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

Year ended 31 March 2022

24 November 2022

Contents

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.

Your key Grant Thornton team members are:

Gareth Mills

Key Audit Partner & Engagement Lead

T 0113 200 2535

E gareth.mills@uk.gt.com

Thilina De Zoysa

Engagement Senior Manager

T 0113 200 1589

E thilina.de.zoysa@uk.gt.com

Greg Charnley

Engagement Manager – In charge

T 0113 200 2558

E Greg.F.Charnley@uk.gt.com

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

Gareth D Mills

Name: Gareth Mills

For Grant Thornton UK LLP

Date: 21 November 2022

1. Headlines

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

Financial Statements

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

- the Council's financial statements give a true and fair view of the financial position of the Council 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.

Our audit work was conducted remotely from July through to concluding in November. Our findings are summarised in Section Two of this report. As at the date of this report, we have not identified any audit adjustment that would impact on the Council's useable reserves as at 31 March 2022. We identified number of adjustments including some prior period adjustments which are reported at pages 11 and 13. These are also reported at Appendix C.

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

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

- completing the remaining elements of our work on Property, plant and equipment (PPE), pension fund assets and liabilities, payables and receivables, journals, grant income, operating expenditure and assurances from the auditor of South Yorkshire Pension Fund
- publication of the Statutory Instrument (SI) from the Department for Levelling Up, Housing and Communities (DLUHC) on the statutory override for the accounting arrangements relating to infrastructure assets (see also page 12 for further details)
- clearing of any additional responses to the technical 'Hot Review' of the 2021-22 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 liability and journals testing
- 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.

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

Timing of the completion of the 2021-22 audit

In our discussions with management, our approach is to conclude all work on the audit by 30 November 2022 in line with the statutory target. However, there is a national issue across the sector in terms of accounting for infrastructure assets (set out in more detail on page 12) which is expected to be resolved via the issuing of a Statutory Instrument from DLUHC.

We have agreed with management that we will await the publication of the SI in order to avoid issuing a qualified opinion on the issue of infrastructure assets. At the time of this report the exact publication date remains unclear but it is anticipated that it will be issued and will become a legal instrument in late December. The SI is expected to resolve the infrastructure accounting issue across the sector and should all other aspects of the audit be concluded appropriately, we would expect to issue a clean (unqualified) audit opinion in January 2023.

1. Headlines

Value for Money (VFM) arrangements

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

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

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

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

As reported to you in our Audit Plan in July, our planning risk assessment work identified one possible significant weakness in the Council's arrangements. This is in relation to the Ofsted and CQC Inspection (July 2021 report) on implementing Special Educational Needs and Disabilities (SEND) reforms in Rotherham. We also identified this as a key recommendation issue in our 2020-21 VFM work and reported this in our Auditor's Annual Report in March 2022. Considering this inspection was carried out and reported in 2021-22, we consider this a continuing issue in the Council's VFM arrangements for 2021-22. As part of our 2021-22 VFM review, which is not yet completed, we are following up Council's actions in relation to the Ofsted findings. Further details of this issue is included in Section Three of this report.

As with many other local authorities across the country, the Council is facing cost pressures resulting from increasing inflation, interest rates, energy and national pay awards above planned assumptions . This is challenging on the Council's ability to deliver the agreed budgets 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 January 2023.

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 2021-22 audit certificate at this time. Subject to the completion of our work on the Council's VFM arrangements, our review of the Council's Whole of Government Accounts (WGA) submission, and the issue of the Statutory Instrument in respect of Infrastructure Assets, 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 29 November 2022.

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

Audit approach

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

- an evaluation of the Council's internal controls environment, including its IT systems and controls
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to the outstanding queries being resolved and a statutory instrument being issued in respect of accounting for infrastructure assets (also see page 13 for further details) , we anticipate issuing an unqualified 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, grant income, operating expenditure and assurances from the auditor of South Yorkshire Pension Fund
- publication of the Statutory Instrument (SI) from the Department for Levelling Up, Housing and Communities (DLUHC) on the statutory override for the accounting arrangements relating to infrastructure assets (see also page 12 for further details)
- clearing of any additional responses to the technical 'Hot Review' of the 2021-22 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 liability and journals testing
- 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.

Our approach to materiality

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

Materiality levels remain the same as reported in our Audit Plan dated 18 July 2022.

We detail in the table our determination of materiality for the Council.

Materiality area	Amount (£000)	Qualitative factors considered
Materiality for the financial statements	8,880	We have determined materiality at 1.5% of gross operating expenditure for the year. We consider this as the most appropriate criteria given stakeholders interest in the Council delivering its budget. There are no changes to this threshold or benchmark to that set out in our Audit Plan dated 18 July 2022.
Performance materiality	6,216	Assessed to be 70% of financial statement materiality.
Trivial matters	444	This equates to 5% of materiality. This is our reporting threshold to the Audit Committee for any errors identified.
Materiality for senior officer remuneration disclosures	15	The senior officer remuneration disclosures in the Financial Statements have been identified as an area requiring specific materiality due to its sensitive nature. There are no changes to this threshold from our Audit Plan dated 18 July 2022.

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 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 29 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 **Revenue** Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including at the Council, mean that all forms of fraud are seen as unacceptable. **Expenditure** Whilst not a presumed significant risk we have had regard to Practice Note 10 (Audit of financial statements and regularity of public sector bodies in the United Kingdom). Having considered the nature of the expenditure streams at the Authority, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because: • there is little incentive to manipulate expenditure for a Council where services are provided to the public through taxpayers funds • there is no significant pressures on general fund reserves of the Council • Covid -19 funding has been sufficiently provided for additional expenditure and loss of income during 2020-21 and into 2021-22.	As part of our final accounts audit process, we have reconsidered our rebuttal of both revenue and expenditure recognition and consider the rebuttal is still remain appropriate. Notwithstanding that we have rebutted these risks, we have undertaken a significant level of work on the Council's revenue streams, as they are material to the financial statements audit. As part of our audit work, we have: **Accounting policies and systems** • Evaluated the Council's accounting policies for recognition of income and expenditure for it's material income and expenditure streams and compliance with the CIPFA Code • Updated our understanding of the Council's business processes associated with accounting for income and expenditure. **Fees, Charges and other service income** • Agreed, on a sample basis, income and year end receivables from other income supporting evidence. **Taxation and non specific grant income** • Income for national non-domestic rates and council tax is predictable and therefore we would conducted substantive analytical procedures • For other grants we sample tested items for supporting evidence and checked the appropriateness of the accounting treatment was in line with the CIPFA Code. Please see further reporting at page 17 **Expenditure** • Agreed, on a sample basis, non pay expenditure and year end payables to supporting evidence • Undertook detailed substantive analytical procedures on pay expenditure. We also carried out sufficient and appropriate audit procedures to ascertain that recognition of income and expenditure was in the correct accounting period using cut off testing. From our audit work to date, there are no issues arising that require reporting to the Audit Committee.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings, including Council dwellings 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 (nearly £1 billion for this significant risk category at £994m) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used. We therefore identified the closing valuation of land and buildings, including council dwellings as a significant risk, which was one of the most significant assessed risks of material misstatement.	As part of our work we have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • discussed with the valuer the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engaged our own auditor's expert valuer to assess the instructions issued to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation • tested revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end • considered, where the valuation date is not 31 March 2022 for assets valued in year, the arrangements management has used to ensure the valuation remains materially appropriate at 31 March 2022. Our audit work to date has not identified any issues in respect of the closing valuation of land and buildings except for the following matters **Note 19 (d) Revaluations and impairment** – Our work highlighted this note included incorrect balances which indicated as ' carried at historical cost' in relation to 'Other Land and Buildings' where some assets had been previously revalued as part of the Council's rolling valuation process. These assets should not be disclosed as 'carried at cost'. It also did not include the Assets under Construction of £80,102k which are carried at cost. Overall, as a result of our findings, the other land and buildings 'carried at historical cost' amount has changed by £16,894k from £25,354k to £8,460k in the updated accounts. We have reported this at Appendix C. We also identified some misclassifications between asset types in note 19 - Property, Plant and Equipment including within other land and buildings. These have all been adjusted by management and reported at page 37. These adjustments have no impact to Council's closing useable reserves position as at 31 March 2022.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of the pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£338.4m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates. We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • obtained assurances from the auditor of the South Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. **[currently awaiting]** Our audit work to date has not identified any issues in respect of valuation of the pension fund liability except for the following disclosure issues on note 18 pensions: • our review of the pensions disclosures within Note 18 Pensions identified that no sensitivity analysis had been disclosed for pension assets valued at level 3 (e.g. complex valuations such as private equity shares, complex derivatives where there is no readily available market information and need to make more assumptions on the estimate valuation) around the estimation uncertainty in relation to the valuation of these assets. Following discussions with management, this disclosure has now been added based on South Yorkshire Pension Fund (SYPF) 2021-22 valuations reported in the SYPF audited accounts. • The recognised gains and losses reported in the CIES around the actuarial gains were £174.36m . This was incorrectly disclosed as £137.02m (a difference of £37.34m) in note 18 in the draft accounts. This has now been updated in the amended accounts. • The principle assumptions used by the actuary as reported in note 18 did not fully agree to the actuary report in relation to rates of CPI inflation, increase in salaries and pensions and discounting scheme liabilities . This has now been updated in the amended accounts. This amendments are also reported at Appendix C. Further to discussions across public sector audit suppliers delivering pension fund audits, we have been informed that certain additional assurances are required from the pension fund auditor, as part of our audit of Council's pension fund net liability . The additional information mainly relates to the valuation of pension scheme assets in level 1, 2 and 3 of the fair value hierarchy and the approach taken to reviewing such valuations. This information should already be available to the pension fund auditor and should not require any significant additional work. We understand other audit firms are taking a similar approach regarding obtaining these additional assurances as part of auditing the pension fund net liability. We have requested for this information from the SYPF auditor and are currently awaiting a response.

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 2022 (early adoption) then in the 2021-22 accounts as a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts	As permitted, 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, statement of accounting concepts and policies , B accounting standards issued and not yet adopted. Management and the audit team will liaise during the 2022-23 audit to ensure the requirements of the new standard are being followed and plans are 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.	Notes 7 and 8 to the accounts include a detailed analysis of grant income covering grant income recognised through the Comprehensive Income and Expenditure Statement (CIES). Note 34 (creditors) to the accounts includes grants and contributions received in advance. These notes provide the accounting principles and disclosures supporting grant income. **Prior Period Adjustment:** Our audit testing of grant income relating to 2021-22 identified one issue whereby the PFI grant £9,822k (PY: £9,822k) was recognised in the wrong heading in the CIES under taxation and non specific grant income. This should have been included under Cost of Services section in the CIES as the grant relates to PFI services. Considering the amounts were material and this was an error, it is within the scope of prior period adjustments accounting principles (IAS 8). Management has adjusted for this in the revised accounts and disclosed appropriately in the CIES. This amendment has no impact on the Council's useable reserves for the year ended 31 March 2022. See Appendix C for the adjustments made. **Other work:** Our work also involved reviewing the Council's treatment of grants including Covid-19 related grants as either agent (where the Council passes on the grant without having control over its award) or principal (where the Council determines the grant award to be provided). Grant awards where the Council is acting as principal are recorded within the Council's CIES whereas grants where the Council has acted as agent are not. We have not identified any issues on this. Our work also reviewed the appropriateness of the disclosures made and we undertook sample testing of a number of grants. No other issues have been identified in recognition and presentation of Grant Income in line with the Code.

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
National local authority accounting issue: **Valuation of Infrastructure Assets** The Code requires infrastructure to be reported in the Balance Sheet at depreciated historical cost, that is historic cost less accumulated depreciation and impairment. In addition, the Code requires a reconciliation of gross carrying amounts and accumulated depreciation and impairment from the beginning to the end of the reporting period. The Council has material infrastructure assets amounting to c£200m (net book value) as at 31 March 2022, there is therefore a potential risk of material misstatement related to the infrastructure balance.	Our review of the Council's arrangements for accounting for infrastructure assets noted that its arrangements, as with most other authorities, do not fully comply with the requirements of the CIPFA Code of Practice on Local Authority Accounting and International Accounting Standard (IAS) 16, which establishes the principles for recognising property, plant and equipment as assets, measuring their carrying amounts, disposals and measuring the depreciation charges and impairment losses. The Council, in common with most other local authorities, capitalises additional expenditure on infrastructure assets, for example on resurfacing roads. However, the amount written out (e.g. as disposals) against the gross value of infrastructure assets and depreciation following these improvement works may not fully write out the appropriate proportion of the improvements made and are unable to be clearly demonstrated by available records held by the Council. As a result, there is a risk that the Council's gross book value and accumulated depreciation infrastructure balances could be materially misstated. The valuation of infrastructure assets in local government continues to be an on-going national issue. Given the value of infrastructure assets at the Council totals c£200m (net book value), a resolution for the sector is necessary before we are able to conclude on the 2021-22 audit. We understand the Department for Levelling Up, Housing and Communities (DLUHC) is in the process of issuing a Statutory Instrument which would provide a statutory override given most authorities do not fully comply with current accounting requirements on infrastructure assets. We understand the DLUHC is aiming to issue the Statutory Instrument in late December 2022. We will continue to keep the finance team and the Audit Committee briefed on any developments as they arise. The issue of the SI (and its contents) will determine when we will be in a position to conclude and sign off the Council's 2021-22 accounts, but we anticipate this to be early in the New Year.
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.	There were some recommendations arising from our IT work which have been included under Appendix A. The recommendations are primarily concerned with weaknesses at system access level, where there are compensating controls in place to detect and reduce material errors in the financial statements. The audit team has considered the issues identified and do not consider them significant enough to have an impact on our audit approach (as we performed a fully substantive audit approach with no reliance on operating effectiveness of controls whether they are IT or manual). The recommendations identified by our IT audit specialists would further strengthen the Council's IT control environment when implemented.

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
Prior Period Adjustment (PPA) – Notes 36 and 37 useable and unusable Reserves around DSG adjustment account and Movement in Reserves Statement (MIRS) The Dedicated School Grant (DSG) cumulative deficit as at 31 March 2021 amounting to £21,258k should be reported in a DSG Adjustment Account 'unusable reserve' in line with the Statutory Instrument (SI) 2020 number 1212. This SI was issued in November 2020 and indicated that cumulative DSG deficits should be taken to an unusable reserve at the end of 31 March 2021. Our work highlighted that this cumulative DSG deficit balance of £21,258k was initially reported under useable reserves Note 36 as at 31 March 2021. Further to discussions with management, this has been amended and accounted for in the DSG Adjustment Account for year ended 31 March 2021, under unusable reserves (note 37). Our work indicated the cumulative DSG deficit has been correctly accounted for and reported as unusable DSG adjustment accounts as at 31 March 2022 in note 37. The PPA also impacts on Note 16 DSG disclosures.	Our further audit work in this area indicated that: -This adjustment is within the scope of the relevant Accounting Standard for a PPA (IAS 8) - As a result: (a) the useable reserves brought forward in MIRS (1 April 2021) will increase by £21,258k to £163,956k (b) the unusable reserves brought forward in MIRS (1 April 2021) would increase by £21,258k to £98,888k (c) No impact to total reserves brought forward and General fund reserves brought forward as at 1 April 2021 (d) No impact on useable and unusable reserves carried forward as at 31 March 2022 (e) No impact to total reserves carried forward and General fund reserves carried forward as at 1 April 2022 (f) Accordingly, Movement in Reserves Statement (e.g. reserves brought forward), notes 36 and 37 will change to reflect the correct useable and unusable reserves brought - Required disclosures should be made in the Balance Sheet, Movement in Reserves Statement, notes 36, 37 and other related notes in relation to this PPA in line with IAS 8 accounting principles. - As reported at Appendix C, management has agreed to make these adjustments and those will be reflected in the revised version of 2021-22 accounts and Note 16.
Disclosure Prior Period Adjustment (PPA) – Financial Instruments (Note 24) – Fair Value disclosures (1) Our work highlighted that to arrive at Fair Value (FV) disclosures in relation to Public Works Loan Board (PWLB) loan , management has used PWLB premature repayment rates rather than the PWLB new loan rate. The most appropriate loan rate to be used is the PWLB new loan rate as that is the loan rate that a new buyer or the Council would use if these are to be financed now. This should be used for FV calculation in line with relevant accounting principles. Using the PWLB new loan rate would materially change the Fair Value disclosures in Note 24. (2) Our work also highlighted that PFI liabilities and their FV's have been omitted in the FV disclosure Note 24 table. The amounts concerned are material disclosures that have been omitted this year and the prior year. After further discussions, management has agreed to update the accounts for this issue.	Our further audit work in this area indicated that: - These adjustments are within the scope of the relevant Accounting Standard for a PPA (IAS 8) - It is a disclosure PPA with in the scope of IAS 8 - It has no impact on brought forward reserves as at 1 April 2021 as these are disclosure amendments only - Required disclosures should be made to Note 24 in relation to this PPA in line with IAS 8 accounting principles. As reported at Appendix C, management has agreed to process these disclosures amendments and they will be included in the revised version of the 2021-22 accounts.

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Council Dwellings valuation: £710.9m	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 has engaged its valuer to complete the valuation of these properties. The Council Dwelling valuation as at 31 March 2022 was £710.9m, a net increase of £16.5m from 2020-21 (£694.4m).	• The Council's RICS qualified valuer has valued the entire housing stock using the beacon methodology, in which a detailed valuation of representative property types was then applied to similar properties. • Our work indicated that this methodology was applied correctly to the 2021-22 valuation. • We have assessed the Council's 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 specialist.. 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 inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Other Land and Buildings valuation: £284m	Other land and buildings comprises £218.6 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 £65.4m 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. The Council has a process in place to assess assets not revalued in year. Based on the revaluation movements observed for assets revalued as part of the rolling cycle, the valuers assess whether other assets within each group are likely to show a significant movement and if so, the valuers will revalue further assets within the group. There is another continuing process to assess the movement between the valuation date (1 January 2022) and the year end. For specialised assets, this assessment is based on the movement in appropriate indices. For non-specialised assets, which are valued using market based inputs, an exercise is undertaken to ensure key inputs remain appropriate. Revaluations at the year end are processed when deemed appropriate by the valuers to give management assurance that the closing current value is not materially different to its carrying value. The Council's Other Land and Buildings valuation as at 31 March 2022 was £284m, a net increase of c£11m from 2020-21 (£272.8m).	• 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 • Further to our previous year recommendation (see Appendix B), management has changed the valuation date of revalued assets to 1 January which is closer to the year end date than the previous date of 1 April. This is an improvement from previous years in order to obtain a valuation closer to the year end date. We understand through responses at Appendix B, management would explore the scope to get the valuation date closer to the year end date going forward. This would further enhance the valuation estimate process. • 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, auditor's valuation specialist. 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 to 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 and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability £338.3m	Per the draft accounts, the Council's net pension liability at 31 March 2022 is £338.3m (PY £464.8m) comprising the Council's share of the South Yorkshire Local Government Pension Scheme. The Council engaged Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed at 31 March 2019, utilising key assumptions such as life expectancy, discount rates, salary growth and pension increase rate. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £126.5m net actuarial gain during 2021-22. The improved position results mainly from an increase in pension asset values of £100m and a reduction in pension liabilities of £26.6m.	• We have assessed the Council's actuary, Hymans Robertson, to be competent, capable and objective • We have performed additional tests in relation to the accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the roll forward calculation carried out by the actuary and have no issues to raise. • We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – please see the table below for our comparison of actuarial assumptions. The PwC report has also indicated under overall findings section that they are comfortable with the methodologies used by Hymans Robertson to establish and produce reasonable assumptions as at 31 March 2022 for all employers. • We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate • We have confirmed there were no significant changes in 2021-22 to the valuation method	We consider management's process is appropriate and key assumptions are neither optimistic or cautious **(Green) TBC**

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.70%	Assumption appears reasonable	Green
Pension increase rate	3.2%	Assumption appears reasonable and methodology appropriate.	Green
Salary increase rate	4.2%	In line with expectation.	Green
Average Life expectancy – Males (at age 65)	Pensioners: 22.6 Non-pensioners: 24.1	Overall mortality assumptions appear reasonable.	Green
Average Life expectancy – Females (at age 65)	Pensioners: 25.4 Non-pensioners: 27.3	Overall mortality assumptions appear reasonable.	Green

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income: **£523.3m** **Grants & Contributions received in Advance** **£43.5m**	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 identified a misclassification of Grant Income in the CIES as indicated at page 11. Considering the amounts were material (see page 11) and this was an error, it is within the scope of disclosure prior period adjustment accounting principles. Management has adjusted for this in the revised accounts and disclosed appropriately. As this is a disclosure amendment, this has no impact to CIES surplus /deficit or the Council's General Fund Reserves for the year ended 31 March 2022 No other issues have been identified in recognition and presentation of Grant Income in line with the Code	We consider management's process is appropriate and key assumptions are neither optimistic or cautious **(Green) - TBC**

2. key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision charged to General Fund £7.3m (PY: 6.6m)	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance The year end MRP charge to general fund reserves was £7.3m. In 2014-15 , the Council undertook a review of its MRP policy in line with the Capital Financing Regulations. Under the current statutory guidance, there are four options available to the Council: 1. Regulatory Method 2. Capital Financing Requirement Method 3. Asset Life Method 4. Depreciation Method As part of the review by the Council, consideration was given to all four options. Option 3 was selected linking MRP to the average useful life of an asset which better reflects the economic benefit the Council gets from using the asset to deliver services over its useful life. This was linked to ensuring council taxpayers are being charged each year in line with asset usage and prevents current taxpayers meeting the cost of future usage or future tax-payers being burdened with charges relating to assets that are no longer in use. The other 3 methods in the statutory guidance were not dependent upon the Useful Economic Life of the asset to be financed and therefore the Council considered method 3 to be more prudent. Within Option 3, MRP is permitted to be calculated in one of two ways – equal instalments or on an annuity basis. The Council has chosen to calculate MRP on an annuity basis. Whilst this is in line with permitted guidance, this has the effect of reducing MRP in the early years and increasing it in the later years of the asset. This re-profiling resulted a significant overpayment, that has since been recovered via an annual MRP 'holiday' (in line with the CIPFA Prudential Code & MRP Guidance). The recovery of any MRP that had been overcharged in previous years was clawed back by taking an MRP 'holiday' in full or in part against future years' charges that would otherwise have been made.	• We have reviewed the Council's approach to MRP as described on the left and overleaf on pages 19. • The Council's calculation of MRP has been determined in line with the statutory guidance and management assess the MRP charge to remain prudent. • There have been no changes in the Council's policy for calculation of MRP since the current policy was approved by Council in 2014-15. However, the existing policy is reported, discussed and approved by Council every year as part of budget setting process, covering capital expenditure plans and prudential indictors. • The MRP charge is an area of increasing focus for local authority external auditors following recent highly publicised financial challenges at certain local authorities where MRP charges were found to be inappropriate. For our 2021-22 audits, we have compared the MRP charge to the general fund as a percentage of the Capital Financing Requirement of the General Fund. At Rotherham, the charge was £7.3m and CFR General Fund amount was £551m - at the year end, which gives 1.33% (PY: 1.20%). • This is understandable, when you take into account the annuity method of MRP charge, where the MRP charge is low at early years and increasing in the later years according to the profiling.	We consider management's current process is appropriate and key assumptions are neither optimistic or cautious (Green)

2. key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision (continued)	The MRP 'holiday' was taken in such a way as to ensure that the total MRP after taking the holiday will not be less than zero in any financial year. Following the introduction of the revised CIPFA Prudential Code 2018-19 and CIPFA Treasury Management Code of Practice it is no longer permissible for the Council to calculate new MRP overpayments in relation to historical transactions, however it could continue to realign the existing overpayment as the new code is not to be applied retrospectively. As a result, the Council's use of the MRP holiday identified in 2014-15 ended in 2019-20. No MRP holiday was used in 2020-21 and 2021-22 with the process concluded, all available MRP holiday has now been utilised. MRP on an Annuity Basis - Statutory guidance, method 3(b) As indicated at page 20 (accounting policy note 14) , The Council accounts for MRP and repayment of borrowing on an annuity basis. This means all outstanding debt is 'repaid' within the useful economic life of the asset with the profile of repayments increasing over time i.e. repayments start low and increase over the Useful Economic Life of the asset which is now averaging at 50 years for significant asset base of the Council, which is considered prudent From a budgeting perspective the Council needs to ensure that sufficient budgetary planning should be in place to absorb MRP charges to the General Fund which is increasing in the future years due to the Annuity method adopted. Overall, the Council currently maintains an MRP model that compares future charges, the budgetary provision and the associated earmarked reserves to ensure that the MRP charges are affordable over the 50 year period. Using this model, the Council is able to appropriately set aside both budgetary provision via the MTFS and the accumulated reserves to maintain this prudent approach.	Our work indicated that, overall the Council's current MRP policy is prudent with appropriate application of the statutory guidance, associated judgements and estimates on useful economic life of financed assets.	We consider management's current process is appropriate and key assumptions are neither optimistic or cautious (Green)

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have discussed the risk of fraud with the Strategic Director – Finance and Customer Services (s151) and Assistant Director Financial Services. Our Informing Risk Assessment questionnaire that captures fraud matters has gone through the Audit Committee for consideration and comments. We have not been made aware of any other significant incidents in the year and no other issues have been identified during the course of our audit.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. However, our work on note 17 to the financial statements indicated the Council has disclosed parties that are not necessarily captured by the relevant accounting standard as related parties. Therefore there was an over disclosure around this accounting requirement. This has been reported at Appendix C and we have made a recommendation on this for 2021-22. This has no impact to our audit opinion
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 F.
Confirmation requests from third parties	We requested from management permission to send a confirmation request to the Council's bankers, and entities who were involved with the Council's investments and borrowings. This permission was granted and the requests were sent and responded to with positive confirmations.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements to date. Our work did identify a small number of presentational disclosure amendments which have been processed by management and these are set out at Appendix C.
Audit evidence and explanations / significant difficulties	As in previous years, we have continued to experience good co-operation and engagement from the Council during our 2021-22 audit. In order to finalise our audit, we expect to receive continued timely engagement and responses from management. There are no significant difficulties to report in terms of receipt of audit evidence for all information and explanations requested.

2. Financial Statements - other communication requirements

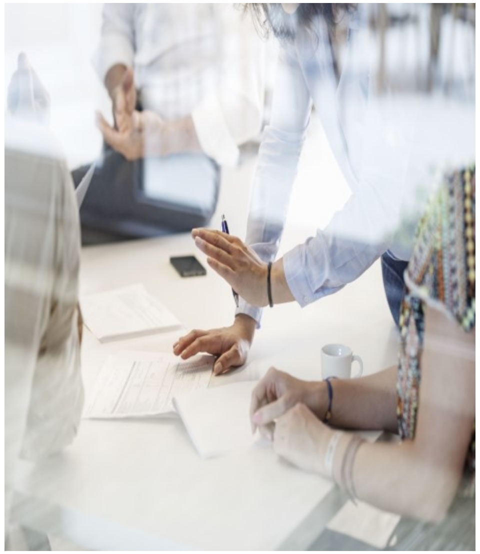
Our responsibility

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 work noted some disclosure omissions from the Annual Governance Statement and other minor presentational matters. Our review of the Narrative report identified some minor presentational matters. These have been adequately rectified by management. These are reported at Appendix C. We plan to issue an unmodified opinion in this respect as reported at Appendix E 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 by the end of January 2023.
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 guidance for WGA 2021-22 work has not yet been issued and therefore this work has not yet commenced. The NAO requires the work to be completed once the audit opinion is provided on the financial statements. In 2022, the NAO increased the audit threshold to £2bn expenditure for 2020-21 WGA work, removing the requirement for an audit of the Council's prior year WGA submission. Should the threshold remain in place for 2021-22 WGA work, it is unlikely the Council will require a WGA audit review. We will update the Audit Committee once the guidance on WGA 2021-22 work is published including the completion timetable.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021-22 audit of the Council in the audit report, as detailed at Appendix E, until we have completed any required work on the WGA consolidation exercise mentioned above, completed our Value for Money responsibilities with the issue of the Auditor's Annual Report, and received the Statutory Instrument in respect of Infrastructure Assets. This is in common with the vast majority of other local authorities given the later audit deadline for the VFM work and the current lack of instructions for WGA work and anticipated guidance on infrastructure assets.



3. Value for Money arrangements

Approach to Value for Money work for 2021-22

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

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

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM - our procedures and conclusions

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

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified one possible significant weakness and our work is still ongoing in relation to this risk.

Possible Significant Weakness – Implementing Special Educational Needs and Disabilities (SEND) reforms in Rotherham

As reported to you in our Audit Plan in July 2022, our planning and risk assessment work identified one possible significant weakness in the Council's arrangements as a result of the Ofsted and CQC inspection (July 2021 report) on implementing Special Educational Needs and Disabilities (SEND) reforms in Rotherham.

Background to this issue:

In July 2021, Ofsted and the Care Quality Commission (CQC) conducted a joint inspection of the local area of Rotherham. This was to assess the effectiveness of the borough in implementing the special educational needs and/or disabilities (SEND) reforms as set out in the Children and Families Act 2014. The inspection was led by Ofsted, supported by a team of inspectors from the CQC. The report was issued in July 2021. As a result of the findings and in accordance with the Children Act 2004 (Joint Area Reviews) Regulations 2015, Her Majesty's Chief Inspector (HMCI) determined that a Written Statement of Action (WSOA) was required because of significant areas of weakness in the borough's practices and arrangements.

HMCI also determined that the Council and the then Rotherham Clinical Commissioning Group (now within NHS South Yorkshire Integrated Care Board) were jointly responsible for submitting the written statement to Ofsted. In reaching their judgements, inspectors took account of the impact of the Covid-19 pandemic on the SEND arrangements in the borough. More detailed findings of this inspection and the full report can be obtained from Ofsted website.

As a result of these findings from Ofsted and CQC, our view is there is a possible significant weakness in the Council's arrangements for 2021-22 in relation to improving economy, efficiency and effectiveness in Rotherham in implementing special educational needs and /or disabilities (SEND) reforms as set out in the Children's and the Families Act 2014.

We made a key recommendation on this issue in our 2020-21 Auditor's Annual Report (AAR) on the Council's VFM arrangements. We noted that as part of our 2021-22 VFM work we will:

- review the Council's actions against the findings from the Ofsted report and our key recommendation
- review communications between the Council and CQC/Ofsted and other key stakeholders regarding the Council's actions to improve and implement SEND reforms.

Our work in this area is currently ongoing and a summary of our findings will be included in our Auditor's Annual Report in January 2023.

Other areas of focus – DSG deficit

We have not identified any other risks of significant weaknesses to date. We have continued our review of your arrangements, including reviewing your Annual Governance Statement and other key internal and external publications in order to inform our Auditor's Annual Report.

Whilst we have not identified any possible significant weaknesses in arrangements other than described on this page, we are considering, as part of our VFM work, the progress and arrangements in place in actioning the DSG deficit recovery plan.

The Council has agreed a way forward on eliminating the cumulative DSG deficit by 2025-26. This agreement with the Department for Education (DfE) is called a 'Safety Valve' agreement. As a result of the agreement, during 2021-22 the Council received funding of £8.5m from the DfE which brought the closing DSG deficit balance down to £12.8m at 31 March 2022. Subject to Council's full compliance in line with the agreement, the department has agreed to fund the Council between 2021-22 to 2025-26 as part of this deficit elimination plan. This is a good outcome, demonstrating the Council's continuing and positive engagement with the DfE and other stakeholders. We will undertake further work on the Council's 2021-22 performance, including the DSG deficit as part of our value for money review.

From a financial statement's perspective, we identified a prior period adjustment in relation to accounting for the cumulative DSG deficit. This is reported at page 13 (section 2) and at Appendix C detailing the adjustment and not repeated here. This adjustment does not impact our VFM work.

Impact on 2021-22 Financial Statement Audit

It is important to note that our VFM risk assessment will continue until we issue our 2021-22 Auditor's Annual Report in January 2023.

We have considered the possible significant weakness on SEND and our other area of focus on the DSG deficit highlighted on this page and how that would impact our ISA(UK) audit of the Council's financial statements for the year ended 31 March 2022.

Our view is these issues have no material impact on our ISA(UK) audit work and therefore would not restrict us on completing the audit of the financial statements and issuing our 2021-22 audit opinion on the Council's accounts.

4. Independence and ethics

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

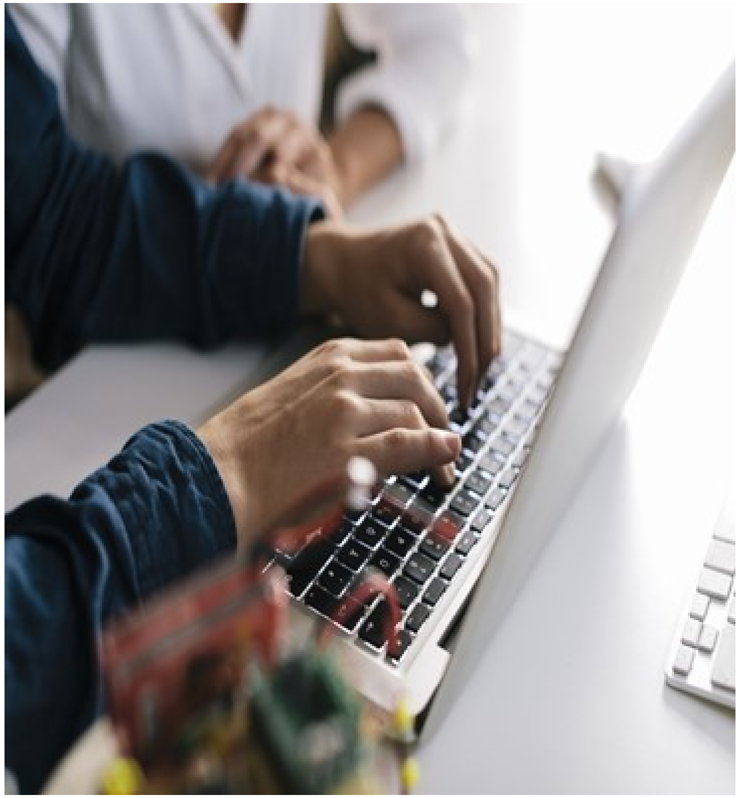
We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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

Details of fees charged are detailed at Appendix D.

Transparency

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



4. Independence and ethics

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 Council. The following non-audit 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 continued:			
Certification of Housing Benefit Claim	*31,900	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is *£31,900 in comparison to the total fee for the audit of £179,188 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Non-audit related:			
None	-	-	-

NOTE on Housing Benefit fee:

* The £31,900 is the base fee for the 2021-22 Housing Benefit Subsidy certification. In addition, for each 40+ HB testing undertaken:

£2,600 – where the initial work is completed by the Council

£5,800 – where the work is fully undertaken by Grant Thornton

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. None of the services provided are subject to contingent fees.

Appendices

Appendix A- IT general controls assessment findings

We have identified the following recommendations for the Council as a result of issues identified during the course of our IT Audit. Our IT Auditors have agreed the recommendations with management and we will report on progress on these recommendations during the course of our 2022-23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Northgate – Controls Findings

	Assessment	Issue and risk	Recommendations
1.	Medium	**Segregation of duty conflicts within Northgate:** During our review, we noted that on two application administrative accounts, the users perform duties in business processes/financial reporting. The combination of financial responsibilities with the ability to administer end-user security is considered a segregation of duties conflict. The administrative accounts include : - TECHAA - TECHAG **Risks** A combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This could lead to • unauthorised changes being made to system parameters • creation of unauthorised accounts, • unauthorised updates to their own account privileges • deletion of audit logs or disabling logging mechanisms.	Access should be based on the principle of least privilege and commensurate with job responsibilities. Management should define segregation of duty policies and processes and ensure that there is an understanding or roles, privileges assigned to those roles and where incompatible duties exist. It may be helpful to create matrices to provide an overview of the privileges assigned to roles. Management should adopt a risk based approach to reassess the segregation of duty matrices on a periodic basis. This should consider whether the matrices continue to be appropriate or required updating to reflect changes within the business. **Management response:** **We do not believe that our processes need to be adjusted, we need to retain admin access to at least 2 users in order to maintain the system and for cover/continuity. There are controls in place to ensure that system access rights are adequately managed and controlled and therefore we do not believe these need to be changed.** ***System parameter changes are checked by other teams' staff and are usually covered by external audit. They correspond with parameter values supplied by valuation lists for Council Tax and Business Rates along with DWP Circulars. Any erroneous changes would be noticed by system users in the processing areas. This would also apply to the creation of unauthorised accounts and unauthorised updates to their own account privileges.*** ***Audit logs are deleted in a controlled manner, being deleted after 3 years using a specific batch scheduler job. Logging mechanisms are only disabled for year end processing in accordance with guidance provided by the software supplier.***
2.	Medium	**Lack of review of audit logs for Northgate:** During our review, we noted that audit logs are not maintained for Northgate, no monitoring is performed for activities performed for privileged users/failed logins. **Risks** Without formal and routine reviews of security event logs, inappropriate and anomalous activity (e.g., repeated invalid login attempts, unauthorised transactions) may not be detected in a timely manner. Additionally, unauthorised system configuration and data changes made using privileged accounts will go undetected by management.	Management should formally review critical information security events logs for the purpose of detecting inappropriate or anomalous activity through use of generic accounts. This should include: • login activity • unauthorized access attempts • privileged user activity. These reviews should ideally be performed by knowledgeable individuals who are independent of the day-to-day use or administration of these systems. **Management response: We do not believe that our processes need to be adjusted, managers already provide monthly sampling reviews of accounts to identify any anomalies.** ***This is mitigated by performance management checks which are carried out by the Council Tax, Business Rates, Benefits and Account Management teams. Key anomalies would be identified and audit logs are checked periodically by managers.***

IT general controls assessment findings

Northgate – Controls Findings

	Assessment	Issue and risk	Recommendations
3.	Medium	**Lack of formal change management policy and /or procedures** During our review, we noted that User Acceptance Testing (UAT) testing was performed but there were no formal UAT approvals provided. Furthermore, no formal document approvals from the ICT Change Officer were available before the change got deployed into production. Risks A lack of consistent application of change management processes and controls could lead to a loss of data integrity, processing integrity and/or system down-time.	Management should ensure that a comprehensive change management policy and associated procedures are documented and approved at the appropriate level. This will clarify the approach so that changes are consistently logged, monitored, tested, approved and monitored throughout the change lifecycle. Management response: **We accept the recommendation and propose to make sure that approvals are provided and recorded to formally accept UAT prior to implementation.** ***Release upgrades are managed by senior officers within the Technical and Control team, who liaise closely with RMBC ICT colleagues. Confirmation of satisfactory UAT Testing is confirmed by email in accordance with the Implementation Plan. UAT testing is carried out by NEC and also selected LA Beta testers prior to being made available to all customers. If any problems are identified during UAT testing, the upgrade would be postponed until a later date after any issues have been resolved.***
4.	Low	**Weak password configuration settings for Northgate** During our review, we noted that the “Minimum Password Length” and “Min Case” parameter configured in Northgate was not in line with Rotherham’s current Password Policy. Risks A lack of robust password settings may allow financial information to be compromised by unauthorised users. In particular: - Short passwords can easily be guessed. - If password complexity is not configured, users will tend to choose simple, guessable words as their passwords.	Management should ensure that password settings configured on the Northgate are in line with the organisation's password policy. Management response ***The “Min Password Length” has now been increased to 12 at release 7.4.0 in line with the current RMBC Password Policy.*** ***The “Min Case” parameter is set to 1 and the “Min Alpha” parameter is set to 2, which means that a password must have at least one English Uppercase and one English Lowercase character (a to z) and conforms with the current RMBC Password Policy.***

IT general controls assessment findings

E5 Financials – Controls Findings

	Assessment	Issue and risk	Recommendations
5.	Medium	**Segregation of duty conflicts within E5 Financials** We noted that there were three business users with administrative access to E5 Financials, resulting in segregation of duties conflict. • Finance Officer • Finance Systems Manager • Finance Officer Additionally, there were five users with administrative access who belonged to the Advanced staff (Third Party). They were supposed to be disabled after use but were still active. On inquiry we were informed that 2 out of 5 accounts are now disabled but we were not provided the relevant supporting evidence for the same. • QSPCPR • QSPDRO • QSPGPE • QSPKWI • QSPSBE Further, there is 1 generic/service accounts for which the password is not changed after each use. the user activity is logged and user can be monitored using the event log but not down to the individual user who actually logged in. • SYSTEM **Risks** A combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This could lead to • unauthorised changes being made to system parameters • creation of unauthorised accounts, • unauthorised updates to their own account privileges • deletion of audit logs or disabling logging mechanisms.	Access should be based on the principle of least privilege and commensurate with job responsibilities. Management should define segregation of duty policies and processes and ensure that there is an understanding or roles, privileges assigned to those roles and where incompatible duties exist. It may be helpful to create matrices to provide an overview of the privileges assigned to roles. Management should adopt a risk based approach to reassess the segregation of duty matrices on a periodic basis. This should consider whether the matrices continue to be appropriate or required updating to reflect changes within the business. **Management response** *The system requires that there is at least 1 administrator and for business continuity there have always been 2 people with administrator access. Access has been granted to a new member of staff that will shortly be taking over the administrator role but requires concurrent access within the handover timescale for training purposes.* *Users from Advanced who respond to support calls at the time of audit will show their id's as open. The system will automatically disable them after 90 days inactivity. We cannot remove their access as it's required with them being a managed service.* *The SYSTEM account is required for background processing. The person who logged on should have requested their own QSP*** account as they are Advanced Support staff. This was fed back to Advanced to ensure the correct process is followed in future. RMBC don't have access to change the password with it being a default e5 account and the account cannot be disabled otherwise overnight processes fail.* *This has always been the case and someone always has to have full access to this system or we couldn't amend anything for other user changes.* *The controls we have in place are as secure as they can be within the remit of the system.*

IT general controls assessment findings

E5 Financials – Controls Findings

	Assessment	Issue and risk	Recommendations
6.	Low	**Weak password configuration settings for E5 Financials** During our review, it was noted that the "Minimum Password Length" parameter configured in E5 Financials was not in line with Rotherham's current Password Policy. Further it was also noted that the "Minimum Number of Lowercase" parameter was also not configured in the E5 Financials. **Risks** A lack of robust password settings may allow financial information to be compromised by unauthorised users. In particular: - Short passwords can easily be guessed - If password complexity is not configured, users will tend to choose simple, guessable words as their passwords.	Management should ensure that password settings configured on E5 Financials are in line with the organisation's password policy. **Management response** *E5 will only allow a maximum of 8 characters for the password length and as such, we therefore have a minimum AND maximum length of 8. Previous Audits have recommended the policy we currently have in place. This aims to align to RMBC IT policy as closely as possible within system restrictions. We have purchased software from Advanced to enable single sign-on and will be implementing it next financial year as part of the e5 upgrade. This will bring e5 in line with RMBC IT policy.* *The system doesn't have a facility to set a minimum number of lower case letters in the password but we do have the 'mixed case' setting switched on which essentially is enforcing at least 1 lower case character.*

Controls for which assurance could not be provided

Northgate – Controls Findings

7.

Control	Control Name and Description	Reason / Justification
No assessment – we were unable to test administrative privileges	Administrative privileges (including generic super user access rights) to the network, applications and their associated databases are restricted to those users requiring this level of access (in line with their roles and responsibilities). Privileged duties do not conflict with other roles. These includes the below generic accounts : • Esteem • CM_QUEUE • DTI • FDW • FRB • FSC • NESCA • NPS_API_USER • OPS$ORACLE • PORTAL30 • PORTAL30_SSO • RB • SEIBEL • RBSX3 • RISKBV	We were unable to test administrative privileges as there was no information provided regarding the role that grants administrator access, last logon date of the account, the purpose of the account, if the password for this account is secure and if the activity is logged and monitored for this account has been provided. Additionally, the password is also not changed after each use. Management Response *The 14 generic users are internal system user ids, some of which relate to modules that RMBC have not purchased a licence key for. Many of them have passwords that are known only to NEC IT staff and no RMBC staff have knowledge of them.*

Appendix B: Follow up of prior year recommendations

We identified the following issues in our 2020-21 audit of the Council's financial statements, which resulted in three recommendations being reported in our 2020-21 Audit Findings (ISA260) Report. The Council has provided an update against the issues and these are noted below.

Assessment	Issue and risk previously communicated	Recommendations
Medium (completed – see GT comment)	(1) Minimum Revenue Provision: We have reviewed the Council's approach to MRP as described on pages 17 and 18. The Council's calculation of MRP has been determined in line with the statutory guidance and management assess the MRP charge to remain prudent. There have been no changes in the Council's policy for calculation of MRP since the current policy was approved by full Council in 2015-16. The MRP charge is an area of increasing focus for local authority external auditors following recent high publicised financial challenges at certain local authorities where MRP charges were found to be inappropriate. For our 2020-21 audits, we have compared the MRP charge to the general fund as a percentage of the Capital Financing Requirement for the General Fund. At Rotherham, the charge is £6.5m and CFR General Fund amount of £543m at the year end, which gives a charge of 1.2%. This is relatively low compared to some of our other local authorities. However, when you take into account the annuity method of MRP charge, where the MRP charge is low in early years and increasing in the later years according to the profiling. Our discussions with management indicate that the Council may look to change its approach to MRP calculations either on all assets or some asset classifications moving forward to create a more level profile for MRP than the current annuity method.	Any future changes to the Council's MRP policy and reprofiling should give due regard to the statutory guidance, be prudent and affordable for future medium and long term financial planning of the Council. Management response November 2021: *Noted and agreed. The Council's current policy for MRP is determined in accordance with statutory guidance and is considered to be reasonable and appropriate. However, the Council keeps its MRP policy under review and any future changes to the policy which may be proposed will continue to have due regard to the statutory guidance and would maintain prudence and affordability within the council's medium and long term financial planning.* Management update July 2022: *The Council continues to keep its MRP policy under review, ensuring that it is in accordance with statutory guidance and is considered to be reasonable and appropriate.* *GT update November 2022:* *No changes have occurred to the MRP policy in 2021-22 or for many years. (see further work performed at pages 18 -19). We will close this recommendation until such a change happens in a future period. Management indicates that it continues to review the policy without making any such changes for now. Once any changes are proposed, we would discuss those with management in the future.*

Assessment	Issue and risk previously communicated	Recommendations
Medium (on going – but initial actions already taken by management in 2021-22 . See GT comments)	(2) Other Land and Buildings Valuation date: Our work on land and building valuations indicates that the reported valuation date remains at 1 April (12 months from the year end date). This results in a lot of audit challenge from us, and a lot of work for the Council's finance team and the valuers, to justify that the valuation of assets valued on 1 April remains materially accurate as at 31 March. A number of our other local authority audit clients have moved all their valuation dates to 31 March, or much closer to the balance sheet date. We understand the valuation date for land and buildings could be moved closer to 31 March, which should enable a more efficient valuation process and audit approach going forward.	Considering the extensive procedures that the Council has in place to assess the movement in year of assets valued on 1 April, the Council should consider updating the valuations of assets valued on a Depreciated Replacement Cost basis with the year-end BCIS rebuild costs. This would provide the audit team with a greater level of assurance over the valuation of assets at the reporting date. The Council should consider moving its valuation date for land and buildings closer to the balance sheet date of 31 March. Management response November 2021: *Noted and agreed. The Council intends to review its valuation process with a view to adjusting the valuation date from the 1 April to a later date within the financial year. Whilst the Council does recognise the benefit of this and the increased efficiency in processing it may bring, in order for the Council to meet the accounts closure timeline, it must have valuation reports completed before the end of February each year, to allow adequate review, challenge and processing. It is therefore expected that the Council will adjust its valuation date to the 31 December each year.* Management update July 2022: *The Council has reviewed is approach to the valuation of Land and Buildings, to identify asset classifications that can be valued at a later date in the financial year than 1st April, in order to help de-risk the valuation estimates. A result of this review has been that the Council have valued a number of assets, valued on a Depreciated Replacement Cost (DRC) basis, as at the 1 January 2022. Looking forward, the Council will continue to move valuation dates to later in the financial year where possible, however, for many of the Council's assets due for valuation this was not possible for 2021-22 as they had already been valued before this audit recommendation was presented to Audit Committee as part of the ISA260 for the Council's 2020-21 accounts.* *GT update November 2022: We are pleased that the management has actioned this and continues to explore to further extend this closer to the year end date (31 March). We believe this would further enhance the process of other land and buildings valuation estimate as at the year end.*
Low (closed – but reported in the Audit Finding Report. See GT comments)	(3) Over disclosure of Related Party Transactions – Note 17 to the statement of Accounts: As identified in our 2019-20 audit, our work in 2020-21 on related party transactions (RPTs) also highlighted that there are some over disclosures in RPTs in Note 17. Some of the disclosures made in Note 17 did not strictly satisfy IAS 24 - Related Party Disclosures criteria. In all these circumstances, the Council had over-disclosed when some of these disclosures were not required to be reported under IAS 24.	As part of continuing the accounts decluttering process and maximisation of accounts closedown efficiencies, the Council should consider revisiting such over disclosures on RPTs in the 2021-22 financial statements. Management response November 2021: *Noted. The Council is comfortable with the level of information disclosed within the Statement of Accounts and does not intend to adjust this note.* GT update July 2022: Subject to our 2021-22 audit findings, this may be a reporting matter again in our ISA260 Report in November 2022. *GT update November 2022: The over disclosure continues in the financial statements in relation to related party transactions. We have reported this in the Audit Finding Report again in 2021-22.*

C. Audit Adjustments

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

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

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves
1. Dr Opening Unusable reserves 1 April 2021 (Balance Sheet and Movement in Reserves Statement) – £21,258k Cr Opening Useable reserves 1 April 2021 (Balance Sheet and Movement in Reserves Statement) – £21,258k See page 13 for more information – this relates to the Prior Period Adjustment in relation to DSG Adjustment Account. Impact This would impact the Balance Sheet, Movement in Reserves Statement, Note 36 (Useable Reserves) and note 37 (Unusable Reserves) As a result : (a) the useable reserves brought forward in MIRS (1 April 2021) will increase by £21,258k to £163,956k (b) the unusable reserves brought forward in MIRS (1 April 2021) would increase by £21,258k to £98,888k (c) No impact to total reserves brought forward and General fund reserves brought forward as at 1 April 2021 (d) No impact on useable and unusable reserves carried forward as at 31 March 2022 (e) No impact to total reserves carried forward and General fund reserves carried forward as at 1 April 2022 (f) Accordingly, Movement in Reserves Statement (e.g. reserves brought forward), notes 36 and 37 will change to reflect the correct useable and unusable reserves brought	N/A - See detail section	See detail column for the impact	Increase 2020-21 useable reserves by £21,258k. No impact to closing useable reserves position of £162,222k as at 31.3.22
Overall impact (Carried forward to page 36)	N/A - See detail section	See detail column for the impact	Increase 2020-21 useable reserves by £21,258k. No impact to closing useable reserves position of £162,222k as at 31.3.22

C. Audit Adjustments

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

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

	Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves
	Brought forward from page 35	N/A - See detail section page 35	See detail column for the impact page 35	Increase 2020-21 useable reserves by £21,258k. No impact to closing useable reserves position of £162,222k as at 31.3.22 - see page 35, item 1
2	Dr Depreciation – derecognition, disposals (Vehicles Plant and Equipment, Note 19) £17,758k Cr Derecognition – disposals (Vehicles Plant and Equipment, Note 19) £17,758k - Removal of Vehicles, Plant and Equipment from the asset register that are fully depreciated with £Nil Net Book Value (NBV) and no longer used by the Council to gain economic benefits. There is no impact or change to the overall NBV of the Vehicles Plant and Equipment that remain at £26,351k as per draft accounts. No impact to the Balance Sheet, CIES and useable reserves.	N/A	N/A	N/A
3	Dr Taxation and Non Specific Grant Income (CIES) £9,822k Cr Cost of Services (CIES) £9,822k See page 11 for more details as this is a PPA. This is the adjustment of PFI grant accounting within the two CIES headings as above. No impact to opening reserves as at 1 April 2021, useable reserves in 2021-22 draft accounts, CIES and Balance Sheet.	N/A	N/A	N/A
	Overall impact	N/A	N/A	Increase 2020-21 useable reserves by £21,258k. No impact to closing useable reserves position of £162,222k as at 31.3.22 - see page 35, item 1

C. Audit Adjustments

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

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

	Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves
	Brought forward from page 36	N/A - See detail section page 35	See detail column for the impact page 35	Increase 2020-21 useable reserves by £21,258k. No impact to closing useable reserves position of £162,222k as at 31.3.22 - see page 35, item 1
4.	Dr Assets Held for Sale £2.1m Cr Investment property £2.1m An Asset Held for Sale amounting £2.1m was incorrectly classified as investment property at the year end. This has been adjusted for by management.	N/A	N/A	N/A
5	Dr Surplus assets £0.6m Cr Investment property £0.6m A surplus asset amounting £0.6m was incorrectly classified as investment property at the year end. This has been adjusted for by management.	N/A	N/A	N/A
6	Dr Assets Held for Sale £0.8m Cr Other land & buildings £0.8m An Asset Held for Sale amounting £0.8m was incorrectly classified as Other land & buildings at the year end. This has been adjusted for by management.	N/A	N/A	N/A
	Overall impact	N/A	N/A	Increase 2020-21 useable reserves by £21,258k. No impact to closing useable reserves position of £162,222k as at 31.3.22 - see page 35, item 1

C. Audit Adjustments

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

Misclassification and disclosure changes

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

No.	Adjustment Type	Description and value	Account Balance	Updated in the revised accounts?
1.	Disclosure	**Prior Period Adjustment (PPA)** – Notes 36 and 37 useable and unusable Reserves around DSG adjustment account and Movement in Reserves Statement (MIRS) - adjustment 1 page 35 We requested the management to update the accounts to disclosure this PPA in line with relevant accounting principles (IAS8) requirements. Management has agreed to disclose this in the final amended audited accounts.	MIRS, notes 36, 37 and 16	To be checked in the final audited version of the accounts
2.	Disclosure	**Prior Period Adjustment (PPA)** – See page 11 and adjustment 3, page 36 for more details as this is a PPA of PFI grant accounting within the two CIES headings between Taxation and Non Specific Grant Income and Cost of Services. No impact to opening reserves as at 1 April 2021, useable reserves in 2021-22 draft accounts, CIES and Balance Sheet. We requested the management to update the accounts to disclosure this PPA in line with relevant accounting principles (IAS8) requirements. Management has agreed to disclose this and the final amended audited accounts.	CIES, note 7 and note 8	To be checked in the final audited version of the accounts
3.	Disclosure	**Disclosure Prior Period Adjustment (PPA)** – Financial Instruments (note 24) – Fair Value disclosures. See further details on page 13 (a) and (b) , which are not repeated here. We requested management to update the accounts to disclosure this PPA in line with relevant accounting principles (IAS8) requirements. Management has agreed to disclose this and the final amended audited accounts.	Note 24, Financial Instruments	To be checked in the final audited version of the accounts
4.	Disclosure	Our review of the draft **Annual Governance Statement (AGS)** and **Narrative Report** highlighted some proposed disclosure changes and compliance with the relevant guidance. Management has agreed to update in the final version of the accounts.	AGS and Narrative Report (separate documents)	To be checked in the final audited version of the accounts
5	Disclosure	Our work indicated that **provisions note 35** did not agree to the Balance Sheet total in terms of Short and Long Term provisions. As a result, the table at note 35 was amended to reflect to correct Short Term (£2,576k) and Long Term (£6,336k) provisions. Total provisions remained unchanged and this is a disclosure amendment only . No impact to the useable reserves.	Note 35 – Provisions	YES

C. Audit Adjustments

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.

No.	Adjustment Type	Description and value	Account Balance	Updated in the revised accounts?
6.	Disclosure	Our work on **Property , Plant and Equipment** identified that there were significant amount of £Nil net book value assets under Vehicles, Plant and Equipment. (VPE). After further investigation, management amended this note as indicated on adjustment 2 page 36. The adjustment has no impact to the overall net book values of VPE. However, on gross terms it was significant (£17.758m) as reported on page 36. This matter was also reported to the September Audit Committee by management as an audit finding but at that point the investigation was not completed and the amounts were not quantified. We requested management to provide an additional text on this on note 19 considering the amounts involved. Management has agreed to disclose this and the final amended audited accounts.	Note 19, PPE	To be checked in the final audited version of the accounts
7.	Disclosure	**Financial Instruments (FI)** - our work identified the following disclosure matters in this note: (a) Totals presented in the sub-notes does not reconcile to the main table. (b) Disclosure of Fair Value hierarchy against each financial asset/liability. (c) Disclosure of some debtors/creditors to ensure all balances that meet FI definition are accurately disclosed in this note We requested the management to update this note in line with above matters. Management has agreed to disclose this and the final amended audited accounts.	Note 24	To be checked in the final audited version of the accounts
8.	Disclosure	We identified some disclosure misstatements in the note covering the **Staff Remuneration**: - In exit packages, we have identified an issue in the presentation of current year figures. There is one package in the £40k-£60k category with a total of £47k - Some irrelevant disclosures for 2021-22. We requested management to update this note in line with above matters. Management has agreed to disclose this in the final amended audited accounts.	Note 14 , Staff Remuneration	To be checked in the final audited version of the accounts
9.	Disclosure	**Audit fees** paid to Grant Thornton was updated to reflect the 2021-22 grant certification fees in line with Appendix D of this report.	Note 15, Audit Fees	To be checked in the final audited version of the accounts
10.	Disclosure	**Dedicated School Grant (DSG) Note:** As a result of adjustment 1 on page 35 and other minor disclosure issues in this note, the note was updated in the final version of the audited accounts to reflect the LG Code guidance.	Note 16, DSG	To be checked in the final audited version of the accounts
11.	Disclosure	We identified some disclosure issues in the **Capital Commitments** note. The note was updated to correct the following: (a) Narrative disclosure amended so comparative figures agree to the prior year audited accounts. It was amended from £121.445m to £88.611m. (b) Note 19(e) amended from £13,268k to £17,667k to ensure the disclosure note casts correctly.	Note 19 (e) , Capital Commitments	To be checked in the final audited version of the accounts

C. Audit Adjustments

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.

No.	Adjustment Type	Description and value	Account Balance	Updated in the revised accounts?
12.	Disclosure	**2021-22 MIRS:** The Transfer to Unusable DSG Adjustment Account (£12,840k) was separately reported in the draft accounts. According to LG Code, there is a set format for the disclosure of MIRS (a primary statement) and such a separate line is not required. This should be reported under "Adjustments from income and expenditure charged under the accounting basis and funding basis". This has now been amended in the final audited financial statements .	Movement in Reserves (MIRS) statement	✓
13.	Disclosure	Our work on **related party transactions (RPTs)** highlighted that there are some over disclosures in RPTs in Note 17. Some of the disclosures made in Note 17 did not strictly satisfy IAS 24, Related Party Disclosures criteria. In all circumstances, the Council had over-disclosed, when some of these disclosures were not required to be reported under IAS 24. We did not identify any under disclosures in relation to RPTs. Our work indicated, where the transactions are captured by IAS 24, they have been fully disclosed. We have discussed these matters with the Council and requested where IAS 24 was not satisfied those disclosure be removed.	Note 17, RPT	No- this has no impact to the audit opinion to be issued
14.	Disclosure	**Related Party Transactions:** BDR & Magna Trust disclosures – our work indicated that Council's relationships with these entities have not been very clearly disclosed in note 17, in line with relevant accounting principals. Management has now further clarified the narrative to make these clear in line with the accounting principals.	Note 17, RPTs	✓
15.	Disclosure	**Note 19(d) Revaluations and Impairment:** Our work highlighted, this note included incorrect balances which indicated as 'carried at historical cost' in relation to 'Other Land and Buildings' when some assets have been previously revalued as part of the Council's rolling valuation process. These should not be disclosed as 'carried at cost'. Overall as a result of our findings, other land and buildings 'carried at historical cost' amount changed by £16,894k from £25,354k to £8,460k . It also did not include Assets under Construction of £80,102k which are carried at cost. Further to management investigations and our audit challenges, this note was updated to ensure all assets valued are not shown in the line 'valued at historic cost'. Including assets under construction omissions and other issues as highlighted above, this 'carried at historical cost' line was changed by £45,450k from £370,518k to £415,968k. This has now been adjusted in the final audited version of the accounts.	Note 19(d)	✓
16.	Disclosure	Our review of Narrative Report indicated that investments per the Balance Sheet was not clearly reported in the Narrative Report. As a result of our work, management has further enhanced the narrative to explain how investments per the Balance Sheet reconcile to the narrative report.	Narrative Report and Note 24	✓
17.	Disclosure	Our review of Accounting Policies highlighted that accounting policies in relation to Financial Instruments were not complete in line with Code Guidance. As a result, amendments to financial instruments accounting policies have been made to ensure policies disclosed are complaint with the Code.	Statement of accounting concepts and policies – Financial Instruments	✓

C. Audit Adjustments

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.

No.	Adjustment Type	Description and value	Account Balance	Updated in the revised accounts?
18.	Disclosure	• our review of the pensions disclosures within Note 18 Pensions identified that no sensitivity analysis had been disclosed for pension assets valued at level 3 (e.g. complex valuations such as private equity shares, complex derivatives where there is no readily available market information and need to make more assumptions on the estimate valuation) around the estimation uncertainty in relation to the valuation of these assets. Following discussions with management, this disclosure has now been added based on South Yorkshire Pension Fund (SYPF) 2021-22 valuations reported in the SYPF audited accounts. • The recognised gains and losses reported in the CIES around the actuarial gains were £174.36m . This was incorrectly disclosed as £137.02m (a difference of £37.34m) in note 18 in the draft accounts. This has now been updated in the amended accounts. • The principle assumptions used by the actuary as reported in note 18 did not fully agree to the actuary report in relation to rates of CPI inflation, increase in salaries and pensions and discounting scheme liabilities . This has now been updated in the amended accounts.	Note 18, Pensions	✓
19	Disclosures	Other minor presentational adjustments were made throughout the financial statements on various pages to further improve disclosures.	Various	✓

C. Audit Adjustments

Impact of unadjusted misstatements from 2020-21

The table below provides detail of adjustments identified during the 2020-21 audit which were not been made within the final set of financial statements due to their immaterial nature. We can confirm that these have been accounted for/adjusted in 2021-22 financial statements. There is no impact of this to our 2021-22 audit and the audit approach. See updated below in the right hand column.

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves £000	Reason for not adjusting 2020-21	Update in 2021-22
(1) BDR waste facility PFI was valued at 28 Feb 2021. However 12 months depreciation was charged in year to 31 March 2021 where as it should be only one months depreciation. Therefore, the additional depreciation charged in 2020-21 was £600k. Increase PPE by £600k in the balance sheet and decrease depreciation charge in the CIES by £600k. This is reversed out to Capital Adjustment Account via MIRS. Therefore no impact on Council's Useable Reserves.	See detail column	See detail column	Nil	Management does not consider these amounts to be material to the Council's accounts. We have obtained management representation on these unadjusted misstatements through the Letter of Representation.	Incorporated /adjusted in 2021-22 accounts. No impact to our audit approach and materiality determination in 2021-22.
(2) A surplus asset amounting £2m was incorrectly classified as investment property at the year end.	No impact, see detail column	Dr surplus assets and Cr, Investment Properties in note 19	Nil		Incorporated /adjusted in 2021-22 accounts. No impact to our audit approach and materiality determination in 2021-22.
(3) Asset demolished during 2020-21, with a carrying value £851k incorrectly included on the balance sheet. The impact of this would be to reduce Land and Buildings PPE assets by £851k. The asset had a revaluation reserve (RR) of, £410k. This amount should have been charged to RR. The remaining £441k should have been charged to CIES and then reversed out via the MIRS with no impact to the General Fund Reserve and CIES.	No impact , see detail column	See detail column	Nil		Incorporated /adjusted in 2021-22 accounts. No impact to our audit approach and materiality determination in 2021-22.
Overall impact	See detail column	See detail column	**None**		**None**

D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit	£179,188	£179,188
Total audit fees (excluding VAT)	**£179,188**	**£179,188**

Non-audit 'audit related' fees for other services:	Proposed fee	Final fee
Certification of Pooling Housing Capital Receipts return	£31,900	£31,900
Total non-audit fees (excluding VAT)	**£31,900**	**£31,900***

The fees reconcile to the revised version of the financial statements following an amendment to the draft accounts in Note 15 - External Audit Costs.

Note on Housing Benefit fee:

* The £31,900 proposed above is the base fee for the 2021-22 Housing Benefit Subsidy certification. In addition, for each 40+ HB testing undertaken:

£2,600 – where the initial work is completed by the Council

£5,800 – where the work is fully undertaken by Grant Thornton

E. Audit opinion – update

We anticipate we will provide the Council with an unmodified 'clean' audit report – see below

The Statutory Instrument is expected to resolve the infrastructure accounting issue across the sector (see pages 3 and 12) and should all other aspects of the audit be concluded appropriately, we would expect to issue a clean (unqualified) audit opinion at that time.

F. Management Letter of Representation (draft)

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP

No 1 Whitehall Riverside

Leeds LS1 4BN

29 November 2022

Dear Sirs

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

This representation letter is provided in connection with the audit of the financial statements of Rotherham Metropolitan Borough Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law

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

Financial Statements

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

ii. We have complied with the requirements of all statutory directions affecting the 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 Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

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

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

F. Management Letter of Representation (draft)

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 Council financial statements:

a. there are no unrecorded liabilities, actual or contingent

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

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

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

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

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

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

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

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

xiv We have considered the prior period adjustments reported in your Audit Finding Report. The Council's financial statements have been amended and appropriate disclosures have been made in line with relevant accounting principles for these prior period adjustments. There are no other prior period errors to bring to your attention.

xv We have updated our going concern assessment. We continue to believe that the 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 Council means that, notwithstanding any intention to cease the 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 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 Council's ability to continue as a going concern need to be made in the financial statements

F. Management Letter of Representation (draft)

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

Information Provided

xix We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the 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.

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

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

xxii 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.

xxiii We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the 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

xxiv 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.

xxv 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.

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

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

xxviii *Any other matters that the auditor may consider appropriate – TBC before issuing the audit opinion*

F. Management Letter of Representation (draft)

Annual Governance Statement

xxix 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

xxx The disclosures within the Narrative Report fairly reflect our understanding of the 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 29 November and fully approved and signed off by the relevant members at the Audit Committee meeting on 29 November 2022.

Yours faithfully

Name…………………………… Name ……………………………..

Position………………………….. Position …………………………..

Date…………………………….. Date ………………………………..

Signed on behalf of the Council

G. Audit letter in respect of delayed VFM work

Councillor Baker-Rogers
Chair of Audit Committee
Rotherham Metropolitan Borough Council
Rotherham Town Hall
Moorgate Street
Rotherham
S60 2TH

Grant Thornton UK LLP
Whitehall Riverside
Leeds
LS1 4BN
T +44 (0)113 245 5514

29 November 2022

Dear Cllr Baker- Rodgers,

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 at the same time as concluding the accounts opinion.

Unfortunately, as in the prior year, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected.

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

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

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

Yours faithfully

Gareth

Gareth Mills
Key Audit Partner and Engagement Lead for Rotherham Metropolitan Borough Council

grantthornton.co.uk