The Audit Findings (ISA 260) Report for City of Doncaster Council

Year ended 31 March 2023

14 November 2023

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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 will be presented to the Audit Committee on 23 November 2023.

Gareth D Mills

Gareth Mills, Key Audit Partner and Engagement Lead for City of Doncaster Council

For Grant Thornton UK LLP

Date: 14 November 2023

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.

1. Headlines

This section summarises the key findings and other matters arising from the statutory audit of City of Doncaster Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2023 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
- 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.

We received the Council's draft 2022-23 accounts on 31 May 2023, in line with the statutory deadline for unaudited accounts. The Council was in a minority of c30% local authorities that managed to achieve the draft accounts deadline. This represented a good achievement by the Council, given all other competing pressures.

Our audit work was conducted as planned 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 one material adjustment to the primary financial statements in relation to the valuation of Council's share of the defined benefit pension scheme (see pages 10 to 12 for further information) alongside other disclosure and presentational audit adjustments. These adjustments are detailed at Appendix D. Management has agreed to update the financial statements to correct these misstatements.

We have raised one recommendations for management as a result of our work in the Action Plan at Appendix B. Our follow up of recommendations from the prior year are detailed at Appendix C.

Our work is nearing completion in advance of our target completion date of end November / early December. At present, there are no matters of which we are aware that would require modification of our proposed audit opinion (draft at Appendix H), subject to the following outstanding matters:

- completing the remaining elements of our work on property, plant and equipment (PPE), pension fund assets and liabilities valuation, payables and receivables, journals, operating expenditure and elements of the Group audit
- clearing of any additional responses to the technical 'Hot Review' of the 2022-23 accounts. We can only conclude our audit once we have satisfactory responses to this review
- 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 land and buildings valuation, pension fund accounting, journals testing and the accounting for the transition of Doncaster Children's Service Trust back into the Council
- reviewing the final signed version of the financial statements, Narrative Report and Annual Governance Statement
- obtaining and reviewing the signed 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.

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 was sent to the Chair of the Audit Committee on 28 September and is also attached at Appendix I to this report for completeness. We expect to issue our Auditor's Annual Report in time for the Audit Committee meeting on 1 February 2024. 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 reported in our Audit Plan issued in April 2023, we did not identify any risks of significant weaknesses from our initial planning work. However, we noted three areas that we would consider further as part of our VFM audit work: • 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. As part of our 2022-23 VFM review, we have considered each of these areas and are currently assessing the progress made by the Council, before we conclude our 2022-23 VFM work. However, we are satisfied these areas do not impact on our 2022-23 accounts audit or opinion. As noted above and as many other local authorities across the country, the Council is facing cost pressures resulting from increasing children services demands, inflation, interest rates, energy and pay expenditure. This is challenging on the Council's ability to deliver the agreed budget and setting Medium Term Financial Plans. We will summarise our findings on these areas as part of our VFM work and report to you through our Auditor's Annual Report in early 2024. Further information on our VFM work is reported at Section Three.
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. We cannot issue our 2022-23 audit certificate at this time. Subject to the completion of our work on the Council's VFM arrangements, and our review of the Council's Whole of Government Accounts (WGA) submission, we will then be in a position to issue our audit certificate in the New Year.
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 continued 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 23 November 2023.

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 operations 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 Limited (SLHD) and Doncaster Children's Services Trust Ltd (DCST) which was brought back into the Council on 1 September 2022. This is consistent with our audit approach in previous years.
- 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 satisfactorily resolved, we anticipate issuing an unqualified ('clean') audit opinion. These outstanding items include:

- completing the remaining elements of our work on Property, plant and equipment (PPE), pension fund assets and liabilities, payables and receivables, journals, operating expenditure, the Group audit and additional assurance from the auditor of South Yorkshire Pension Fund
- clearing of any additional responses to the technical 'Hot Review' of the 2022-23 accounts. We can only conclude our audit once we have satisfactory responses to this review
- 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 land and buildings valuation, pension fund accounting, journals testing and the accounting for the transition of Doncaster Children's Service Trust back into the Council
- reviewing the final version of the financial statements, Narrative Report and Annual Governance Statement
- obtaining and reviewing the signed 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 2022-23, we revised the materiality levels as reported in our Audit Plan dated 19 April 2023 to reflect the increase in net cost of services.

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	11,566k	11,460k	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.
Original materiality	*10,648K*	*10,433k*	There are no changes to this threshold or benchmark to that set out in our Audit Plan dated 19 April 2023.
Revised performance materiality	8,096k	8,022k	Assessed to be 70% of financial statement materiality.
Original performance materiality	*7,453k*	*7,303k*	
Revised trivial matters	578k	573k	This equates to 5% of materiality. This is our reporting threshold to the Audit Committee for any errors identified.
Original trivial matters	*532k*	*521k*	
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.
Original materiality for senior officer remuneration disclosures	-	*15k*	There are no changes to this threshold from our Audit Plan dated 19 April 2023.

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 23 November 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 taxpayer's funds • there is no significant immediate pressures on general fund reserves of the Council.	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 its 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 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. Please see further reporting at page 15. **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
Closing 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 £1.5 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 Our audit work completed to date has not identified any issues in respect of the valuation of land and buildings except for a matter relating to the Council's approach for accounting for the disposal of assets. The Council currently accounts for the gain or loss on the sale of assets by deducting the sale proceeds received from the carrying value of the asset. However, we have noted that in some instances, where a sale straddles two financial years, the sale proceeds recognised are allocated between the two years on a cash basis as opposed to an accruals basis. Whilst these transactions are infrequent and not considered significant, the Council should account for asset sales on completion and include all cash receipts at that time, any cash received in advance (for example from deposits) should be held as received in advance until the sale is completed and accounted for at that time. A recommendation has been raised in this regard in the Action Plan at Appendix B. Our work also identified a few other minor disclosure matters (which are also detailed at Appendix D) and have been actioned by management: • Note 12 – Property, Plant and Equipment on infrastructure and derecognition indicates that the Council has opted not to apply regulation 30M of SI 1232/2022 that allows the carrying amount to be deemed to be nil and instead is applying the requirements of the Code. However, this disclosure was erroneous and the Council does comply with regulation 30M of SI 1232/2022. Management has now updated this note • Note 12 - Property, Plant and Equipment - the revaluations disclosure table shown on page 51 currently includes for other land and buildings the net book value (NBV) of assets revalued rather than the gross book value (GBV). Management has now updated this note • Note 12 - Property, Plant and Equipment - the table included on page 48 includes De-recognition – other for vehicles plant and equipment which were included within De-recognition – disposals in the prior year. The Council should take a consistent approach between years. Management has now updated this note • Note 12 - Property, Plant and Equipment - the table on page 50 shows a depreciation charge of £42.6m for 2022-23 compared to £9.7m in 2021-22. The increase relates to the change in accounting policy for infrastructure assets which is appropriate. However, this significant movement has not been explained for the reader of accounts. Management has now updated this note.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of the Authority's defined benefit pension scheme **(Risk relating to the Council)** The Council's pension fund valuation represents a significant estimate in the financial statements. This is due to the size and annual fluctuations of the numbers involved, a £36.2m pension asset in 2022-23 for the Authority in the draft financial statements and a £316.3m liability in 2021-22, and the sensitivity of the estimate to changes in key assumptions. The comparatives for the group accounts are an asset of £36.2m in the draft 2022-23 accounts and a liability of £390.8m in the 2021-22 accounts. 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). However, for the first time since International Financial Reporting Standards have been adopted in the public sector, the Authority (in common with a number of local authorities in 2022-23) has had to consider the potential impact of IFRIC 14 on the Authority's IAS 19 accounting. IFRIC 14 is the accounting principle that limits the recognition of a defined benefit asset in the financial statements. As a result of this, we have assessed the recognition, valuation and disclosures of the Council's share of the pension asset as a significant risk. 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 verifiable. The actuarial assumptions used are the responsibility of the Council 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, where the consulting actuary has indicated that a +0.1% - (0.1%) change in these two assumptions would have approximately 1.5% effect on the liability/asset. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 / IFRIC 14 estimates due to the assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the Council's share of the South Yorkshire Pension Fund as a significant risk.	We have: ▪ updated our understanding of the processes and controls put in place by management to ensure that the Authority's share of the pension fund is not materially misstated and evaluate 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 balance ▪ 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 **Auditor Commentary on Accounting for the Pension Fund Surplus/Asset in the Council's financial statements** See pages 11 -12 overleaf where this is reported. It is important to note that any potential issues or adjustments that may arise from the Council's accounting for its share of the pension fund would not result in any impact on the Council's useable reserves. The Council was one of a few authorities who correctly requested the calculation of the asset ceiling from its actuary and used this to determine the pension asset value to be included within the draft accounts for 2022-23. **Other work:** Our work to date, other than the pension fund asset measurement and accounting issue (see page 12), has identified four accounting and disclosure amendments which we have discussed with management and reported at Appendix D. The key amendments are as follows: • Note 39 Defined Benefit Pension Schemes - the table included on page 81 of the draft accounts shows the reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits, the amount disclosed is currently £(56,276)k but should be £(33,544)k • Group Note g – Defined Benefit Pension Scheme - Page 102 reports movements in the MIRS which differ from those reported for the Council. This is inconsistent since statutory adjustments between the accounting and funding basis should not be applied to group entities. There is a mismatch between note g and the group MIRS. Management has agreed to update this disclosure. • The financial statements for St Leger Homes of Doncaster Limited (SLHD) for 2022-23 have not incorporated the pension fund net asset valuation. We have raised this with Council management to discuss with the management of SLHD and to update their draft accounts to incorporate the net pension asset valuation. Following discussions with management, we understand the accounts for SLHD have now been signed off and no amendment can be made. Instead, the Council will incorporate the net pension valuation as part of consolidation of the group accounts based on obtaining the IAS 19 valuation from the actuary relating to SLHD • As last year, the South Yorkshire pension fund auditor noted in their IAS19 report an unadjusted error relating to Pooled Investment Vehicles (PIVs) of £46.4m relating to all admitted bodies. For Doncaster this unadjusted error totals £6.2m, representing the Council's share (an increase to investment assets). The Council has not adjusted for this error on the grounds it is not considered material. This has been shown as an unadjusted error at Appendix D.

2. Financial Statements - Significant risks

Auditor Commentary on Accounting for the Pension Fund Surplus/Asset in the Council's financial statements

Valuation of the Authority's defined benefit pension scheme (continued):

This section covers:

(1) Background to the issue and relevant accounting principles

(2) Our observations of the draft accounts and actuary reports presented for audit

(3) Our challenges to management on the draft accounts disclosures / accounting treatment and subsequent management actions

(4) Revised accounts – summary amendments and disclosures

(1) Background to the issue and relevant accounting principles:

As indicated previously, for the first time since International Financial Reporting Standards (IFRS) were adopted in the public sector, the Council's net defined benefit pension fund is in a surplus or a net asset position in 2022-23, as opposed to the significant liability balance that has been reported in previous years.

According to the relevant accounting standard, IAS19 (Employee Benefits), an entity shall recognise the net defined benefit liability / asset in the statement of financial position. Therefore, whether it is a liability (which was the case in the past) or an asset , according to IAS19, it should be recognised in the balance sheet.

IAS19 states when an entity has a surplus in a defined benefit plan, it shall measure the net defined benefit asset at the lower of:

(a) the surplus in the defined benefit plan

(b) the asset ceiling, determined using the discount rate specified in IAS19.

The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

IFRIC-14 (The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) provides guidance on amount that can be recognised in the financial statements, when there is a surplus /net asset position.

It is significantly unlikely that there will be refunds from the plan to the employer in a local government defined benefit scheme. There are no exit plans in the foreseeable future as these are public sector pension plans that would continue in perpetuity. There could be a possible situation whereby there could be potential reductions in future contributions to the plan.

The economic benefit available as a reduction in future contributions can be calculated as follows:

- present value of IAS 19 future service costs (calculated based on IAS 19 assumptions as at the balance sheet date), less
- present value of future service contributions if these are classed as a minimum funding requirement.

By doing this, the asset ceiling can be determined (point b above)

Management then needs to consider what should be recognised / disclosed in the financial statements based on accounting principles stated above.

2. Financial Statements - Significant risks

Auditor Commentary on Accounting for the Pension Fund Surplus/Asset in the Council's financial statements

(2) Our observations of the draft accounts and actuary reports presented for audit

Our observations highlighted that:

- The Council received its actuary's report on 16 May 2023 for the year to 31 March 2023 which was used to prepare the draft accounts. This indicated a net asset position of £98.8m. This was derived after netting off the pension obligations of £1,324m from the asset valuation of £1,423m. The corresponding net pension fund liability as at 31 March 2022 was £316.3m therefore, the total year on year movement from liability to an asset position was £415.1m in a 12 month period. The biggest fluctuation year-on-year was in the reduction in present value of funded defined obligations from c£1,734m to £1,324m (by c24%). The primary reason for this decrease is attributable to an increase in the discount rate from 2.7% [31.3.22] to 4.75% [31.3.23].
- Using this information and considering the requirements of IFRIC 14, the Council requested the calculation of the asset ceiling from its actuary. The asset ceiling was calculated by the Council's actuary at £62.6m. As a result, the Council reduced its pension asset valuation of £98.8m by this amount, leaving £36.2m which was recorded in the Council's draft accounts as an asset related to the defined benefit pension scheme.

(3) Our challenges to management on the draft accounts disclosures / accounting treatment and subsequent management actions

- We challenged management's actuary when the first asset ceiling calculation was made by capping the future working lifetime of the employer for a shorter period. According to IFRIC14 accounting principles, asset ceiling calculations should consider the expected life of the pension plan, in this case local government defined benefit scheme's expected lifetime. We considered the working lifetime (expected life of the plan) to be indefinite due to the nature of the pension scheme. Therefore, annuity in perpetuity should be used in determining the asset ceiling.
- Management agreed with this view and following discussions, the actuary agreed to revise the asset ceiling calculation based on the expected life of the pension scheme, in line with IFRIC14 principles. The revised asset ceiling calculation was obtained from the actuary by management for our audit purposes. The updated asset ceiling calculation provided by the Council's actuary following audit challenge was £644.4m. The asset ceiling is larger than the Council's share of the pension fund asset and management has agreed to recognise the full pension asset figure of £98.8m in its accounts.
- However, the total pension net asset position of £98.8m includes an unfunded defined benefit obligation of £20.3m that has been netted off against the funded asset position. Under IAS19, a funded asset position can only be netted off against an unfunded liability when, (a) the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and (b) the entity intends to settle the obligations on a net basis or to release the surplus in one plan and settle its obligations under the other plan simultaneously. Our work indicates none of these apply to the Council and such netting off cannot be performed. In previous years this unfunded balance had been included within the overall pension fund liability amount. As a result, the pension fund asset should be shown as £119.1m (£98.8m plus the £20.3m unfunded obligation) and the unfunded pension obligations of £20.3m should be shown separately as a liability related to the defined benefit pension scheme on the Council's balance sheet (and Note 39). This adjustment is included within Appendix D, Audit Adjustments, in summary, an adjustment of £83.0m is required to the pension asset valuation on the balance sheet (long term assets) and an adjustment of £20.3m as a liability related to the defined benefit pension scheme (totalling £62.7m).
- The Council's accounting for the pension asset is now in line with IFRIC 14 and the accounting principles highlighted on page 11. The Council was one of a few authorities who correctly requested the calculation of the asset ceiling from its actuary and used this to determine the pension asset value to be included within the draft accounts for 2022-23. Given the limited available guidance available at the time of preparing the draft accounts in this area, and no previous asset position in a local government pension scheme was available, the Council did significantly more than other authorities in interpreting IFRIC 14, the asset ceiling calculation and the corresponding entries to be included in its draft accounts.

(4) Revised accounts – summary amendments and disclosures

We have summarised below the amendments made from the draft to final financial statements in relation to defined benefit asset as at 31 March 2023

- The asset ceiling is now larger than the Council's share of the pension fund asset position. Therefore, management has agreed to recognise the full asset value of £119.1m on the balance sheet as a long-term asset along with a separate entry for unfunded pension obligations of £20.3m as a liability related to the defined benefit pension scheme (at the bottom of the balance sheet). This results in a total adjustment of £62.7m (£83.0m increase to pension asset and £(20.3) increase to unfunded pension obligation) and is shown at Appendix D.
- Additional disclosures are to be made to accounting policies to reflect IFRIC14 accounting principles
- Additional disclosures are to be made to note 39 of the financial statements, Defined Benefit Pension Scheme
- It is important to note that there is no impact on the Council's useable reserves arising from these amendments or the Council's outturn position impacting on the general fund balance.

Overall, this issue is an unusual national issue for 2022-23 impacting on a number of local authorities for the first time, in terms of financial reporting, accounts preparation and audit.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Accounting for the transition of Doncaster Children's Service Trust back into the Council on 1 September 2022 (Risk relating to the Council and Group) 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. 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. 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.	As part of our audit work, we have: • reviewed 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 • considered 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 • reviewed 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 • obtained third party corroboration where available to support the accounting entries and estimates made by the Council • consulted with our technical and financial reporting teams where appropriate to ensure appropriate accounting treatment and disclosure. Our audit work to date has not identified any material issues. We will provide a verbal update to the Audit Committee on 23 November should any significant matters arise. See also our findings on page 14 overleaf relating to Doncaster Children's Service Trust.

2. Financial Statements: Key findings arising from the Group audit

Component	Work performed	Group audit impact and findings
St Leger Homes of Doncaster Ltd (SLHD)	We adopted a targeted approach of the material balances and transactions of SLHD within the Group financial statements for the year ended 31 March 2023. • Our audit approach included obtaining sufficient assurances based on group materiality over material balances and transactions of SLHD outside the group boundary, based on group materiality. This included the SLHD net pension fund asset only.	From our work completed to date, there are no issues to report from the consolidation of SLHD into the Council's group accounts. However, we noted that the financial statements for St Leger Homes of Doncaster Limited have not incorporated the pension fund net asset valuation. We raised this issue with Council management who have liaised with management at SLHD. Following discussions, we understand the accounts for SLHD have now been signed off and no amendment can be made. Instead, the Council will incorporate the net pension valuation as part of the consolidation exercise of the group accounts. This matter is also reported at Appendix D. We are currently awaiting the asset ceiling calculation to be provided by the actuary for SLHD. This will determine how much of the net pension asset valuation should be recorded in the Group accounts. Our audit work in this area is currently in progress and we will provide a verbal update to the Audit Committee on 23 November should any significant issues arise from completing our work in this area.
Doncaster Children's Services Trust Ltd (DCST) – part year to 31 August 2022	Doncaster Children's Services Trust, 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. Following an exercise undertaken by management which considered all expenditure, income, assets and liabilities of DCST, management concluded that once intercompany balances had been removed, and given all expenditure and income fell within the same service line headings within the Comprehensive Income and Expenditure Statement, there were no material other balance remaining except the net pension valuation. As a result, the Council has not prepared accounts for DCST for the five months to 31 August 2022. We have reviewed management's approach which appears reasonable, and confirms that once intercompany balances are removed, no material other balances remain except for the net pension valuation. We have also tested income and expenditure as part of our routine testing work during the financial statements audit. In addition, we have separately considered the net pension fund valuation which is now part of City of Doncaster Council at 31 March 2023.	The Council has not prepared accounts for Doncaster Children's Services Trust for the five months to 31 August 2022. This is because once intercompany balances are removed, no material other balances remain except for the net pension valuation. From our work completed to date, there are no issues arising except for the following matter: ▪ Group MIRS - the group MIRS reports that DCST is not included in the group accounts, but the adjustment made to the opening balance of reserves is £31.597m which is material. The Council has agreed to bring forward the prior year closing balance and change the presentation to include an additional line to remove the DCST Pension from the opening balance. This adjustment is also shown at Appendix D. Our audit work currently remains on-going, and we will provide a verbal update to the Audit Committee on 23 November should any significant issues arise.

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 FRAB agreed with the deferral of IFRS 16 to 2024- 25. 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 2023 (early adoption) then in the 2022-23 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, Note 3 - Accounting Standards that have been issued but have not yet been adopted. Management and the audit team will liaise during the 2023-24 audit to ensure the requirements of the new standard are being followed and plans are developed for IFRS 16 implementation 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). Note 33 also includes grants and contributions received in advance. Note 2, accounting policies provides the accounting principles supporting grant income. Our audit testing of grant income relating to 2022-23 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 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 been identified in the recognition and presentation of Grant Income.

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
Measurement 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. Depreciation depends upon the use of appropriate useful economic lives. • The update to the Code (November 2022) provides a temporary relief from the requirement to report the gross book value and accumulated depreciation for infrastructure assets, because historical reporting practices and resulting information deficits mean that this information is unlikely to faithfully represent the asset position to the users of financial statements. • An amendment to the Local Authority Capital and Finance regulations (SI 2022 No 1232) permits Local Authorities when derecognising components of infrastructure assets, replaced by expenditure on existing assets, to determine the relevant amount to be nil. • The Council has material infrastructure assets, at net value basis, there is therefore a potential risk of material misstatement related to the infrastructure balance.	Our audit work to date has not identified any issues in respect of the measurement of infrastructure assets. Our work did however identify a disclosure issue: • Note 12 – Property, Plant and Equipment on infrastructure and derecognition indicates that the Council has opted not to apply regulation 30M of SI 1232/2022 that allows the carrying amount to be deemed to be nil and instead is applying the requirements of the Code. We understand from management that this disclosure is incorrect and the Council does comply with regulation 30M of SI 1232/2022. Management has agreed to update this note and correct the disclosure. We will provide a verbal update to the Audit Committee on 23 November should any significant issues arise from completing our work in this area
Equal pay claims and the potential liabilities: • There have been recent publicity in local government sector where certain councils have accumulated equal pay claims. In some cases, these claims have resulted in recognising significant liabilities on the balance sheet. This has created significant financial and cashflow challenges during an economic crisis where public services have already been impacted due to increasing service demands and cost pressures. • As part of our 2022-23 audit, we inquired on such existing equal pay claims at the Council, directing our inquiries to the s151 Officer. • Our objective was to identify any unrecorded liabilities in relation to equal pay claims at the Council.	Our work indicated: • The Council settled all such claims prior to 2016-17 and there are no such existing claims from the work done by the Council • After 2016-17, the Council has not received notification of any potential equal pay claims through the Advisory, Conciliation, and Arbitration Service (ACAS), Early Conciliation process, through its Employment Relations Forum or through its internal grievance process • The Council has undertaken work such as job evaluation schemes to identify any such potential liabilities and none has been found. Additionally, we have also obtained management representation on this matter – see Appendix G for draft letter of representation.
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 material issues were noted from our IT General Controls work this year.

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Council Dwellings valuation: £787m	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 2023 and valued Council Housing at £787.2m, a net increase of £40.0m from 2021-22 (£747.2m).	• 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 2022-23 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) - TBC**

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 in-line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Other Land and Buildings valuation: £470.1m	Other land and buildings comprises £405.1m 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 (£65.0m) 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 54% of total other land and buildings assets (by gross value) were revalued during 2022-23. Management has also considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 31 March 2023, 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 £456.9m (PY £428.9m).	• 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) - TBC**

2. Financial Statements - key judgements & estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
This Year: Net pension Asset £36.2m (Council) (Revised to £98.8m after recalculating the asset ceiling – see page 12) Prior Year: Net pension liability £316.3m (Council)	The Council's net pension asset as at 31 March 2023 was £36.2m in its draft accounts (PY deficit /liability £316.3m). Following recalculation of the asset ceiling, the pension asset at 31 March 2023 was revised to £98.8m. This is an overall movement of £415.1m between last year and this year. However, the total pension asset position of £98.8m includes an unfunded defined benefit obligation of £20.3m that should not be netted off under IFRIC 14. As such, the pension fund asset should be shown as £119.1m and the unfunded pension obligation shown separately as a liability of £20.3m. See further details reported on pages 10-12. The Council continues to engage Hymans Robertson LLP 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 as at 31 March 2022, utilising key assumptions such as life expectancy, discount rates, salary growth and pension increase rate. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund asset/liability, small changes in assumptions can result in significant valuation movements. As indicated above and our reporting at pages 10-12, there has been a £415.1m net actuarial gain during 2022-23. This improved position is largely a result of an increase in the discount rate in excess of the increase in the CPI inflation assumption.	We have: • Assessed the competence, capability and objectivity of management's expert, Hymans Robertson LLP • Assessed the actuary's approach taken and deemed it reasonable • Used PwC as an auditor's expert to assess the management actuary and assumptions made by the actuary (see table below) • Confirmed the completeness and accuracy of the underlying information used to determine the estimate • Confirmed the reasonableness of the Council's share of pension assets • Confirmed the reasonableness of the decrease in the liability estimate • Confirmed the adequacy of the disclosure of the estimate in the financial statements.	We consider management's process is appropriate (after the adjustment made to the draft accounts as stated at page 12) and key assumptions are neither optimistic or cautious **(Green) TBC**

Assumption	Actuary Value	* PwC range	Assessment
Discount rate	4.75%	See comment below	● Green
Pension increase rate	2.95%	See comment below	● Green
Salary increase rate	3.55%	See comment below	● Green
Life expectancy – Males currently aged 45 / 65	21.5/20.5	See comment below	● Green
Life expectancy – Females currently aged 45 / 65	25.2/23.7	See comment below	● Green

*PwC has commented on the Hymans Robertson LLP (management actuary) assumptions as follows: "*We are comfortable that the methodologies used by Hymans Robertson to establish assumptions will produce reasonable assumptions as at 31 March 2023 for all employers*".

Our work in this area remains ongoing, mainly in respect of the pension asset accounting and disclosures (pages 10-12). Our work to date has not identified any evidence to conclude that management's processes and key assumptions are not appropriate . We will provide a verbal update at the Audit Committee meeting on 23 November if any significant developments arise from our ongoing work.

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income: **£430.1m** **(PY £448.0m)**	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 the 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: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating: Security management	ITGC control area rating: Technology acquisition, development and maintenance	ITGC control area rating: Technology infrastructure	Additional procedures carried out to address risks arising from our findings
E5 ERP Finance system	ITGC assessment (design and Implementation) and application controls assessment	Green	Green	Green	Green	N/A - None
Northgate (Revenue and benefit System)	ITGC assessment (design and Implementation) and application controls assessment	Green	Green	Green	Green	N/A None
Open Housing (Housing Rents System)	ITGC assessment (design and Implementation) and application controls assessment	Green	Green	Green	Green	N/A- None

Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements (red)
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk (amber)
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope (green)
- Not in scope for testing

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 significant incidents in the year and no 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. However, our work identified that Note 34 - Related party disclosures does not report the amount of transactions and balances between the Council and the companies that are subsidiaries, associates or joint ventures: (1) St Leger Homes of Doncaster; Doncaster Childrens Services trust and Arthur Street Developments. The value of transactions and balance should be disclosed where material from the viewpoint of either the Council or the related party. Management has agreed to expand this disclosure. This issue is also reported at Appendix D.
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	The proposed letter of management representation is included at Appendix H. As highlighted at Appendix H, an additional representation was obtained in relation to: (a) Equal Pay liabilities, based on the assessment and work carried out by the Council, there is no requirement to recognise any Equal Pay liabilities on the balance sheet, as at 31 March 2023.
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. One bank confirmation from Lloyds Bank currently remains outstanding.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements to date. Our work did identify a small number of presentational disclosure amendments (including in respect of IFRIC 14, see page 10-12) which have been processed by management and these are set out at Appendix D.
Audit evidence and explanations / significant difficulties	As in the previous four years, we have continued to experience good co-operation and engagement from the Council throughout our 2022-23 audit. There are no significant difficulties to report in terms of receipt of audit evidence for all information and explanations requested.

2. Financial Statements: other communication requirements

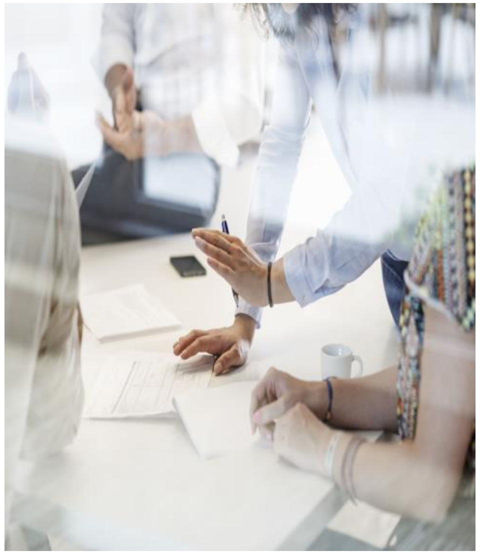
Our responsibility

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. Our review of the Annual Governance Statement and Narrative report identified no issues. We plan to issue an unmodified opinion in this respect as reported at Appendix H. Overall, no material inconsistencies have been identified.
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 is expected to be completed for the Audit Committee meeting on 1 February 2024.
Specified procedures for Whole of Government Accounts	We are required to carry out certain procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. The NAO requires the work to be completed once the audit opinion is provided on the financial statements. In 2022, the NAO increased the audit threshold to £2bn expenditure for authorities that required detailed WGA audit work. The NAO's 2022-23 guidance has now been issued and this threshold remains in place for 2022-23 WGA work, therefore in common with recent years, the Council's WGA submission should only require limited audit input. We anticipate issuing this return to the NAO after issuing the audit opinion and we have targeted this for December 2023.
Certification of the closure of the audit	As in previous years, we intend to delay the certification of the closure of the 2022-23 audit of the Council in the audit report, as detailed at Appendix I, until we have completed any required work on the WGA consolidation exercise mentioned above and completed our Value for Money responsibilities with the issue of the Auditor's Annual Report.



3. Value for Money arrangements

Approach to Value for Money work for 2022-23

The National Audit Office issued its updated guidance for auditors in January 2023. 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 (AAR). An audit letter explaining the reasons for the delay was sent to Chair of the Audit Committee on 28 September 2023 and is also attached at Appendix I to this report for completeness. We expect to issue our finalised Auditor's Annual Report in January 2024 and present this to the Audit Committee meeting on 1 February 2024. This would be ahead of the National Audit Office's revised deadline, which requires the AAR to be issued no more than three months after the date of the opinion on the financial statements.

As reported in our Audit Plan issued on 19 April 2023, we did not identify any risks of significant weaknesses from our initial planning work. However, we noted three areas that we would further consider as part of our VFM audit work:

- 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.

As part of our 2022-23 VFM work, we have considered each of these areas and are currently assessing the progress made by the Council, before we conclude our 2022-23 value for money work. However, we are satisfied that these areas do not impact on our 2022-23 accounts audit or opinion. As part of our 2022-23 VFM review, we are also following up on the progress being made by the Council to implement the two improvement recommendations made last year, 2021-22. We will report our findings in the Auditor's Annual Report.

As noted above and as many other local authorities across the country, the Council is facing cost pressures resulting from increasing children services demands, inflation, interest rates, energy and pay expenditure. This is challenging on the Council's ability to deliver the agreed budget and setting Medium Term Financial Plans. We will summarise our findings on these areas as part of our VFM work and report to you through our Auditor's Annual Report in early 2024.

It is important to note that our VFM risk assessment will continue until we issue our 2022-23 Auditor's Annual Report in January 2024. Our view is there are no VFM issues that would have a material impact on our ISA(UK) audit work and therefore would not restrict us in completing the audit of the financial statements and issuing our 2022-23 audit opinion on the Council's accounts.

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 E.

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 please see the Grant Thornton website.

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	-	-	-

4. Independence and ethics (continued)

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council or Group.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group or Council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council / Group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council or Group, senior management or staff that would exceed the threshold set in the Ethical Standard.

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Appendices

A. Communication of audit matters to 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	•	
Confirmation of independence and objectivity	•	•
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 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 involving management and / or which results in material misstatement of the financial statements		•
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 Findings (ISA260) Report, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

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.

Distribution of this Audit Findings (ISA260) Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified the following recommendation for the Council as a result of issues identified during the course of our financial statement audit. We have agreed our recommendation with management and we will report on progress on this recommendation during the course of the 2023-24 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
Low	1. Accounting for the disposal of assets The Council currently accounts for the gain or loss on the sale of assets by deducting the sale proceeds received from the carrying value of the asset. However, we have noted that in some instances, where a sale straddles two financial years, the sale proceeds recognised are allocated between the two years on a cash basis as opposed to an accruals basis. Whilst these transactions are infrequent and not considered significant, the Council should account for asset sales on completion and include all cash receipts at that time, any cash received in advance (for example from deposits) should be held as received in advance until the sale is completed and accounted for at that time.	Recommendation We recommend the Council should account for asset sales on completion and include all cash receipts at that time, any cash received in advance (for example from deposits) should be held as received in advance until the sale is completed and accounted for at that time. Management response: Agreed. The Council will review asset sales and capital receipts received in year and treat any deposits for sales yet to complete as a capital receipt in advance and where future instalments are to be received these will be treated as deferred capital receipts.

C. Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2021-22 financial statements, which resulted in two recommendations being reported in our 2021-22 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**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.	The Council has introduced an additional exercise at year end to review any item of vehicles, plant and equipment with a £0 net book value or in the last year of its useful economic life to confirm if it is still in use. Assets are now removed unless confirmation is received that assets remain in use in which case, they are given an extended useful economic life based on the information provided.
✓	**Infrastructure assets** 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.	The Council has now reviewed and updated its arrangements. The Council complies with regulation 30M of SI 1232/2022.

Assessment

✓ Action completed

X Not yet addressed

D. 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 2023.

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves £000
Balance Sheet – Assets related to defined benefit pension scheme			
Actuarial (gains) / losses on pension assets / liabilities	(83,002)		0
Asset related to defined benefit pension scheme	20,302		
Net pension asset related to defined benefit pension scheme increases from £36.2m to £119.2m following the recalculation of the pension asset ceiling from £62.6m to £644m. Please also see first two misclassification and disclosure changes overleaf.		83,002 (20,302)	0
Overall impact	(62,700) No impact to Surplus /Deficit of provision of services. Impact only on Other Comprehensive Income & Expenditure (bottom part of the CIES) - increase by £62.7m	62,700 Increase Long Term Assets by £62.7m Increase Long Term Liabilities by £62.7m	£nil No impact on the useable reserves of the Council.

D. 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/issue/Omission	Auditor recommendations	Adjusted?
Note 39 – Defined Benefit Pension Scheme Note 39 reports net asset of £36.2m for the LGPS defined benefit pension scheme with the impact of the asset ceiling of £62.595m, however, the group accounts also report a net asset of £36.2m with the impact of the asset ceiling reported as £93.279m. Note: see also asset ceiling issue below.	The asset ceiling reported in the group accounts appears incorrect and should be updated. Reference should also be included to refer to IFRIC 14 to explain the impact of the asset ceiling in Note 39. **Management response:** The asset ceiling of £93.279m is erroneous and will be updated. Narrative to be updated to also refer to IFRIC 14 in Note 39. Note: see also asset ceiling matter below.	✓
Calculation of Pension Asset Ceiling Our review of the Actuary's calculation of the asset ceiling relating to the LGPS noted an anomaly in the assumption used for the expected life of the pension plan. This was set at 9.3 years whereas it should be indefinite, given the LGPS will continue into the future.	The asset ceiling calculation should be re-calculated and the updated asset ceiling figure used within the financial statements. **Management response:** Agreed, the Actuary has now recalculated the asset ceiling as £644m. We have revised the asset ceiling figure to £644m and also updated the pension net assets to £119.2m and a pension unfunded obligation of £20.3m (net impact £98.9m). These changes have been made throughout the accounts.	✓
Note 28 Pooled Budget The Pooled Budget note does not clearly describe the nature of the arrangement between the Council and the ICB.	The note should be expanded to set out the nature of the Pooled Budget agreement, for example if there is joint control and this meets the definition of a joint operation. **Management response** Note to be updated. The pooled budget is considered a joint operation as both parties have joint control, have rights to the assets, and obligations for the liabilities in respect of the pooled budget arrangement. As a joint operation the Council accounts for the assets, liabilities, revenues and expenses relating to the Council's interest in the joint operation	✓

D. 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/issue/Omission	Auditor recommendations	Adjusted?
Note 16 – Financial Instruments The narrative relating to Financial Guarantees – Bank, refers to pooling bank accounts of the Council, DCST and SLHD and states 'the Council is the controlling body'.	The use of the term 'controlling body' infers the Council is able to control the bank accounts of DCST and SLHD. This reference should be removed unless the Council is in control of these bank accounts. **Management response** Wording to be updated and use of 'controlling body' removed.	✓
Note 34 - Related party disclosures The note does not report the amount of transactions and balances between the Council and the companies that are subsidiaries, associates or joint ventures: • St Leger Homes • Doncaster Childrens Services trust • Arthur Street Developments. The value of transactions and balance is required where these are considered material from the viewpoint of either the council or the related party.	The note should be expanded to include the amount of transactions and balances between the Council and the companies that are subsidiaries, associates or joint ventures. **Management response** Agreed, the note to be expanded. Arthur Street Developments is not material for either the Council or Arthur Street developments.	✓
Note 35 – Capital Expenditure and Capital Financing Review of the capital financing requirement calculation identified an error relating to a capital contribution of £7.7m which had been erroneously included. Note 35 is overstated by £7.7m.	The note should be updated to correct for this error. **Management response** Agreed, the note has been updated.	✓
Group MIRS The group MIRS reports that DCST is not included in the group accounts, but the adjustment made to the opening balance of reserves is £31.597m which is material.	The note should be updated to correct for this error. **Management response** Agreed, the Council will bring forward the prior year closing balance and change the presentation to include an additional line to remove the DCST Pension from the opening balance. Note that DCST has never included the net pension liability in their accounts, as a result, the Council in previous years has added this liability in on consolidation.	✓

D. 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/issue/Omission	Auditor recommendations	Adjusted?
Note 1 – Expenditure and Funding Analysis The position reported in the EFA on page 21 is inconsistent with the revenue position reported in the narrative report on page 7.	The position reported in the Expenditure and Funding Analysis should more clearly reconcile with the Narrative Report. **Management response** Noted, this will be updated next year during the 2023-24 draft accounts production process.	X
Note 2 – Accounting Policies The note on page 36 states that short term investments / loans are those that are readily convertible to known amounts of cash with insignificant risk of change in value. That is part of the definition of cash equivalents. The policy also states that investments / loans with a longer maturity (ie >12 months) do not become short term once their remaining maturity period falls between three and twelve months. That is a departure from the definition of a current asset/ liability per the CIPFA Code of practice on local authority accounting 2022-23.	The wording included in the note should be updated to ensure compliance with the CIPFA Code of practice on local authority accounting 2022-23. **Management response** Agreed, to be updated.	✓
Note 45 – Critical Judgements in Applying Accounting Policies Central Government Funding is identified as a critical judgement, however, there is no indication of impairment arising from funding levels. We are uncertain why this is a critical judgement.	The note should be reviewed for appropriateness and if necessary, updated to include the impact of impairments arising. **Management response** We have reconsidered this disclosure and no longer consider it to be appropriate. The Central Government Funding critical judgement will be removed.	✓
Note 12 – Property, Plant and Equipment Note 12 on infrastructure and derecognition indicates that the Council has opted not to apply regulation 30M of SI 1232/2022 that allows the carrying amount to be deemed to be nil and instead is applying the requirements of the Code. We understand this disclosure is incorrect and the Council does comply regulation 30M of SI 1232/2022.	The current disclosure requires updating to indicate the Council does comply with regulation 30M of SI 1232/2022. **Management response** Wording to be updated.	✓

D. 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/issue/Omission	Auditor recommendations	Adjusted?
Note 16 – Financial Instruments Classification of financial instruments states that items described as 'payroll' are excluded as not meeting the definition of financial instruments.	The wording referring to payroll is confusing and should be updated to refer to the annual leave accrual. **Management response** Agreed, wording to be updated.	✓
Note 16 – Financial Instruments Page 59 of the draft accounts refers to trade debtors of £20.962m outstanding but this is inconsistent with note 17 which reports trade receivables of £40.711m. We understand the difference relates to manual accruals at year end.	It is difficult to reconcile the two figures and the disclosure should be expanded to show manual accruals to allow easier reconciliation. **Management response** Agreed, to be updated.	✓
Note 17 and 21 – Short Term Debtors & Creditors The balance on other receivables (£42.1m- Note 17) and other payables (£23.6m – Note 21) are material and should be broken down further.	The balances for other receivables (£42.1m- Note 17) and other payables (£23.6m – Note 21) are material and should be broken down further. **Management response** Agreed, further detail to be added.	✓
Group Note g – Defined Benefit Pension Scheme Page 102 of the draft accounts reports movements in the group MIRS which differ from those reported for the Council. This is not appropriate since statutory adjustments between the accounting and funding basis should not be applied to group entities. There is a mismatch between note g and the group MIRS.	The note should be updated to ensure the correct disclosures and amounts are shown. **Management response** Agreed, to be updated.	✓
Note 12 - Property, Plant and Equipment The PPE revaluations disclosure table shown on page 51 of the draft accounts currently includes for other land and buildings the net book value (NBV) of assets revalued rather than the gross book value (GBV).	The note should be updated to correctly show the gross book value of other land and buildings. **Management response** Agreed, to be updated.	✓

D. 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/issue/Omission	Auditor recommendations	Adjusted?
Note 12 - Property, Plant and Equipment The table included on page 48 of the draft accounts includes De-recognition – other for vehicles plant and equipment which were included within De-recognition – disposals in the prior year. The Council should take a consistent approach between years.	The Council should take a consistent approach to record De-recognition between years. **Management response** Agreed, De-recognition for 2021-22 has now been amended to be consistent with the current year (2022-23). A note had been added to explain this amendment.	✓
Note 12 - Property, Plant and Equipment The table on page 50 of the draft accounts shows a depreciation charge of £42.6m for 2022-23 compared to £9.7m in 2021-22. The increase relates to the change in accounting policy for infrastructure assets. However, this significant movement has not been explained for the reader of accounts.	The note should be expanded to explain the movement in the depreciation charge between years and the reason for the increase. **Management response** Agreed, to be updated.	✓
Note 36 – Leases The minimum lease payment included in the table on page 78 for both 20201-22 and 2022-23 are incorrectly disclosed as they incorrectly include finance costs.	The disclosure for minimum lease payments should be corrected and exclude finance costs. **Management response** Agreed, to be corrected.	✓
Note 31 – Audit Fees Audit fees are shown within note 31 at £213,000 whereas they should be £212,000.	Audit fees should be corrected in note 31 to show £212,000. **Management response** Agreed, now updated.	✓
Group Accounts – Note g The financial statements for St Leger Homes of Doncaster Limited (SLHD) for 2022-23 have not incorporated the pension fund net asset valuation. We have raised this with Council management to discuss with the management of SLHD and to update their draft accounts to incorporate the net pension asset valuation.	The draft accounts for SLHD should be updated to incorporate the net pension asset valuation. **Management response** Following discussions with SLHD management, the accounts for SLHD have now been signed off and no amendments can be made. However, the Council will incorporate the net pension valuation as part of consolidation of the group accounts.	✓

D. 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/issue/Omission	Auditor recommendations	Adjusted?
Note 39 Defined Benefit Pension Schemes The table included on page 81 of the draft accounts shows the reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the code. The amount disclosed is currently £(56,276)k but should be £(33,544)k.	The note should be updated to show the correct reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits. Management response Agreed, to be updated.	✓

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022-23 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 total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
As last year, the South Yorkshire pension fund auditor noted in their IAS19 report an unadjusted error relating to Pooled Investment Vehicles (PIVs) of £46.4m relating to all admitted bodies. For Doncaster this unadjusted error totals £6.2m, representing the Council's share - (an increase to investment assets).	-	6,200	-	-	This is not considered material.
Overall impact	Nil	£6,200	Nil	Nil	-

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021-22 financial statements. This adjustment *has no ongoing implications for the Council's accounts as it is taken into account in the 2022-23 valuation. Please see issue above.*

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves £000	Reason for not adjusting
The South Yorkshire pension fund auditor noted in their IAS19 report an unadjusted error relating to Pooled Investment Vehicles (PIVs) of £27.3m relating to all admitted bodies. For Doncaster MBC this unadjusted error totals £3.6m - representing the Council's share - (an increase to investment assets).	-	3,600	-	This is not considered material.
Overall impact	Nil	3,600	Nil	-

E. Fees and non-audit services

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 2022-23	Proposed Planned fee £	Proposed Final fee £
Council Audit	212,180	222,180*
Total audit fees (excluding VAT)	**212,180**	**222,180**

* Given the significance of the national issue of accounting for pension fund asset valuations and IFRIC14 for both the group and the Council, and the work required by us on your housing benefit transactions (as we do not audit the housing benefit claim), we have proposed an additional £10k from our original planned audit fee. Our work remains ongoing at the time of this report, as does work in respect of the valuation of land and buildings and pensions. We will update management and the Audit Committee, at the point we conclude our audit with our final proposed audit fee.

Note: All variations to the scale fee (see overleaf) will need to be approved by PSAA. Please also note that DLUHC has continued to set aside £15m of funding to deal with the expected increase in 2022-23 audit fees, a direct response to one of the key findings of the Redmond Review into local authority external audit.

The 2022-23 planned fees reconcile to the revised version of the financial statements following an amendment to the draft accounts in Note 31 - External Audit Costs with a £10k reconciling difference as detailed above.

None of the above services were provided on a contingent fee basis. This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69)).

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)	-	-

E. Fees and non-audit services

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
Additional audit work in respect of the Group & Council's share of the Pension Fund asset position & the implications of IFRIC14	£5,000
Performing sufficient and appropriate audit work on housing benefit related transactions (as we do not audit the HB claim)	£5,000
Total proposed audit fees 2022-23 (excluding VAT)	£222,180

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

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible.
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance.
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Management Letter of Representation (draft)

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

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

[Date] – {TO BE DATED SAME DATE AS AUDIT COMMITTEE]

Dear Grant Thornton UK LLP

City of Doncaster Council
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of City of Doncaster Council and its subsidiary undertakings, St Leger Homes of Doncaster Limited for the year ended 31 March 2023 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 2022/23 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 2022/23 ("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 used. 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 have been assigned, pledged or mortgaged

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

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.

G. Management Letter of Representation (draft)

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 considered whether the Council is required to reflect a liability in respect of equal pay claims within its financial statements. We confirm that we are satisfied that no liability needs to be recognised on the grounds that:

- The Council settled all such claims prior to and during 2016-17 and there are no such existing claims from the work done by the Council
- After 2016-17, the Council has not received notification of any potential equal pay claims through the Advisory, Concilliation, and Arbitration Service (ACAS), Early Conciliation process, through it's Employment Relations Forum or through it's internal governance process
- The Council has undertaken work such as job evaluation schemes to identify any such potential liabilities and non has been found.

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

xv. 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.

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

xvi. 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.

xvii. 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

xviii. 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.

G. Management Letter of Representation (draft)

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

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

xxi. 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.

xxii. 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.

xxiii. 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.

xxiv. 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.

xxv. 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.

xxvi. 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

xxvii. 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

xxviii. 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 23 November 2023.

Yours faithfully

Name................................

Position..............................

Date.................................

Name................................

Position..............................

Date.................................

Signed on behalf of the Council

H. Audit opinion (proposed)

Our proposed audit opinion is included below.

We anticipate we will provide the group and Council with an unmodified 'clean' audit report

Independent auditor's report to the members of City of Doncaster Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of City of Doncaster Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2023 which comprise, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Comprehensive Income and Expenditure Account, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2023 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Financial Officer and Assistant Director of Finance and Technology's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Chief Financial Officer and Assistant Director of Finance and Technology's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Chief Financial Officer and Assistant Director of Finance and Technology's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer and Assistant Director of Finance and Technology with respect to going concern are described in the relevant sections of this report.

H. Audit opinion

Other information

The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Financial Officer and Assistant Director of Finance and Technology is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Chief Financial Officer and Assistant Director of Finance and Technology

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer and Assistant Director of Finance and Technology. The Chief Financial Officer and Assistant Director of Finance and Technology is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer and Assistant Director of Finance and Technology determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer and Assistant Director of Finance and Technology is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

H. Audit opinion

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.

We enquired of management and the Audit Committee, concerning the group and Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- material closing journals posted during the preparation of the financial statements including periods 12 and 13
- material and unusual journals which fall outside the auditor's expectations which are considered as high risk journals such as journals posted by senior management, journals posted by staff not in the journals posting approval list, journals with no descriptions, journals with unusual descriptions which are outside our expectations and non-routine.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on above high-risk journals
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings valuation and pension asset and liability valuation; and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector in which the group and Authority operates

H. Audit opinion

- understanding of the legal and regulatory requirements specific to the Authority and group including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for City of Doncaster Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

H. Audit opinion

- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2023.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature

Gareth Mills, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Leeds

Date: TBC

I. Audit letter in respect of delayed VFM work

GrantThornton

Councillor Austen White
Chair of Audit Committee
City of Doncaster Council
Floor 2, Civic Office
Waterdale
Doncaster
DN1 3BU

28 September 2023

Dear Cllr 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 years, 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 finalise our report with management by the end of December 2023, with a presentation of the Report expected to take place at the 1 February 2024 meeting of the Audit Committee. This timing would be well within the NAO's requirements to finalise our VFM work within three months of signing the opinion on the Council's 2022-23 accounts.

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

Key Audit Partner and Engagement Lead for City of Doncaster Council

Grant Thornton

grantthornton.co.uk