

City of Doncaster Council 2023-24 Audit Plan

Year ending 31 March 2024

15 April 2024



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls.

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1. Key matters

National context

The national economic context continues to present challenges to the local government sector. There are increasing cost pressures nationally, such as a growing population and increasing demand for local government services, especially in adult and children's social care. Combined with inflationary pressures, pay demands and energy price rises, the environment in which local authorities operate is highly challenging. Local Government funding continues to be stretched and there have been considerable reductions in the grants received by local authorities from government.

Recently, we have seen the additional strain on some councils from equal pay claims, and there has been a concerning rise in the number of councils issuing s114 notices. These are issued when a council's Chief Financial Officer does not believe the council can meet its expenditure commitments from its income. Additionally, the levels of indebtedness at many councils is now highly concerning, and we have seen commissioners being sent in to oversee reforms at a number of entities.

Our recent value for money work has highlighted a growing number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

Key matters

Local context

The Council's financial position

The Council set a balanced budget for 2023-24 with gross expenditure of £585.8m (net budget £255.8m). The Quarter 3 Finance and Performance Improvement Report for 2023-24 presented to Cabinet on 13 March 2024 noted on-going inflationary pressures on the Council's budgets and in particular, overspends in Adults, Wellbeing and Culture (£4.4m), and Children, Young People & Families (£1.9m). However, these overspends have been off-set by underspends in other directorates and the Council is forecasting a year end outturn balanced position. The Quarter 3 Finance and Performance Improvement Report also notes that savings expected to be delivered by the year end, 31 March 2024 total £8.9m compared to the budgeted savings target of £11.2m, a shortfall of £2.3m for the year.

For 2024-25, the Council set a balanced budget with gross expenditure of £654.0m (net budget £258.3m). Council Tax increased by 4.99% (2.99% for Council Tax and a further 2.0% for Adult Social Care). To deliver this balanced budget, the Council needs to deliver savings of £10.9m during 2024-25, with a further £6.3m of savings required over the remaining two years of the medium-term financial strategy, 2025-26 and 2026-27.

Dedicated School's Grant

The Dedicated Schools Grant (DSG) is the ring-fenced grant from Central Government that provides each local authority with an allocation of funding for schools and services for pupils. In our Auditor's Annual Report (AAR) last year (2022-23), we noted that the DSG deficit was continuing to increase mainly due to pressures within the High Needs Block which includes expenditure on out of authority placements and was expected to increase to some £33.6m at the end of 2025-26. Unlike some authorities, City of Doncaster Council is not part of the DfE's 'safety valve' programme which provides additional funding. Whilst some additional Central Government funding has been made available to the Council, it is not at a level that would significantly reduce the DSG deficit.

Central Government guidance which excludes the DSG deficit from the Council's general reserves ends from April 2026. We noted in our AAR last year that the Council needed to take action to manage and bring down the deficit through other means or set aside additional resources to fund expenditure. As at 31 March 2023, the Council's total General Fund reserves (earmarked and unearmarked) totalled £105.1m, of which £14.3m were General Fund (unearmarked) reserves, these are insufficient to meet the expected DSG deficit.

The Dedicated Schools Grant forecast outturn position for 2023-24 included in the Quarter 3 Finance and Performance Improvement Report presented to Cabinet on 13 March 2024 indicates a £7.4m overspend (of which £3.3m was anticipated), this position is expected to increase the overall DSG deficit to £27.3m at 31st March 2024 (£19.9m at 31 March 2023) and is a deterioration when compared to the budgeted year end deficit position for 2023-24 of £25.8m projected last year.

Doncaster Sheffield Airport

Doncaster Sheffield Airport closed to flights on 5 November 2022 despite efforts by the Council to secure its future. Since this time, the Council has remained in on-going discussions with the Airport owners, Peel Group to secure, if possible, a lease of the airport and allow it to be brought back into full operational use. This work to reopen Doncaster Sheffield Airport is known as project South Yorkshire Airport City (SYAC), and also includes developing a cluster of high value economic activity which complements the traditional aerospace functions, including logistics.

We understand following recent discussions with senior Council officers, including the Chief Executive that the Council signed in late March 2024, a 125 year head lease with Peel Group, this is the first step in bringing Doncaster Sheffield Airport back into operational use. This issue will be an area of focus for both our accounts and VFM audit work in 2023-24.

Key matters - continued

Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan has been agreed with the Chief Financial Officer and Assistant Director of Finance and Technology.
- To ensure close work with our local audited bodies and an efficient audit process, our preference as a firm is work on site with or to develop a hybrid approach of on-site and remote working. We ask for confirmation that this is acceptable to you, and that officers will make themselves available to the audit team, as required. This is also in compliance with our delivery commitments in our contract with PSAA.
- As in prior years we will continue to meet regularly with the Chief Financial Officer and Assistant Director of Finance and Technology and her senior finance team as part of our commitment to keep you fully informed on the progress of the audit, along with quarterly meetings with the Chief Executive and Monitoring Officer.
- We will continue to meet informally with the Chair of the Audit Committee, to brief him on the status and progress of the audit work to date.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work. Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- With the ongoing financial pressures being faced by local authorities, in planning this audit we have considered the financial viability of the Council. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the Council.
- We will consider the actions the Council is taking to manage its Dedicated Schools Grant deficit as part of our value for money work.
- We will continue to meet with senior officers to discuss developments in bringing Doncaster Sheffield Airport back into operational use as part of our value for money work. As the headlease was signed in late March 2024, we will need to consider the Council's proposals to account for the lease which falls within the financial year 2023-24 as part of our final accounts audit work.
- We will consider implementation of our audit recommendations raised in the prior period, both in respect of the financial statements and value for money, and give a view on progress against these recommendations in our Audit Findings (ISA 260) report and Auditor's Annual report both targeted to be published by the end of the 2024 calendar year.

2. Introduction and headlines

Purpose

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

Respective responsibilities

The National Audit Office (‘the NAO’) has issued a document entitled Code of Audit Practice (‘the Code’). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. The NAO is in the process of updating the Code to make provision for the local authority accounts backstop legislation. Since the City of Doncaster Councils accounts opinions and the value for money work is up to date, this is not expected to impact on the scope and timing of our 2023-24 audit work.

Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Council. We draw your attention to these documents.

Scope of our audit

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

The audit of the financial statements does not relieve management or the Audit Committee of their responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. Our audit approach is based on a thorough understanding of the Council's business and is risk based.



Introduction and headlines

Significant risks

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

- Management override of controls
- Valuation of pension fund net balance (early indications are that it will be a net pension surplus in 2024 as it was in 2023)
- Closing valuation of land & buildings (including council dwellings).

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report targeted for November 2024.

Group Audit

The Council is required to prepare group financial statements that account for the financial information of its subsidiary, St Leger Homes of Doncaster Limited (SLH). Further details on our proposed group audit approach are set out on page 12.

Materiality

We have determined planning materiality to be £11,566k (PY £11,566k) for the group and £11,460k (PY £11,460k) for the Council, which equates to 1.5% of your gross operating costs for the prior year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £578k (PY £578k) for the group and £573k (PY £573k) for the Council.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following ongoing risks of significant weakness:

- Financial Sustainability: Dedicated Schools Grant (DSG) overspend and dealing with the accumulated deficit position.

We will continue to update our risk assessment until we issue our Auditor's Annual Report which we expect to issue by the end of December 2024.

Audit logistics

Our planning work commenced in March 2024 and will continue into April. Our final accounts work will begin in July 2024 and continue into the autumn. Our key deliverables are this Audit Plan, our Audit Findings (ISA260) Report and our Auditor's Annual Report on the Council's VFM arrangements.

Our proposed fee for the audit will be £445,789 (PY: £222,180) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input. Further details on fees is shown on page 24.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

3. Significant risks identified

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

Risk	Relates to	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 revenue risk – risk of fraud in revenue recognition	Council	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including the Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for the Council.</p>
Risk of fraud related to expenditure recognition (PAF Practice Note 10)	Council	<p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period)</p>	<p>We have rebutted this presumed risk for the Council because:</p> <ul style="list-style-type: none"> • expenditure is well controlled and the Council has a strong control environment • there is little incentive to manipulate expenditure for the Council where services are provided to the public through taxpayers funds • there are plans in place for the Council to deliver savings, indicating a culture of officers dealing with the challenges faced by the Council directly, which is considered incompatible with the deliberate suppression of expenditure • the Council requires cash to meet its payroll and third-party payment obligations and therefore any manipulation of expenditure between accounting periods does not generate any clear financial benefits • the Council has clear and transparent reporting of its financial plans and financial position to the Council. <p>Therefore we do not consider this to be a significant risk for the Council.</p>

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

Significant risks identified - continued

Risk	Relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	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.	<p>We will:</p> <ul style="list-style-type: none"> • make inquiries of finance staff regarding their knowledge of potential instances of management override of controls • evaluate the design effectiveness of management controls over journals. This will include the controls management has in place to review journal postings • analyse the journals listing and determine the criteria for selecting high risk unusual journals This will include criteria relating to journals which have not been authorised • perform a risk-based interrogation of the financial ledger to identify any unusual and potentially fraudulent transactions for testing • test unusual journals identified through the application of our risk-based approach for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied and made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions • examine journals and manual entries made around the time of the preparation of the draft financial statements for appropriateness and corroboration • understand the ledger integration with relevant sources and sub-systems to identify how management may be able to intervene in the journals posting process and post fraudulent entries.

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

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

Significant risks identified - continued

Risk	Relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Closing valuation of land and buildings including council dwellings	Council	<p>The Council re-values its land and buildings on a rolling five-yearly basis in line with the Code requirements.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £1.56bn for land & buildings and council dwellings) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified the closing valuation of land and buildings including council dwellings, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>The Council holds both specialised and non-specialised buildings within its portfolio. The specialised assets comprise schools and leisure centres among others. The valuation approach is depreciated replacement cost (DRC) with the key valuation assumptions being the rebuild cost, building size and adjustments for obsolescence (buildings age, condition & functionality). The council also holds non-specialised assets such as car parks and offices. Council dwellings are also considered non-specialised.</p> <p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • discuss with the valuer the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engage our own auditor's expert valuer to assess the instructions issued to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation • test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end • consider, where the valuation date is not 31 March 2024 for assets valued in year, the arrangements management has used to ensure the valuation remains materially appropriate at 31 March 2024 • agree, on a sample basis, the internal floor areas (GIAs) to records held by the estates management function • for non-specialised properties valued on the existing use value (EUV) basis, obtain market comparables to assess the appropriateness of market rents and yields selected by management's expert and used in the valuation calculations.

Significant risks identified - continued

Risk	Relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net balance	Council	<p>The Council's pension fund net balance, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p> <p>The pension fund net balance is considered a significant estimate due to the size of the numbers involved (£119m asset at 31 March 2023) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified the valuation of the Council's pension fund net balance as a significant risk of material misstatement.</p> <p>South Yorkshire Pension Fund reported a surplus position as at 31 March 2023, which resulted in a net pension asset of £119m for the first time as reported in the Council's 2022-23 accounts. A key aspect of our work planned for 2023-24 will be to consider whether this position remains supported by fund-level assumptions and market-based factors.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net balance is not materially misstated and evaluate the design of the fund assets valuation in the pension fund financial statements and associated controls • evaluate the instructions issued by management to their management expert (Hymans Robertson) for this estimate and the scope of the actuary's work • assess the competence, capabilities and objectivity of the actuary (Hymans Robertson) who carried out the Authority's pension fund valuation • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the net pension balance • test the consistency of the pension fund figures and disclosures in the draft financial statements with the actuarial report from the actuary • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • obtain assurances from the auditor of the South Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the Council • evaluate the continued appropriateness of recognising a pension asset position against the Code and IFRIC 14 criteria • assess the calculation performed to identify the IFRIC 14 net pension asset ceiling and where appropriate, challenge management on the validity and appropriateness of the assumptions used in the calculation including the existence of a minimum funding requirement, the future lifetime of the scheme (in years) and the level of future funding contributions (as a % of payroll costs). • review the accounting for any unfunded liability element of LGPS including where this has been offset against the net funded LGPS balance.

4. Group audit scope and risk assessment

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

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
City of Doncaster Council	Yes	<p>Full audit of the City of Doncaster Council accounts as the significant component within the Group.</p> <p>Audit of the financial information of the component using component materiality.</p>	Please refer to the significant risks identified in section three of this Audit Plan.	Full scope audit performed by Grant Thornton UK LLP.
St Leger Homes of Doncaster Ltd (SLH)	No	Specified audit procedures relating to risks of material misstatement of the group financial statements	The SLH net pension fund asset (£21.5m at 31 March 2023) is not considered a significant risk at group level because we do not consider there is a material estimation uncertainty in the pension fund asset. However, we set out our audit approach in the next column.	<p>We will adopt a targeted approach to the statutory audit performed by Beever and Struthers focussing on material classes of transactions, account balances or disclosures at group level. Where appropriate, we will undertake targeted testing of material balances and transactions outside of the group boundary.</p> <p>Our work will focus on the net pension asset, total income and cost of sales which are the more significant account balances and transactions at SLH.</p>

Audit scope

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

5. Other matters

Other work

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

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

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

6. Progress against prior year audit recommendations

We identified the following issue in our 2022-23 audit of the Council's financial statements, which resulted in one recommendation being reported in our Audit Findings (ISA260) Report. We have followed up on our recommendation below:

Issue and risk previously communicated

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.

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.

Update on actions taken to address the issue

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.

Update April 2024 from management:

The recommended changes have been implemented. The receipts received in-year have been reviewed and a deposit for the Hungerhill site has been treated as a receipt in advance as the sale is yet to complete. No sale has completed where we would need to consider accounting for as a deferred capital receipt

7. Our approach to materiality

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

Description

Planned audit procedures

Determination

We have determined financial statement materiality based on a proportion of the gross expenditure of the group and the Council for the financial year. Materiality at the planning stage of our audit is £11,566k (PY £11,566k) for the group and £11,460k (PY 11,460k) for the Council, which equates to 1.5% of your draft gross expenditure for the prior period.

We determine planning materiality in order to:

- establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;
- assist in establishing the scope of our audit engagement and audit tests;
- determine sample sizes and
- assist in evaluating the effect of known and likely misstatements in the financial statements.

Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature where it may affect instances when greater precision is required.

We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £15k (PY £15k).

Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality. We will review our materiality calculation upon receipt of your 2023-24 draft accounts.

Other communications relating to materiality we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £578k (PY £578k) for the group and £573k for the Council (PY £573k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Our approach to materiality

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

	Council (single-entity) (£)	Group (£)	Qualitative factors considered
Materiality for the financial statements	£11,460,000	£11,566,000	This equates to 1.5% of the Council's Gross Expenditure on Cost of Services for 2022-23.
Performance materiality	£8,022,000	£8,096,000	This has been set at 70% of headline materiality, which is in line with the prior year. This reflects the fact that the Council has a stable financial reporting team with a track record of preparing good quality financial statements, supporting working papers and engaging well throughout the audit process.
Trivial matters	£573,000	£578,000	This equates to 5% of headline materiality and represents our threshold for reporting corrected and uncorrected misstatements to the Audit Committee.
Materiality for specific transactions, balances or disclosures - senior officer remuneration.	£15,000	£15,000	The senior officer remuneration disclosures in the financial statements have been identified as an area requiring a specific materiality due to their sensitive nature.

8. IT audit strategy

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

The following IT system have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment. We will keep this under review as the audit progresses and update our understanding if there are additional IT systems within the scope of the audit.

We will report to you including our assessments and findings (as applicable) in our Audit Findings (ISA260) Report targeted for November 2024.

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

9. Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2024

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



Improving economy, efficiency and effectiveness

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



Financial sustainability

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



Governance

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



10. Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the table overleaf, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, 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.

Risks of significant VFM weaknesses – continued

The Audit Code sets out that the auditor’s work is likely to fall into three broad areas:

- planning;
- additional risk-based procedures and evaluation; and
- reporting.

We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. A key part of this is the consideration of prior year significant weaknesses and known areas of risk which is a key part of the risk assessment for 2023-24. We set out our reported assessment below from last year:

Criteria	2022-23 Auditor judgement on arrangements	Additional risk-based procedures planned
Financial sustainability	<p>Red</p> <p>One key recommendation raised in relation to the Council’s Dedicated Schools Grant (DSG) deficit. We have also raised two further improvement recommendations.</p>	<p>We will follow up progress against the key recommendations and improvement recommendations made and ensure that our work assesses the current arrangements in place.</p> <p>In particular, we will consider the Council’s plans to manage the increasing DSG deficit and the potential future use of reserves should this be required from April 2026.</p>
Governance	<p>Green</p> <p>Our work did not identify any areas where we considered that key or improvement recommendations were required</p>	-
Improving economy, efficiency and effectiveness	<p>Green</p> <p>Our work did not identify any areas where we considered that key or improvement recommendations were required</p>	-

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Risks of significant VFM weaknesses – continued

We have not identified any additional risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.

Whilst we have not identified any possible significant weaknesses in arrangements at this stage, other than how the Council is managing its Dedicated Schools Grant overspend as detailed on the previous page, we will as part of our VFM audit work consider:

- the actions being taken by the Council to manage its financial position in the short to medium term given the increasing financial pressures faced and its use of reserves
- the actions taken by the Council to ensure budgeted savings are delivered in year as planned. The Quarter 3 Finance and Performance Improvement Report noted that only 79% of planned savings (£8.9m) are expected to be delivered by the year end.
- the progress and actions taken and proposed to bring Doncaster Sheffield Airport back into operational use, including the financial impact on the Council and any related significant financial risks.

We will report our findings from our value for money work in our Auditor's Annual Report which we plan to issue by the end of December 2024.

11. Audit logistics and team



Gareth Mills, Key Audit Partner and Engagement Lead

Provides oversight of the delivery of the audit including regular engagement the Corporate Governance Audit Committee and senior management.

Perminder Sethi, Engagement Senior Manager

Plans and manages the delivery of the audit including regular contact with senior management. The key point of contact for the Council's finance team.

Wesley Kellingray, Engagement Assistant Manager

Wes is the key audit contact responsible for the day to day management and delivery of the audit work.

Audited Entity responsibilities

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

Our requirements

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

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available throughout the agreed period of the audit fieldwork (as per our responses to key matters set out on page 5)
- respond promptly and adequately to audit queries.

12. Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2017, PSAA awarded a contract of audit for City of Doncaster Council to begin with effect from 2018-19. This contract was re-tendered in 2023 and Grant Thornton has been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2023-24 audit is £430,289.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor’s annual report for the previous Audit Year
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed.

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here <https://www.psa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

Assumptions

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

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

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Audit fees

Proposed fee 2023-24

City of Doncaster Council Scale Fee (per PSAA contract)	£430,289
Additional fee relating to the use of an auditor's expert for the valuation of property not included within the PSAA scale fee.	£3,000
Increased audit requirements of ISA 315 Revised – “Identifying and assessing the Risks of Material Misstatement” – (new controls requirement not included in the PSAA tender submission)	£12,500
Total audit fees (excluding VAT)	£445,789

Previous year

In 2022-23 the scale fee set by PSAA was £150,680, the actual fee charged for the audit was £222,180.

Relevant professional standards

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

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting.

Our proposed work and fee is per the PSAA scale fee. Should additional work be identified as necessary in addition to the ISA 315 work identified above, additional fees levied for work that we will be required to undertake to obtain appropriate assurances. Should the need to levy such additional fees arise, these will be discussed with the Chief Financial Officer and Assistant Director of Finance and Technology on a timely basis.

13. IFRS 16 ‘Leases’ and related disclosures

IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is a shadow year for the implementation of IFRS 16, we will need to consider the work being undertaken by the Council to ensure a smooth adoption of the new standard.

Introduction

IFRS 16 updates the definition of a lease to:

“a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.” In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating) although if an audited body is the intermediary and subletting there is a change in that the judgement between operating and finance lease is made with reference to the right of use asset rather than the underlying asset.

Council's systems and processes

We believe that most local authorities will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance

Planning enquiries

As part of our planning risk assessment procedures we have discussed implementation of the standard with the Head of Accountancy and we understand that the Council will be adopting the standard from 1 April 2024 in line with many local authorities. Per our discussions, the Council is underway with preparing the necessary impact statement highlighting the expected impact to readers, as required to be disclosed in the 2023-24 financial statements.

Further information

Further details on the requirements of IFRS16 can be found in the HM Treasury Financial Reporting Manual. Please refer to the following link:

[IFRS 16 Application Guidance December 2020 \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1014442/IFRS16_Application_Guidance_December_2020.pdf)

14. Independence and non-audit services

Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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

Other services

No other services provided by Grant Thornton were identified.

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

15. Communication of audit matters with those charged with governance

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

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

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

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

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

16. Escalation policy

The Department for Levelling Up, Housing and Communities is proposing to introduce an audit backstop date on a rolling basis to encourage timelier completion of local government audits in the future. For the 2023-24 accounts cycle, we understand the proposed deadline for the audit opinion is 30 April 2025 for a 31 May 2025 back stop. City of Doncaster Council has continued to perform well in recent years in achieving timely production of its financial statements and sign-off of its audit opinion, however, we have included the below for your information and to indicate the wider context within the local audit sector.

It remains the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the 31 May 2024 and respond to audit information requests and queries in a timely manner, which very much represents business as usual at City of Doncaster Council based on our observations from previous audits.

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps are set out below:

Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

We will have a conversation with the Finance Director to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive (within one month of deadline)

If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

Step 4 - Escalation to the Audit Committee (at next available Audit Committee meeting or in writing to Audit Committee Chair within 6 weeks of deadline)

If senior management is unable to resolve the delay, we will escalate the issue to the audit committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 – Consider use of wider powers (within two months of deadline)

If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.



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