet on 1 March 2023, noted a £7.8m forecast overspend. The report also noted that whilst the Council will continue to take all actions to reduce the overspend position, earmarked reserves will be used to fund the overspend position if required.

Children's Services

Doncaster Children's Services Trust, an arm's length management organisation (ALMO) which had been operational since 2013 formally transferred back all Children's services to the Council on 1 September 2022. This follows the lifting by Central Government of all directions in respect of the delivery of children's social care in January 2021. Discussions with management indicate bringing Children's services back into the Council will allow the integration and realignment of services and greater efficiencies allowing more spending on front line service delivery and improving the quality of services provided. This follows the Ofsted Report in April 2022, which downgraded children's services from 'Good' to 'Requires improvement to be good'. The Council is currently implementing its action plan to address the issues identified by the Ofsted report.

Key matters

Doncaster Sheffield Airport

Doncaster Sheffield Airport closed to flights on 5 November 2022 despite intense efforts by the Council to secure its future. The recent report presented to Cabinet on 12 April 2023, South Yorkshire Airport City (SYAC), noted that SYAC is the project to reopen Doncaster Sheffield Airport and develop a cluster of high value economic activity which complements traditional aerospace functions, including logistics.



The City of Doncaster Council is continuing to explore a number of options for acquisition including negotiating with Peel Group for the purchase of the facility; negotiating the use of a long term lease with Peel Group for the site; and as a last resort, considering a compulsory purchase order if negotiations with Peel Group are unsuccessful.

Our discussions with senior Council officers including the Chief Executive indicate Council officers continue to obtain independent professional advice to support their decision making.

City status

Doncaster Metropolitan Borough Council was granted city status as part of the Queen's Platinum Jubilee in 2022. City status was granted from 1 January 2023 and Doncaster is now known as the City of Doncaster Council. His Majesty King Charles III and the Queen Consort visited Doncaster on 9 November 2022 to bestow city status.

Audit reporting delays

In a report published in January 2023 the NAO highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions.

In March 2023, Grant Thornton published 'About time?', which explored the reasons for the delay in publication of audited local authority accounts. The report explores several of the causes of delay and the steps which might be taken to reduce the incidence of delays. These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies. The Grant Thornton report made a number of recommendations for improving timeliness in publishing audited accounts. Copies of the Grant Thornton report have been shared with senior management and the Audit Committee.

In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers.

Key matters

Our Responses



- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Chief Financial Officer and Assistant Director of Finance.
- We will continue to review the Council's financial position through our regular discussions with the Chief Financial Officer and Assistant Director of Finance, including the use of general fund reserves.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will follow up progress in implementing the actions agreed in respect of matters identified in prior year audit work relating to the financial statements audit as well as recommendations made as part of our review of your value for money arrangements.
- We will consider the integration of Doncaster Children's Services Trust back into the Council through our regular meetings with senior management along with the appropriateness of the accounting entries. As part of our VFM work, we will also consider the actions being taken by the Council to address the issues identified in the Ofsted inspection report and the progress in implementing the action plan.
- We will continue to monitor progress through our regular liaison meetings with senior management around the future of Doncaster Sheffield Airport.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to the management override of controls (see page 9).

2. Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of the City of Doncaster Council ('the Council') for those charged with governance.

Respective responsibilities

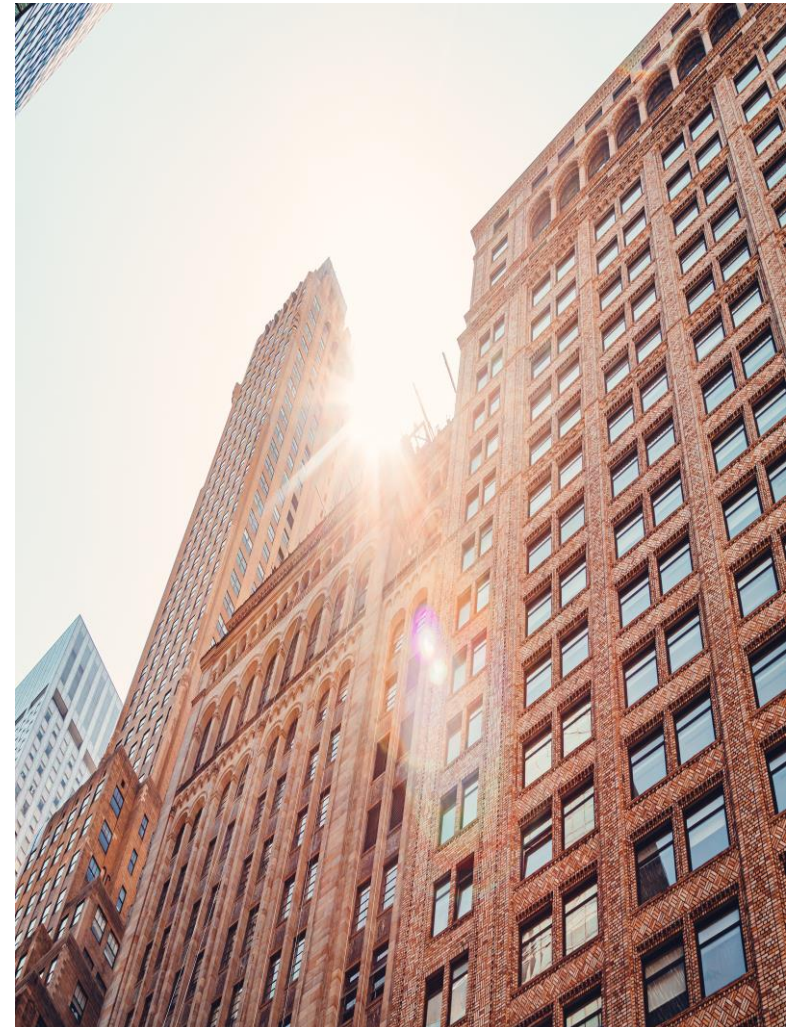
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments Limited (PSAA), the body responsible for appointing us as auditor of the Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

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



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management over-ride of controls
- Valuation of land and buildings
- Valuation of the net pension fund liability
- Accounting for the transition of Doncaster Children's Service Trust back into the Council on 1 September 2022.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of St Leger Homes of Doncaster Limited (SLH). Note: Doncaster Children's Service Trust (DCST) was brought back in-house on 1 September 2022.

Materiality

We have determined planning materiality to be £10,648k (PY £10,648k) for the group and £10,433k (PY £10,433k) for the Council, which equates to 1.5% of your prior year gross operating costs for the year.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment, we have considered the impact of unadjusted prior period errors.

Clearly trivial has been set at £532k (PY £532k) for the group and £521k (PY £521k) for the Council.

We will reassess our materiality calculation upon receipt of your 2022-23 draft accounts.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness.

We will continue to update our risk assessment until we issue our Auditor's Annual Report.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this Plan.

Audit logistics

Our planning and interim audit work will take place during April and July, and our final audit visit will take place during late July to early October.

Our key deliverables are this Audit Plan, our Audit Findings (ISA260) Report (expected in October) and our Auditor's Annual Report on our VFM work (expected by December 2023).

Our proposed fee for the audit will be £212,180 (PY: £212,680) for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

3. Significant risks identified

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.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Risk of fraud in revenue recognition and expenditure	Council	<p>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.</p> <p>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:</p> <ul style="list-style-type: none"> 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. <p>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:</p> <ul style="list-style-type: none"> there is little incentive to manipulate expenditure for a Council where services are provided to the public through taxpayers funds Covid -19 funding has been sufficiently provided for additional expenditure and loss of income in prior years the culture and ethical frameworks of local authorities, including at the Council, mean that all forms of fraud are seen as unacceptable. 	<p>As we do not consider this to be a significant risk for the Authority, we will not be undertaking any specific work in this area other than our normal audit procedures which include:</p> <p>Accounting policies and systems</p> <ul style="list-style-type: none"> Evaluate 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 Update our understanding of the Council's business processes associated with accounting for income and expenditure. <p>Fees, Charges and other service income</p> <ul style="list-style-type: none"> Agree, on a sample basis, income and year end receivables from other income supporting evidence. <p>Taxation and non specific grant income</p> <ul style="list-style-type: none"> Income for national non-domestic rates and council tax is predictable and therefore we would conduct substantive analytical procedures For other grants we will sample test items for supporting evidence and check the appropriateness of the accounting treatment in line with the CIPFA Code. <p>Expenditure</p> <ul style="list-style-type: none"> Agree, on a sample basis, non pay expenditure and year end payables to supporting evidence Undertake detailed substantive analytical procedures on pay expenditure <p>We will also design and carry out appropriate audit procedures to ascertain that recognition of income and expenditure is in the correct accounting period using for example cut off testing.</p>

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Council	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We have identified an increased incentive for organisations in the public sector to manipulate their financial statements due to increasing financial pressures.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied and made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Closing valuation of land and buildings	Council	<p>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 £1.49bn) and the sensitivity of this estimate to changes in key assumptions.</p> <p>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.</p> <p>We therefore identified the closing valuation of land and buildings, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • discuss with the valuer the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engage 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 • test revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluate 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 • consider, where the valuation date is not 31 March 2023 for assets valued in year, the arrangements management has used to ensure the valuation remains materially appropriate at 31 March 2023.

'In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.' (ISA (UK) 315)

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Council	<p>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.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£316m in the Council's balance sheet {Group £390m}) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • test 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 • undertake 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 • obtain 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.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Accounting for the transition of Doncaster Children's Service Trust back into the Council on 1 September 2022	Council and Group	<p>Doncaster Children's Services Trust, an arm's length management organisation (ALMO) which had been operational since 2013 formally transferred back all Children's services to the Council on 1 September 2022.</p> <p>There is a risk that the accounting entries, accounting treatment adopted and the valuation of assets and liabilities used to bring Doncaster Children's Services Trust back into the Council's accounts may be inappropriate or erroneous potentially resulting in a material error.</p> <p>We therefore identified the accounting for the transition of Doncaster Children's Service Trust back into the Council on 1 September 2022 as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • review management's approach to account for the transfer of Doncaster Children's Service Trust back into the Council on 1 September 2022 and management's supporting assessment of the proposed approach • consider the approach taken by management to ensure that all assets and liabilities are brought into the Council's accounts at an appropriate valuation and in compliance with the CIPFA Code • review the Council's approach to account for estimates and the accounting treatment for other areas of income and expenditure to ensure this is appropriate and in line with the Council's existing accounting policies and the CIPFA Code • obtain third party corroboration where available to support the accounting entries and estimates made by the Council • consult with our technical and financial reporting teams where appropriate to ensure appropriate accounting treatment and disclosure.

4. Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Key changes within the group

The Council has previously prepared group financial statements which consolidate the financial information of:

- St Leger Homes of Doncaster Ltd (SLH)
- Doncaster Children's Services Trust (DCST).

Doncaster Children's Services Trust, an arm's length management organisation (ALMO) which had previously been consolidated in the group financial statements formally transferred back all Children's services to the Council on 1 September 2022. From 1 September 2022, all transactions relating to DCST form part of the City of Doncaster Council.

For 2022-23, the group financial statements will continue to consolidate the financial information of St Leger Homes of Doncaster Ltd for the year to 31 March 2023.

We understand management is currently determining the approach to accounting for the change in DCST's arrangements after the Council took back full control of Children's services from 1 September 2022.

We will consider management's proposed approach and consult with our technical and financial reporting teams where appropriate to ensure the accounting treatment and disclosure is appropriate.

Given the unusual one off nature of this transaction and the potential for significant judgements, we have identified this as a separate significant risk for our 2022-23 audit as set out on the previous page.



Group audit scope and risk assessment

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
City of Doncaster Council	Yes	Audit of the financial information of the component using component materiality	<ul style="list-style-type: none"> Please refer to the significant risks identified in this Plan on pages 8 to 12. 	Full scope audit performed by Grant Thornton UK LLP.
St Leger Homes of Doncaster Ltd (SLH) – full year to 31 March 2023	No	Specified audit procedures relating to risks of material misstatement of the group financial statements	<ul style="list-style-type: none"> The SLH net pension fund liability (£43m at 31 March 2022) is not considered a significant risk at group level because we do not consider there is a material estimation uncertainty in the pension fund liability. However, we set out our audit approach in the next column. 	<p>We will adopt a targeted approach to the statutory audit performed by Beever and Struthers focussing on material classes of transactions, account balances or disclosures at group level. Where appropriate, we will undertake targeted testing of material balances and transactions outside of the group boundary.</p> <p>Our work will focus on the net pension liability, total income and cost of sales which are the more significant account balances and transactions at SLH.</p>
Doncaster Children’s Service Trust (DCST) – part year to 31 August 2022	No	Specified audit procedures relating to risks of material misstatement of the group financial statements	<ul style="list-style-type: none"> As stated in the previous two pages, the accounting treatment to deal with the return of Children’s services to full Council control on 1 September 2022 is highlighted as a significant risk for our 2022-23 audit. A further risk assessment will be considered upon receipt of management’s proposed accounting approach. 	<p>We will consider management’s proposed approach to account for DCST and consult with our technical and financial reporting teams where appropriate to ensure the accounting treatment and disclosure is appropriate.</p> <p>Subject to receipt of management’s proposed approach, we are currently expecting to adopt a targeted approach focussing on material classes of transactions, account balances or disclosures at group level. Where appropriate, we will undertake targeted testing of material balances and transactions outside of the group boundary.</p>

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component’s financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

5. Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2022-23 financial statements, consider and decide upon any objections received in relation to the 2022-23 financial statements
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act)
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'.

All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

6. Progress against prior year audit recommendations

We identified two issues in our 2021-22 audit of the Council's financial statements, which resulted in the recommendations being reported in our 2021-22 Audit Findings Report. We also followed up on the one outstanding recommendation from our 2020-21 audit.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Vehicles, Plant and Equipment (2021-22)</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Management response</p> <p>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.</p> <p>Audit update – April 2023</p> <p>Complete. PVE exercise completed on all nil value assets and assets in final year of their lives.</p>
✓	<p>Infrastructure assets (2021-22)</p> <p>The Department for Levelling Up, Housing and Communities issued a Statutory Instrument (SI) relating to Infrastructure assets on 25 December 2022. This enabled the Council to assume disposals at nil values when replacing infrastructure asset components. The Council's current records do not enable the IAS16 principles to be fully followed in 2021-22 and whilst we have placed reliance on the SI for 2021-22, there is a need for the Council to put robust plans in place to clearly demonstrate the different types of infrastructure assets that they hold, their Useful Economic Lives (UELS) and their depreciation charges, in advance of the expected CIPFA Code update on this issue in 2025-26.</p> <p>There is a need for the Council to put in place robust plans to clearly demonstrate the different types of infrastructure assets that they hold, their Useful Economic Lives (UELS) and their depreciation charges, in advance of the expected CIPFA Code update on this issue in 2025-26.</p>	<p>Management response</p> <p>Agreed. The Council's arrangements will be considered and revised during 2022-23.</p> <p>Audit update – April 2023</p> <p>Complete. Different economic lives have been used for 2022-23 accounts for different Infrastructure Asset Types.</p>

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated in 2020-21:	Update on actions taken to address the issue
TBC	<p>Weaknesses in password settings for Northgate database administrators:</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none">• not require a minimum password length• not require use of complex passwords• allow passwords to be reused. <p>There is a need to strengthen the password settings for Northgate database administrators.</p>	<p>Management response</p> <p>Agreed.</p> <p>Audit update – December 2022</p> <p>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.</p> <p>Audit update – April 2022</p> <p>System has been upgraded. Management to confirm that testing has proved successful to close recommendation.</p>

7. 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.

Matter	Description	Planned audit procedures
1	Determination We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. We have determined planning materiality to be £10,648k (PY £10,648k) for the group and £10,433k (PY £10,433k) for the Council, which equates to 1.5% of your prior year gross operating costs for the year.	We determine planning materiality in order to: <ul style="list-style-type: none">– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements– assist in establishing the scope of our audit engagement and audit tests– determine sample sizes and– assist in evaluating the effect of known and likely misstatements in the financial statements.
2	Other factors An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature where it may affect instances when greater precision is required. <ul style="list-style-type: none">– We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £15,000 (PY £15,000).

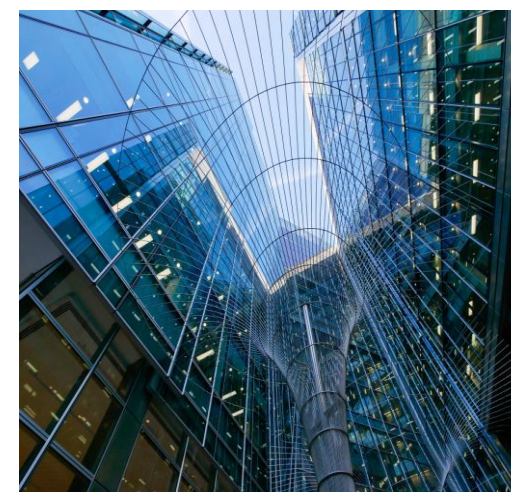
Our approach to materiality

Matter	Description	Planned audit procedures
3	Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality. We will review our materiality calculation upon receipt of your 2022-23 draft accounts.
4	Other communications relating to materiality we will report to the Audit Committee Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £532k (PY £532k) for the group and £521k (PY £521k) for the Council. If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

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.

Materiality area	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	10,648k	10,433k	We have determined materiality at 1.5% of gross operating expenditure based on the prior year. We consider this as the most appropriate criteria given stakeholders interest in the Council delivering its budget.
Performance materiality	7,453k	7,303k	Assessed to be 70% of financial statement materiality.
Trivial matters	532k	521k	This equates to 5% of materiality. This is our reporting threshold to the Audit Committee for any errors identified.
Materiality for senior officer remuneration disclosures	15k	15k	The senior officer remuneration disclosures in the Financial Statements have been identified as an area requiring specific materiality due to its sensitive nature.



8. IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Estimated value	Planned level IT audit assessment
E5 ERP Finance system	Financial reporting	£750m (estimated 2022-23)	<ul style="list-style-type: none">Detailed ITGC assessment (design and operating effectiveness)Application controls assessment (Revenue, Procurement, Payroll)
Northgate (Revenues & Benefits system)	Council Tax, Business Rates, Benefits	£300m (estimated 2022-23)	<ul style="list-style-type: none">Detailed ITGC assessment (design and operating effectiveness)Application controls assessment (Interface to finance system)
Payroll: Doncaster Council Payroll is processed by Rotherham MBC	Payroll	£250m (estimated 2022-23)	<ul style="list-style-type: none">We will liaise with our GT audit colleagues as part of their assessment of the payroll system at Rotherham MBC to consider the ITGCs and application controls in place.
Open Housing (Housing rents system)	Housing rents	£80m (estimated 2022-23)	<ul style="list-style-type: none">Detailed ITGC assessment (design and operating effectiveness)Application controls assessment (Interface to finance system)

9. Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



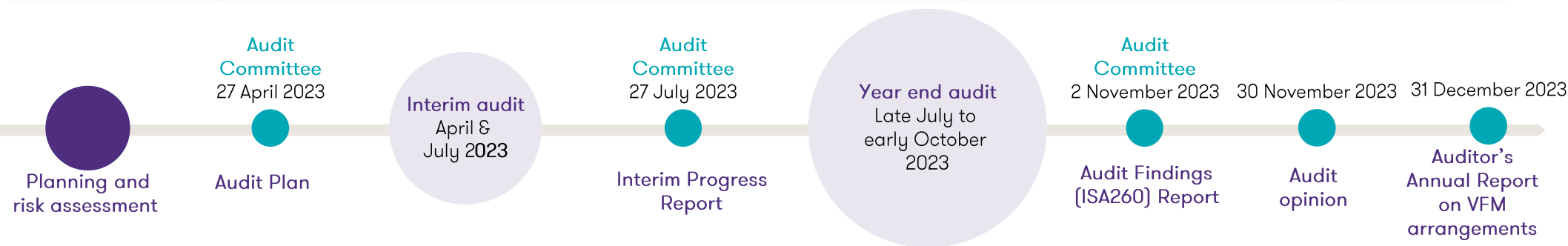
Governance

How the body ensures that it makes informed decisions and properly manages its risks.

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report. Whilst we have not identified any possible significant weaknesses in arrangements at this stage, we will as part of our VFM audit work consider:

- the actions being taken by the Council to manage its financial position in the short to medium term given the increasing financial pressures faced and its use of reserves
- progress made by the Council to address the issues identified in the Ofsted inspection report of Children's Services and the implementation of the action plan
- progress in actioning the DSG deficit recovery plan.

10. Audit logistics and team



Gareth Mills, Key Audit Partner & Engagement Lead

Gareth leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, ensuring the highest professional standards are maintained and a commitment to add value to the Council.

Perminder Sethi, Engagement Senior Manager

Perminder plans, manages and leads the delivery of the audit, is your key point of contact for your finance team and is your first point of contact for discussing any issues.

Angus Crampton, Engagement Supervisor

Angus assists in planning, managing and delivering the audit fieldwork, ensuring that the audit is delivered effectively and efficiently. Angus supervises and co-ordinates the audit team.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

11. Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for the Council to begin with effect from 2018-19. The fee agreed in the contract was £126,930. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022-23 audit. For details of the changes which impacted on years up to 2021-22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022-23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure and IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £6,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing.

The other major change to Auditing Standards in 2022-23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022-23, is detailed overleaf and has been agreed with the Chief Financial Officer and Assistant Director of Finance.

Audit fees

	Actual Fee 2020-21 £	Actual Fee 2021-22 £	Proposed fee 2022-23 £
City of Doncaster Council	£212,430	£212,680	£212,180
Total audit fees (excluding VAT)	£212,430	£212,680	£212,180

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis:

PSAA Scale fee for 2022-23	£150,680
Increased challenge and depth of audit work and testing in order to meet the audit quality challenge of the regulator	£3,750
Enhanced audit procedures for Property, Plant and Equipment, including the use of an Auditor's Expert	£5,000
The revised Value for Money (VfM) approach, introduced under the new NAO Code in 2020-21 (after the 2017 PSAA tender)	£20,000
Increased audit requirements relating to ISA 540 Revised - Auditing Accounting Estimates and Related Disclosures	£6,000
Enhanced audit procedures for journals and grants testing, given the risk of management override of controls	£5,000
Enhanced audit procedures for Payroll – Change of circumstances	£500
Enhanced audit procedures for Collection Fund – reliefs testing	£750
Increased audit requirements of ISA 315 Revised - identifying and assessing the Risks of Material Misstatement	£6,000
Technical 'hot review' of the draft 2022-23 accounts given the audit sits within the FRC population of a 'major' audit	£1,500
Enhanced audit procedures for Infrastructure assets	£2,500
Additional testing within the Housing Revenue Account	£500
Accounting for the significant risk of the transition of Doncaster Children's Service Trust into the Council on 1 September	£10,000
Total proposed audit fees 2022-23 (excluding VAT)	£212,180

Note: All variations to the scale fee will need to be approved by PSAA

12. Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 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.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

No other services provided by Grant Thornton were identified.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

13. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud[deliberate manipulation] involving management and/or which results in material misstatement of the financial statements [not typically council tax fraud]		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

