

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

Year ended 31 March 2023

21 November 2023



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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and will be presented to the Audit Committee on 28 November.

Gareth D Mills

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

For Grant Thornton UK LLP

Date: 21 November 2023

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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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 2023 for those charged with governance.

Financial Statements

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

- the 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.

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

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

Our work identified one material adjustment to primary financial statements in relation to valuation of Council's share of the defined benefit pension scheme (see pages 10 to 13 for further information) alongside other disclosure and presentational audit adjustments. These adjustments are detailed at Appendix C. Management has agreed to update the financial statements to amend for these adjustments and changes.

We have not raised any recommendations for management as a result of our financial statement audit work for 2022-23. 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 December. At present, there are no matters of which we are aware that would require modification of our proposed audit opinion (Appendix G), subject to the following outstanding matters:

- completing the remaining elements of our work on property, plant and equipment (PPE), pension fund assets and liabilities valuation, payables and receivables, journals, grant income, operating expenditure.
- response to our inquiries made on equal pay claims and any subsequent work to be performed – see page 15
- completion of our internal quality review processes, including final reviews of the file by both the Engagement Manager and Engagement Lead, specifically in respect of significant audit risks of land and buildings valuation, pension fund accounting and journals testing
- reviewing the final signed version of the financial statements, Narrative Report and Annual Governance Statement
- obtaining and reviewing the signed management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

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

1. Headlines

Value for Money (VFM) arrangements

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

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

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

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay was sent to the Chair of the Audit Committee on 28 September and is also attached at Appendix I to this report for completeness.

We expect to discuss and agree our Auditor's Annual Report with management by the end of January 2024 and present it to the Audit Committee in March 2024. This is in line with National Audit Office's revised deadline of concluding VFM work within three months of the accounts opinion date.

As reported in our Audit Plan issued on 30 May, we continue to assess the progress made by the Council on the key recommendation we have raised in the previous two years. This is in relation to the Ofsted and CQC Inspection (July 2021 report) on implementing Special Educational Needs and Disabilities (SEND) reforms in Rotherham. As you are aware, we identified this as a key recommendation issue in our 2020-21 and 2021-22 VFM work and reported this in our Auditor's Annual Report in both 2020-21 and 2021-22.

As part of our 2022-23 VFM review, which is not yet completed, we are following up Council's actions in relation to the Ofsted findings. We understand continued progress has been made in this area during 2021-22 and 2022-23. At the time of this report, we are assessing that progress made by the Council, before we conclude our 2022-23 VFM work. However, we are satisfied this issue does not impact on our 2022-23 accounts audit or opinion.

As with many other local authorities across the country, the Council is facing cost pressures resulting from increasing energy prices, pay expenditure, inflation and interest rates. 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 March 2024.

Further information on our VFM work is reported at Section Three.

Statutory duties

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

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

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

We cannot issue our 2022-23 audit certificate at this time. Subject to the completion of our work on the Council's VFM arrangements, and our review of the Council's Whole of Government Accounts (WGA) submission, we will then be in a position to issue our audit certificate in the New Year.

Significant Matters

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

Acknowledgements

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

2. Financial Statements

Overview of the scope of our audit

This Audit Findings (ISA260) Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and it will be presented to the Audit Committee on 28 November 2023.

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

Audit approach

Our audit approach was based on a thorough understanding of the Council's 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 satisfactorily resolved, we anticipate issuing an unqualified ('clean') audit opinion. These outstanding items include:

- completing the remaining elements of our work on Property, plant and equipment (PPE), pension fund assets and liabilities, payables and receivables, journals, grant income, operating expenditure
- response to our inquiries made on equal pay claims and any subsequent work to be performed – see page 15
- completion of our internal quality review processes, including final reviews of the file by both the Engagement Manager and Engagement Lead, specifically in respect of significant audit risks of land and buildings valuation, pension fund accounting 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.

2. Financial Statements



Our approach to materiality

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

Materiality levels remain the same as reported in our Audit Plan dated 30 May 2023.

Our determination of materiality for the Council is detailed in the table.

Materiality area	Amount (£)	Qualitative factors considered
Materiality for the financial statements	9,409k	<p>We have determined materiality at 1.5% of gross operating expenditure in net cost of services. We consider this as the most appropriate criteria given stakeholders interest in the Council delivering its budget.</p> <p>There are no changes to this benchmark that was set out in our Audit Plan dated 30 May 2023.</p>
Performance materiality	6,586k	Assessed to be 70% of financial statement materiality.
Triviality amount	470k	This equates to 5% of materiality. This is our reporting threshold to the Audit Committee for any errors identified.
Materiality for senior officer remuneration disclosures	15k	<p>The senior officer remuneration disclosures in the Financial Statements have been identified as an area requiring specific materiality due to its sensitive nature.</p> <p>There are no changes to this threshold from our Audit Plan dated 23 May 2023.</p>



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 28 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 taxpayer's funds
- there is no significant immediate pressures on general fund reserves of the Council.

As part of our final accounts audit process, we have reconsidered our rebuttal of both revenue and expenditure recognition and consider this rebuttal remains appropriate. Notwithstanding that we have rebutted these risks, we have undertaken a significant level of work on the Council's revenue streams, as they are material to the financial statements audit.

As part of our audit work, we have:

Accounting policies and systems

- Evaluated the Council's accounting policies for recognition of income and expenditure for its material income and expenditure streams and compliance with the CIPFA Code
- Updated our understanding of the Council's business processes associated with accounting for income and expenditure.

Fees, Charges and other service income

- Agreed, on a sample basis, income and year end receivables from other income supporting evidence.

Taxation and non-specific grant income

- Income for national non-domestic rates and council tax is predictable and therefore we conducted substantive analytical procedures
- For other grants we sample tested items for supporting evidence and checked the appropriateness of the accounting treatment was in line with the CIPFA Code. Please see further reporting at pages 15 and 20.

Expenditure

- Agreed, on a sample basis, non pay expenditure and year end payables to supporting evidence
- Undertook detailed substantive analytical procedures on pay expenditure.

We also carried out sufficient and appropriate audit procedures to ascertain that recognition of income and expenditure was in the correct accounting period using cut off testing.

From our audit work to date, there are no issues arising that require reporting to the Audit Committee.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Closing valuation of land and buildings, including Council dwellings

The Council re-values its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £1.06 billion) and the sensitivity of this estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used.

We therefore identified the closing valuation of land and buildings, including council dwellings as a significant risk, which was one of the most significant assessed risks of material misstatement.

As part of our work, we have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- discussed with the valuer the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- engaged our own auditor's expert valuer to assess the instructions issued to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end
- considered, where the valuation date is not 31 March 2023 for assets valued in year, the arrangements management has used to ensure the valuation remains materially appropriate at 31 March 2023.

Our audit work completed to date has not identified any significant issues in respect of the valuation of land and buildings other than the following presentational disclosure matter:

- Our work identified a table reconciling the gross book valuations for the last five years (in note 19e) to the accounts did include Infrastructure Assets of £340m. This should be removed from this note 19e as infrastructure assets are now reported separately since the publication of the statutory instrument in December 2022. Management agreed to correct this table to reconcile with correct gross book value of assets valued in the last five years. We have reported this as a disclosure adjustment at Appendix C.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of the Authority's defined benefit pension scheme (Risk relating to the Council)

The Council's pension fund valuation represents a significant estimate in the financial statements. This is due to the size and annual fluctuations of the numbers involved (£94.5m pension net asset position in 2022-23 [albeit not recognised by the Authority in the draft financial statements] and a £338.3m liability in 2021-22), 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).

However, for the first time since International Financial Reporting Standards have been adopted in the public sector, the Authority (in common with a number of local authorities in 2022-23) has had to consider the potential impact of IFRIC 14 on the Authority's IAS 19 accounting. IFRIC 14 is the accounting principle that limits the recognition of a defined benefit asset in the financial statements. As a result of this, we have assessed the recognition, valuation and disclosures of the Council's share of the pension asset as a significant risk.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is verifiable.

The actuarial assumptions used are the responsibility of the Council but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular, the discount and inflation rates, where the consulting actuary has indicated that a +0.1% - (0.1%) change in these two assumptions would have approximately 1.5% effect on the liability/asset.

We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 / IFRIC 14 estimates due to the assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the Council's share of the South Yorkshire Pension Fund as a significant risk.

Commentary

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's share of the pension fund is not materially misstated and 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 balance
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report

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

See pages 11 -13 overleaf where this is reported. It is important to note that any potential issues or adjustments that may arise from the Council's accounting for its share of the pension fund would not result in any impact on the Council's useable reserves.

Other work:

Our work to date, including the pension fund asset measurement and accounting (see pages 11-13), has identified accounting and disclosure amendments which we have discussed with management and reported at Appendix C. The key points to note and amendments are as follows:

- Management did not initially account for the pension asset, however, some disclosures were made in the draft 2022-23 financial statements presented for audit. It is important to note that the Council's initial position was in common with a number of local authorities based on lack of technical guidance available on this new and national issue at the time of accounts preparation. We do not consider this as a deficiency in reporting estimates by Council's management in the draft financial statements given the highly unusual nature of a pension asset position and a lack of guidance on treatment on this issue when the Council was preparing its 2022-23 draft accounts.
- Note 49 to the draft accounts was updated as it was materially incorrect in terms of the pension valuation number
- The accounting and disclosure of the overall pension asset position is reported at pages 11-13 as this is associated with IFRIC14, which limits the recognition of a defined benefit asset in the financial statements. The accounts were updated to reflect the correct accounting in line with IFRIC14/IAS19.
- As a result of amendments detailed at pages 11-13, note 18 - pensions, was updated. A summary of these changes is reported at page 13.

2. Financial Statements - Significant risks

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

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

This section covers:

- (1) Background to the issue and relevant accounting principles
- (2) Our observations of the draft accounts presented for audit
- (3) Our challenges to management on the draft accounts disclosures / accounting treatment and subsequent management actions
- (4) Revised accounts – summary amendments and disclosures

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

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

According to the relevant accounting standard, IAS19 (Employee Benefits), an entity shall recognise the net defined benefit liability / asset in the statement of financial position. Therefore, whether it is a liability (which was the case in the past) or an asset, according to IAS19, it should be recognised in the balance sheet. IFRIC-14 (The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) provides guidance on amount that can be recognised in the financial statements, when there is a surplus /net asset position.

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

- (a) the surplus in the defined benefit plan
- (b) the asset ceiling, determined using the discount rate specified in IAS19.

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

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

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

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

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

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

2. Financial Statements - Significant risks

Auditor Commentary on Accounting for the Pension Fund Surplus/Asset in the Council's financial statements 0

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

Our observations highlighted that:

- The actuary report indicated a net surplus/asset position of £94.5m. This was derived after netting off £15.1m of unfunded defined benefit obligations. Therefore, the actual funded net asset position/surplus was £109.6m (£94.5m + £15.1m). The corresponding net pension fund liability as at 31 March 2022 was £338.3m. Therefore, the total year on year fluctuation from liability to asset position was £447.9m in a 12 month period. The biggest fluctuation year-on-year was in the reduction in present value of defined benefit obligations from c£1,816m to £1,298m (by c28% or by £518m). The primary reason for this decrease is attributable to an increase in the discount rate from 2.7% [31.3.22] to 4.7% [31.3.23].
- Management did not account for this initial £94.5m net asset, however, some disclosures were made in the draft 2022-23 financial statements presented for audit. It is important to note that the Council's initial position was in common with a number of local authorities based on lack of technical guidance available on this new and national issue at the time of accounts preparation. We do not consider this as a deficiency in reporting estimates by Council's management in the draft financial statements.
- As indicated above, there was an unfunded defined benefit obligation of £15.1m that has been netted off against the funded asset position in the draft account disclosures. Under IAS19, a funded asset position can only be netted off against an unfunded liability when, (a) the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and (b) the entity intends to settle the obligations on a net basis or to release the surplus in one plan and settle its obligations under the other plan simultaneously. Our work indicated that none of these apply to the Council and such netting off cannot be performed. In previous years this unfunded liability (PY: £18.5m liability) had been included within the overall pension fund liability amount. With the move to a pension fund asset position this amount should have been accounted for separately as a liability on the Council's balance sheet.

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

- We challenged management on IAS19 / IFRIC14 principles as highlighted on page 11. That is, when there is a pension asset it has to be accounted for on the balance sheet and IFRIC14 has to be used to limit the recognition of that asset. Management has agreed to account for the pension surplus in the updated financial statements and limit the asset recognition using the asset ceiling principles as mentioned at page 11. The updated position is summarised at page 13.
- We challenged management's actuary when the first asset ceiling calculation was made by capping the future working lifetime of the employer for a shorter period. According to IFRIC14 accounting principles, asset ceiling calculations should consider the expected life of the pension plan, in this case local government defined benefit scheme's expected lifetime. We considered the working lifetime (expected life of the plan) to be indefinite due to the nature of the pension scheme. Therefore, annuity in perpetuity should be used on determining the asset ceiling. Management agreed this and instructed the actuary to revise the asset ceiling calculation based on expected life of the pension scheme, in line with IFRIC14 principles. The revised asset ceiling calculation was obtained by management for our audit purposes. The asset ceiling is larger than the Council's share of the pension fund asset and management has agreed to recognise the lower figure of £109.6m in the revised accounts, in line with accounting principles highlighted at page 11. The updated position is summarised at page 13.
- Finally, we also challenged management on netting off the unfunded defined benefit obligations of £15.1m (a liability) against the funded defined benefit asset, which reduced the actual asset surplus by £15.1m. Management agreed to disclose this at gross and account for these separately as an asset of £109.6m and a liability of £15.1m. These are long term assets and long-term liabilities respectively. The updated position is summarised at page 13.

2. Financial Statements - Significant risks

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

(4) Revised accounts – summary amendments and disclosures

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

- The asset ceiling is now larger than the Council's share of the pension fund asset position. Therefore, management has agreed to recognise an asset of £109.6m on the balance sheet as a long-term asset
- The unfunded defined benefit obligations of £15.1m are recognised separately as a long-term liability on the revised balance sheet
- Additional disclosures are to be made to accounting policies note to reflect IFRIC14 accounting principles
- Additional disclosures are to be made to note 18 of the financial statements, Pensions
- To confirm, there is no impact on the Council's useable reserves arising from these amendments.

Overall, this issue is an unusual national issue for 2022-23 impacting a number of local authorities for the first time, in terms of financial reporting, accounts preparation and audit. The table below provides a summary of the key points discussed on this issue.

Accounts	Asset recognised?	Liability Recognised?	Disclosures made:
Council's 2022-23 Draft Accounts	No asset recognised	No liability recognised	<ul style="list-style-type: none">• Yes, some disclosures were included at Note 18 (Pensions)
Council's 2022-23 Revised Accounts	<p>Yes:</p> <ul style="list-style-type: none">• £109.6m – Long Term Asset recognised• Adjustment is material but does not impact on the Council's useable reserves• See further details reported at Appendix C.	<p>Yes:</p> <ul style="list-style-type: none">• £15.1m – Long Term Liability recognised in respect of unfunded defined benefit obligations• Adjustment is material but does not impact on the Council's useable reserves• See further details reported at Appendix C.	<p>Yes:</p> <ul style="list-style-type: none">• Updated note 18 disclosures• Updated Council's Accounting Policies note on IFRIC14• Disclosure amendments are significant and are reported at Appendix C.

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
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IFRS 16 implementation	
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FRAB agreed with the deferral of IFRS 16 to 2024- 25. Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. If management elect to implement IFRS 16 from April 2023 (early adoption) then in the 2022-23 accounts as a minimum, we 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	
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	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, under accounting standards issued but not yet adopted section within statement of accounting concepts and policies.
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	Management and the audit team will liaise during the 2023-24 audit to ensure the requirements of the new standard are being followed and plans are developed for IFRS 16 implementation to be adequately reported in the 2023-24 accounts and fully adopted in the 2024-25 accounts.
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Recognition and Presentation of Grant Income	
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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.	
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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.	
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	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.
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	Our audit testing of grant income relating to 2022-23 has not identified any non-compliance with the requirements for grant accounting as specified in the Code. Our work involved, reviewing the Council's treatment of grants as either agent (where the Council passes on the grant without having control over its award) or principal (where the Council determines the grant award to be provided). Grant awards where the Council is acting as principal are recorded within the Council's CIES whereas grants where the Council has acted as agent are not.
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	Our work also reviewed the appropriateness of the disclosures made and we undertook sample testing of a number of grants.
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	No issues have been identified to date in recognition and presentation of Grant Income.
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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
<p>Measurement of Infrastructure Assets:</p> <ul style="list-style-type: none">• The Code requires infrastructure to be reported in the Balance Sheet at depreciated historical cost, that is historic cost less accumulated depreciation and impairment. Depreciation depends upon the use of appropriate useful economic lives.• The update to the Code (November 2022) provides a temporary relief from the requirement to report the gross book value and accumulated depreciation for infrastructure assets, because historical reporting practices and resulting information deficits mean that this information is unlikely to faithfully represent the asset position to the users of financial statements.• An amendment to the Local Authority Capital and Finance regulations (SI 2022 No 1232) permits Local Authorities when derecognising components of infrastructure assets, replaced by expenditure on existing assets, to determine the relevant amount to be nil.• The Council has material infrastructure assets, at net value basis, there is therefore a potential risk of material misstatement related to the infrastructure balance.	<p>Our audit work to date has not identified any issues in respect of measurement of infrastructure assets other than a presentational matter as reported at Appendix C (point 6 around note 19e). Management has updated the accounts to correct this disclosure misstatement.</p> <p>We will provide a verbal update to the Audit Committee on 28 November should any significant issues arise from completing our work in this area.</p>
<p>Equal pay claims and the potential liabilities:</p> <ul style="list-style-type: none">• There have been recent publicity in local government sector where certain councils have accumulated equal pay claims. In some cases, these claims have resulted in recognising significant liabilities on the balance sheet. This has created significant financial and cashflow challenges during an economic crisis where public services have already been impacted due to increasing service demands and cost pressures.• As part of our 2022-23 audit, we inquired on such existing equal pay claims at the Council, directing our inquiries to the s151 Officer.• Our objective was to identify any unrecorded liabilities in relation to equal pay claims at the Council.	<p>We have yet to receive a response to our inquiries made on 22 September. We have included this as an outstanding matter at pages 3 and 5 [MANAGEMENT TO UPDATE TBC]</p> <p>Additionally, we will obtain management representation on this matter – see page 21 and Appendix F for the draft letter of representation.</p>
<p>IT General Controls (ITGC) work:</p> <p>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.</p>	<p>Our IT work done by our specialist IT team linked to financial statements audit (see page 20) for 2022-23 did not identify any improvement recommendations.</p> <p>There were some follow up recommendations arising from our 2021-22 IT work which have been included under Appendix B. The recommendations are primarily concerned with issues at system access level, where there are compensating controls in place to detect and reduce material errors in the financial statements. We are pleased to inform that management has now actioned all the recommendations brought forward from 2021-22 and these are now closed. See Appendix B.</p>

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Council Dwellings valuation: £776.3m	<p>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.</p> <p>The Council has engaged its valuer to complete the valuation of these properties. The Council Dwelling valuation as at 31 March 2023 was £776.3m, a net increase of £65.4m from 2021-22 (£710.9mm).</p>	<ul style="list-style-type: none"> 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 2022-23 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. <p>There are no issues arising to date from our work that we wish to bring to the attention of management or the Audit Committee.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p> <p>(Green) - TBC</p>

Assessment

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

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Other Land and Buildings valuation: £282.4m	<p>Other land and buildings comprises £192.2 m 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.</p> <p>The remainder of other land and buildings £90.2m are not specialised in nature (such as car parks) and are required to be valued at existing use in value (EUV) at year end.</p> <p>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.</p> <p>The Council has a continuing 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.</p> <p>There is another continuing process to assess the movement between the valuation date (1 January 2023) and the year end (31 March 2023). 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.</p> <p>The Council's Other Land and Buildings valuation as at 31 March 2023 was £282.4m from £282.3m in 2020-21 indicating no real change. However, please note this was merely a coincidence as valuations took place during 2022-23 as indicated above, and there were additions and disposals during year to 31 March 2023.</p>	<ul style="list-style-type: none"> • We have assessed the Council's in-house RICS qualified 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 recommendations (see page 31) , 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 a more appropriate valuation approach and we have further recommended management to consider this moving to 31 March (see page 31) but we do understand other challenges associated. Overall, this is a more improved approach in terms of other land and buildings valuations • The valuation methods remain consistent with the prior year and in line with Code guidance • 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 make our conclusions before we issue the audit opinion. 	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious (Green) - TBC</p>

2. Financial Statements - key judgements & estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
<p>This Year:</p> <p>Net pension Asset after adjustment - £109.6m – see page 13</p> <p>Prior Year:</p> <p>Net pension liability £338.3m (Council)</p>	<p>Per the amended accounts (see page 13), the Council's net pension asset as at 31 March 2023 is £109.6m (PY deficit /liability £338.3) with a fluctuation of c£450m from a liability to an asset position. See further details reported at pages 10-13.</p> <p>The Council continues to engage Hymans Robertson LLP to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at 31 March 2022, utilising key assumptions such as life expectancy, discount rates, salary growth and pension increase rate.</p> <p>A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return.</p> <p>Given the significant value of the net pension fund asset/liability, small changes in assumptions can result in significant valuation movements.</p> <p>As indicated above and our reporting at pages 10-13, there has been a c£450m net actuarial gain during 2022-23. This improved position is largely a result of an increase in the discount rate in excess of the increase in the CPI inflation assumption.</p>	<p>We have:</p> <ul style="list-style-type: none"> Assessed the competence, capability and objectivity of management's expert, Hymans Robertson LLP Assessed the actuary's approach taken and deemed it reasonable Used PwC as an auditor's expert to assess the management actuary and assumptions made by the actuary (see table below) Confirmed the completeness and accuracy of the underlying information used to determine the estimate Confirmed the reasonableness of the Council's share of pension assets Confirmed the reasonableness of the decrease in the liability estimate Confirmed the adequacy of the disclosure of the estimate in the financial statements. <table> <tr> <th>Assumption</th><th>Actuary Value</th><th>* PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>4.75%</td><td>See comment below</td><td>● Green</td></tr> <tr> <td>Pension increase rate</td><td>2.95%</td><td>See comment below</td><td>● Green</td></tr> <tr> <td>Salary increase rate</td><td>3.55%</td><td>See comment below</td><td>● Green</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>21.5/20.5</td><td>See comment below</td><td>● Green</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>25.2/23.7</td><td>See comment below</td><td>● Green</td></tr> </table> <p>*PwC has commented on the Hymans Robertson LLP (management actuary) assumptions as follows: "We are comfortable that the methodologies used by Hymans Robertson to establish assumptions will produce reasonable assumptions as at 31 March 2023 for all employers".</p> <p>Our work in this area remains ongoing, mainly in respect of the pension asset accounting and disclosures (pages 10-13). Our work to date has not identified any evidence to conclude that management's processes and key assumptions are not appropriate. Please note this assessment is based on our discussions since the draft accounts were presented for audit (pages 11 and 12) and the adjustments made to the draft accounts as stated at page 13. We will provide a verbal update at the Audit Committee meeting on 28 November of any significant developments on our ongoing work.</p>	Assumption	Actuary Value	* PwC range	Assessment	Discount rate	4.75%	See comment below	● Green	Pension increase rate	2.95%	See comment below	● Green	Salary increase rate	3.55%	See comment below	● Green	Life expectancy – Males currently aged 45 / 65	21.5/20.5	See comment below	● Green	Life expectancy – Females currently aged 45 / 65	25.2/23.7	See comment below	● Green	<p>We consider management's process is appropriate (after adjustments made to the draft accounts as stated at page 13) and key assumptions are neither optimistic or cautious (Green) - TBC</p>
Assumption	Actuary Value	* PwC range	Assessment																								
Discount rate	4.75%	See comment below	● Green																								
Pension increase rate	2.95%	See comment below	● Green																								
Salary increase rate	3.55%	See comment below	● Green																								
Life expectancy – Males currently aged 45 / 65	21.5/20.5	See comment below	● Green																								
Life expectancy – Females currently aged 45 / 65	25.2/23.7	See comment below	● Green																								

2. Financial Statements - key judgements and estimates





Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income: £340.6m	<p>Management has taken into account three main considerations in accounting for grants:</p> <ol style="list-style-type: none"> 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. 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 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. <p>There may be judgements over the accounting treatment. Different conclusions may be reached by the Council depending on how they have applied any discretion in administering the schemes and application of Code guidance.</p>	<p>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.</p> <p>As part of our audit work, we have:</p> <ul style="list-style-type: none"> 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. <p>Our work to date has not identified any matters to report.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious (Green)</p>
Grants & Contributions received in Advance: £35.1m			

2. Financial Statements: Information Technology

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

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

Assessment

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

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Council's Audit Committee and the Director of Finance, Chief Financial Officer. We have not been made aware of any significant incidents in the year and no issues have been identified during the course of our audit.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
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. As highlighted at Appendix F, additional representations were obtained in relation to Equal Pay liabilities. [To be updated after receiving responses from management regarding inquiries made on 22 September]
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 (including in respect of IFRIC 14, see page 13) which have been processed by management and these are set out at Appendix C.
Audit evidence and explanations / significant difficulties	As in the previous four years, we have continued to experience good co-operation and engagement from the Council throughout our 2022-23 audit. 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	<p>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.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none">• 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. <p>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:</p> <ul style="list-style-type: none">• 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. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none">• 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	<p>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.</p> <p>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.</p> <p>Overall, no material inconsistencies have been identified.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none">• 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). <p>We have nothing to report on these matters. Our Value for Money work is underway and is expected to be completed for the Audit Committee meeting in March 2024 after finalising the report in January 2024..</p>
Specified procedures for Whole of Government Accounts	<p>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.</p> <p>The NAO requires the work to be completed once the audit opinion is provided on the financial statements.</p> <p>In 2022, the NAO increased the audit threshold to £2bn expenditure for authorities that required detailed WGA audit work. The NAO's 2022-23 guidance has now been issued and this threshold remains in place for 2022-23 WGA work, therefore in common with recent years, the Council WGA submission should only require limited audit input.</p> <p>We anticipate to issue this return to the NAO after issuing the audit opinion and we have targeted this for December 2023.</p>
Certification of the closure of the audit	<p>As in previous years, we intend to delay the certification of the closure of the 2022-23 audit of the Council in the audit report, as detailed at Appendix H, until we have completed any required work on the WGA consolidation exercise mentioned above and completed our Value for Money responsibilities with the issue of the Auditor's Annual Report.</p>



3. Value for Money arrangements

Approach to Value for Money work for 2022-23

The National Audit Office issued its updated guidance for auditors in January 2023. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report (AAR). An audit letter explaining the reasons for the delay was sent to Chair of the Audit Committee on 28 September and is also attached at Appendix H to this report for completeness. We expect to agree our VFM report with management in January and present our AAR to the Audit Committee in March 2024. This would be ahead of the National Audit Office's revised deadline, which requires the AAR to be issued no more than three months after the date of the opinion on the financial statements.

As reported in our 2022-23 Audit Plan issued in May, we continue to assess the progress made by the Council on the key recommendation we raised in prior years. 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 identified this as a key recommendation issue in both our 2020-21 and 2021-22 VFM work and reported this in our Auditor's Annual Reports in 2020-21 and 2021-22.

As part of our 2022-23 VFM review, which is not yet complete, we are following up the Council's actions in relation to the Ofsted / CQC findings. We understand continued progress has been made in this area during 2022-23. Our ongoing review work will assist us in concluding whether or not this matter is still a continuing significant weakness for 2022-23 before we conclude our 2022-23 VFM work.

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 also 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 indicated earlier, we made a key recommendation on this issue in our 2020-21 and 2021-22 Auditor's Annual Report (AAR) on the Council's VFM arrangements.

Our key recommendation in 2020-21 and 2021-23 was:

- have a clear "Written Statement of Action (WSOA) in response to Ofsted and CQC report on joint area SEND inspection, which identified significant areas of weaknesses in implementing SEND reforms as set out in the Children and Families Act 2014
- a clear action plan to implement this WSOA, working with all stakeholders including parents, carers, the CCG officers, Ofsted and the CQC
- The action plan should be subject to formal monitoring and challenge by the Cabinet. Action should be taken against any elements of the action plan not implemented within the agreed timescales.

As part of our 2022-23 VFM review, which is not yet complete, we are following up the Council's actions in relation to the Ofsted/CQC findings. We understand continued progress has been made in this area during 2022-23. Our ongoing review work will assist us in concluding whether or not this matter is still a continuing significant weakness for 2022-23 before we conclude our 2022-23 VFM work.

We will further report to you on this matter in our 22-23 AAR which we expect to present to the Audit Committee in March 2024.

Impact on 2022-23 Financial Statement Audit

It is important to note that our VFM risk assessment will continue until we issue our 2022-23 Auditor's Annual Report, expected in January 2024.

Our view is there are no VFM issues that would have a material impact on our ISA(UK) audit work and therefore would not restrict us on completing the audit of the financial statements and issuing our 2022-23 audit opinion (Appendix G) 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

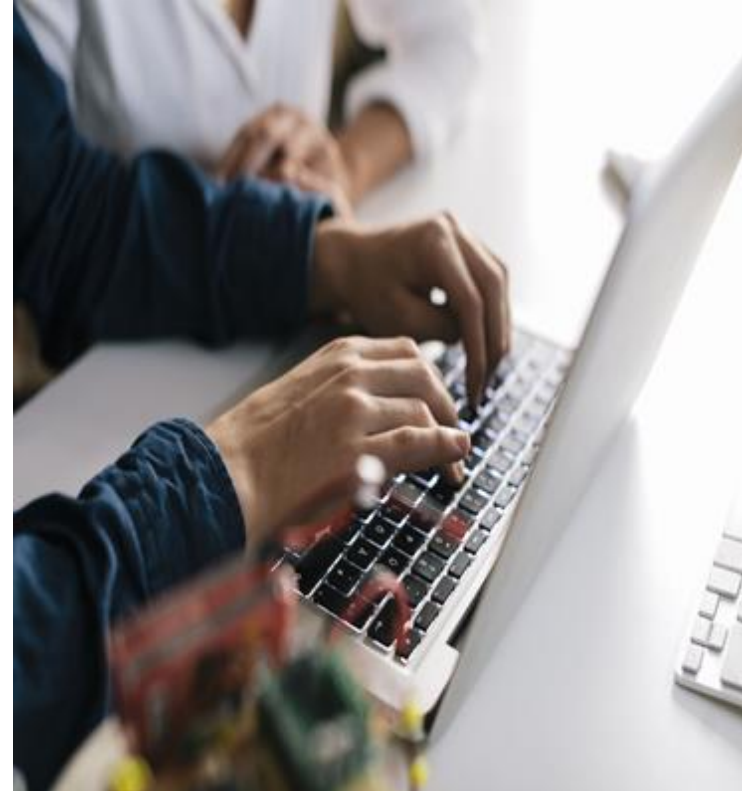
We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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 E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details please see the Grant Thornton website.



Independence and ethics (continued)

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	*39,675	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 *£39,675 in comparison to the total fee for the audit of £179,968 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, self- interest and management threats, 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.
		Management (because the return is agreed with management)	This audit work is also no longer completed by the audit team set out on page 2, but by our separate specialist grants audit team.
Non-audit related:			
None	-	-	-

* NOTE on Housing Benefit work and fees:

The £39,675 is the base fee for the 2022-23 Housing Benefit Subsidy certification

In addition, as per prior years, for each 40+ HB testing undertaken, there will be additional fees to be raised. The value will be dependent on whether the detailed testing is performed by the Council and reperformed by us, or directly performed 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.

Independence and ethics (continued)

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

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Follow up of prior year recommendations
- C. Audit Adjustments
- D. Audit Fees and non-audit services
- E. Auditing developments
- F. Management Letter of Representation (draft)
- G. Audit opinion (draft)
- H. Audit letter in respect of delayed VFM work

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management / those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and / or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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

This document, the Audit Findings (ISA260) Report, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

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

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

Distribution of this Audit Findings (ISA260) Report

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

B . Follow up of prior year audit recommendations

We raised the following recommendation in our 2020-21 audit of the Council's financial statements. We have since followed up the progress against that recommendation below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
On-going	<p>Other Land and Buildings Valuation date:</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Recommendation</p> <p>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.</p> <p>The Council should consider moving its valuation date for land and buildings closer to the balance sheet date of 31 March.</p>	<p>Management response November 2021:</p> <p><i>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.</i></p> <p>Management update July 2022 on 2021-22 valuations</p> <p><i>The Council has reviewed its 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.</i></p> <p>GT update November 2022:</p> <p><i>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.</i></p> <p>Management response on 2022-23 valuations - Update May 2023</p> <p><i>The Council will continue to explore opportunities to push the valuation date further into the financial year to increase accuracy of the valuation as at the year end. However, the Council has to continue to give regard to the faster closure deadlines, as such this inhibits the Councils ability to take valuations too late in the financial year.</i></p> <p>Management response for 2023-24 valuations – update Nov 2023</p> <p><i>No changes to May 2023 update. Will continue to explore but challenges remain as stated in May 2023.</i></p> <p>GT update November 2023:</p> <p><i>We will revisit this again as part of our 2023-24 audit process.</i></p>

B . Follow up of prior year audit recommendations - IT

Our IT specialists raised the following seven recommendations as part of our IT audit work in 2021-22. We have followed up the progress against these recommendation at pages 32 to 35. The recommendations are primarily concerned with issues at system access level, where there are compensating controls in place to detect and reduce material errors in the financial statements. As reported at page 15, we are pleased to inform that management has now actioned all the recommendations brought forward from 2021-22 and these are now closed.

Assessment	Issue previously communicated	Update on actions taken to address the issue
✓	<p>[1] Segregation of duty conflicts within Northgate (NEC Revenue)</p> <p>During our review , we noted that 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 :</p> <ul style="list-style-type: none"> - TECHAA - TECHAG 	<p>Management Response – Nov 2022</p> <p>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.</p> <p>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.</p> <p>GT Response – Nov 2023 :</p> <p>This issue is considered closed as GT performed audit procedures during the audit period, it was noted that the segregation of duty conflict within Northgate (NEC Revenue & Benefits) has been remediated by the mitigating controls in place.</p>
✓	<p>[2] Lack of review of audit logs for Northgate (NEC Revenue)</p> <p>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.</p> <p>.</p>	<p>Management Response – Nov 2022</p> <p>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.</p> <p>GT Response – Nov 2023 :</p> <p>This issue is considered closed as GT performed audit procedures during the audit period, it was noted that the issue has been remediated by the mitigating controls in place.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

B . Follow up of prior year audit recommendations - IT

Assessment	Issue previously communicated	Update on actions taken to address the issue
✓	<p>(3) Lack of formal change management policy and /or procedures for Northgate (NEC Revenue)</p> <p>During our review , We noted that UAT testing was performed but there were no formal UAT approvals provided. Furthermore , no formal document approvals from ICT Change Officer were available before the change got deployed into production.</p>	<p>Management Response – Nov 2022</p> <p>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.</p> <p>GT Response – Nov 2023 :</p> <p>This issue is considered closed as a change management policy is in place.</p>
✓	<p>(4) Weak password configuration settings for Northgate (NEC Revenue)</p> <p>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.</p> <p>.</p>	<p>Management Response – Nov 2022</p> <p>The “Min Password Length” was increased to 12 at release 7.4.0 in line with the current RMBC Password Policy.</p> <p>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.</p> <p>GT Response – Nov 2023 :</p> <p>This issue is considered closed as GT performed audit procedure during the audit period, noted that password configurations are aligned with Rotherham’s password policy.</p>

Assessment
 ✓ Action completed
 X Not yet addressed

B . Follow up of prior year audit recommendations - IT

Assessment	Issue previously communicated	Update on actions taken to address the issue
✓	<p>(5) Segregation of duty conflicts within E5 Financials</p> <p>Additionally, there were 5 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.</p> <ul style="list-style-type: none">• QSPCPR• QSPDRO• QSPGPE• QSPKWI• QSPSBE <p>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.</p> <ul style="list-style-type: none">• SYSTEM	<p>Management Response – Nov 2022</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The controls we have in place are as secure as they can be within the remit of the system.</p> <p>GT Response – Nov 2023 :</p> <p>This issue is considered closed as GT performed audit procedures during the audit period, it was noted that the segregation of duty conflict for the administrative accounts has been remediated.</p>

B. Follow up of prior year audit recommendations - IT

Assessment	Issue previously communicated	Update on actions taken to address the issue
✓	<p>[6] Weak password configuration settings for E5 Financials</p> <p>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.</p>	<p>Management response – Nov 2022</p> <p>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.</p> <p>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.</p> <p>GT Response – Nov 2023: This issue is considered closed due to the application limitation, but meeting the NCSC best practice guidelines.</p>
✓	<p>[7] Controls for which assurance could not be provided - Northgate (NEC Revenue)</p> <p>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.</p> <p>These includes the below generic accounts :</p> <ul style="list-style-type: none">• Esteem• CM_QUEUE• DTI• FDW• FRB• FSC• NESCA• NPS_API_USER• OP\$ORACLE• PORTAL30• PORTAL30_SSO• RB• SEIBEL• RBSX3• RISKBV	<p>Management response – Nov 2022</p> <p>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.</p> <p>GT Response – Nov 2023:</p> <p>This issue is considered closed as we performed full privilege access testing and no issues identified.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

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 2023 and the Council's useable reserves.

Detail	Comprehensive Income and Expenditure Statement (£)	Statement of Financial Position (£)	Impact on useable reserves (£)
Dr Long Term Defined Benefit Asset (Funded)		109.6m	None
Cr Long Term Defined Benefit Liability (Unfunded)		15.1 m	
Cr Other Comprehensive Income & Expenditure – Actuarial gains on pension asset valuations	94.5m		None
<i>Defined Benefit Pension Asset (Funded) and Defined Benefit Pension Liability (unfunded) amendments in line with IAS19/IFRIC14 as reported at pages 10-13</i>			
Overall impact	<p>No impact to Surplus / Deficit of provision of services.</p> <p>Impact only on Other Comprehensive Income & Expenditure (bottom part of the CIES) - increase by £94.5m.</p>	<p>Increase Long Term Assets by 109.6m</p> <p>Increase Long Term Liabilities by 15.1m</p> <p>Increase net assets by £94.5m and Pension Reserve to have a credit balance of £94.5m. This is an unusable reserve.</p>	None – these adjustments have no impact to the useable reserves of the Council.

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	<p>Pensions related disclosures:</p> <ul style="list-style-type: none"> Note 18: Further to material amendments reported at pages 13 and 36, additional disclosures were made to note 18, Pensions, including IFRIC14 principles that result in the recognition of a long-term asset in a funded defined benefit scheme and a long-term liability of an unfunded defined benefit scheme. Note 49: This note had materially incorrect numbers and these were corrected as part of IAS19 pensions adjustments. Note: there is no impact on useable reserves arising from this. 	Note 18, Pensions and note 49, Other Long Term Liabilities	Yes
2.	Disclosure	Further to material amendments reported at pages 13 and 36, the accounting policy note was added to Statement of Accounting concepts and policies as there was no mention regarding IFRIC14 principles in the draft accounts presented for audit.	Statement of Accounting concepts and policies - starting from page 12	Yes
3	Disclosure	This note was updated to make it clearer in line with applicable accounting principles.	Critical judgements in applying accounting policies	Yes
4.	Disclosure	<p>(a) This note was updated to capture IAS19 / IFRIC14 adjustments as noted at point 1 above in relation to Pensions as numbers disclosed were incorrect.</p> <p>(b) Under IAS1, the Council's accounts should disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, this note shall include details of:</p> <p>(i) their nature, and (ii) their carrying amount as at the end of the reporting period.</p> <p>This note includes Pension Liability, Pension Asset and Property Plant and Equipment. None of these disclosures fully satisfy the IAS1 disclosure requirements stated above.</p>	Assumptions made about the future and other major sources of estimation uncertainty	<p>(a) Yes</p> <p>(b) Not adjusted and it has no impact to our audit opinion to be issued</p>

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?
5.	Disclosure	<p>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.</p> <p>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.</p>	Note 17 – Related Party Transactions	No - this has no impact to the audit opinion to be issued
6.	Disclosure	<p>Note 19 (e) includes a revaluation and impairment table which provides information on revaluations performed during the last five years as required by the Code. This table incorrectly included infrastructure assets in the draft accounts.</p> <p>Further to the Statutory Instrument issued in December 2022, infrastructure assets are now disclosed separately from the other Property Plant and Equipment note.</p> <p>In line with guidance, infrastructure assets were removed from this revaluation table at note 19 (e) and reported separately.</p>	Note 19 – Property Plant and Equipment	Yes
7.	Disclosure	<p>Our review of the draft Annual Governance Statement (AGS) and Narrative Report highlighted some disclosure misstatements and compliance with the relevant guidance.</p> <p>These have now been updated in the final versions of the AGS and the Narrative Report, including update in respect of IAS19 / IFRIC14 adjustments as reported at page 36.</p>	AGS and Narrative Reports are separate documents and not included in the financial statements but published alongside the financial statements	TBC
8.	Disclosure	Fees payable to Grant Thornton in relation certification of grant claims was updated by £4k in line with the Audit Plan issued in May 2023 and this Report.	Audit Fees – note 15	✓
9.	Disclosure	Other minor presentational adjustments were made throughout the financial statements on various pages to further improve disclosures.	Financial Instruments , note 27	✓

C. Audit Adjustments

Impact of unadjusted misstatements 2022-23

The table below provides detail of one adjustment identified during the 2022-23 audit which was not made to the final set of financial statements due to its immaterial nature. This was also not corrected in South Yorkshire Pension Fund audited accounts.

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves £000	Reason for not adjusting 2022-23
<p>Dr Net Pension Fund Asset (Long Term Asset) £6.4m (increase the pension asset by £6.4m)</p> <p>Cr Unusable Pension Fund Reserves £6.4m (increase pension fund reserve credit balance)</p> <p>The Pension Fund auditor, as part of their audit work, did not adjust for an error in the pension asset valuation regarding stale pricing amounting to £46.4m for the fund as a whole. Applying the Council's share of fund assets of 13.8% to this indicates a misstatement of £6.4m. This is below materiality for the audit.</p> <p>If corrected, the net pension fund asset would have increased by £6.4m at the year end from £109.6m to £116m. Unusable Pension Fund Reserve would have increased by £6.4m from £94.5m to £100.9m</p> <p>This unadjusted misstatement has no impact on Council's useable reserves given the pension reserve is an unusable reserve.</p>	N/A	See detail column	No impact	Immaterial nature.
Overall impact	See detail column	See detail column	No impact	Immaterial nature

C. Audit Adjustments

Impact of prior year unadjusted misstatements from 2021-22

The table below provides detail of one adjustment identified during the 2021-22 audit which was not made to the final set of financial statements due to its immaterial nature.

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves £000	Reason for not adjusting 2021-22	Update in 22-23
<p>Dr Net Pension Fund Liability (Long Term Liabilities) £3.8m (reduce the pension liability by £3.8m)</p> <p>Cr Unusable Pension Reserves £3.8m (reduce pension fund reserve debit balance)</p> <p>The Pension Fund auditor, as part of their audit work, did not adjust for an error in the pension asset valuation regarding stale pricing amounting to £27.3m for the fund as a whole. Applying the Council's share of fund assets of 13.8% to this indicates an error value of £3.8m. This is below materiality for the audit.</p> <p>If corrected, the net pension fund net liability would have reduced by £3.8m at the year end from £338.3m to £334.5m. Unusable Pension Fund Reserve would have decreased by £3.8m from £338.3m to £334.5m</p> <p>This unadjusted misstatement has no impact on Council's useable reserves given the pension reserve is an unusable reserve.</p>	N/A	See detail column	No impact	Immaterial nature.	This is incorporated in overall 2022-23 valuations of defined benefit asset and no impact to 2022-23 audit.
Overall impact	See detail column	See detail column	No impact	Immaterial nature	None

D. Audit fees and non-audit fees

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

Audit fees	Proposed fee per Audit Plan May 2023	Proposed Final fee
Council Audit (see detail breakdown at page 45)	£178,688	£188,688
Total audit fees (excluding VAT)	£178,688	**£188,688

*** Given the significance of the national issue of accounting for pension fund asset valuations and IFRIC14 and additional IT audit work on NEC Housing (Housing Rents System for the first time), we have proposed an additional £10k from our original planned audit fee. Our work remains ongoing at the time of this report, including in respect of the valuation of land and buildings and pensions. We will update management and the Audit Committee, at the point we conclude our audit with our final proposed audit fee.*

Note: All variations to the scale fee (see page 42) will need to be approved by PSAA.

Please also note that DLUHC has continued to set aside £15m of funding to deal with the expected increase in 2022-23 audit fees, a direct response to one of the key findings of the Redmond Review into local authority external audit.

Non-audit 'audit related' fees for other services:	Proposed fee	Final fee
Certification of Housing Benefit Claim	£39,675*	*see note below
Total non-audit fees (excluding VAT)	£39,675	£39,675*

The fees reconcile to the amended financial statements Note 15- External Audit Fees.

* NOTE on Housing Benefit work and fees:

The £39,675 is the base fee for the 2022-23 Housing Benefit Subsidy certification

In addition, as per prior years, for each 40+ HB testing undertaken, there will be additional fees to be raised. The value will be dependent on whether the detailed testing is performed by the Council and reperformed by us, or directly performed by Grant Thornton.

D. Audit fees – detailed analysis:

PSAA Scale fee for 2022-23	£124,688
Increased depth of audit work, lower materiality level and testing in order to meet the audit quality challenge of the regulator	£3,750
Enhanced audit procedures for Property, Plant and Equipment, including the use of an Auditor's Expert	£5,000
The revised Value for Money (VfM) approach, introduced under the new NAO Code in 2020-21 (after the 2017 PSAA tender)	£20,000
Increased audit requirements relating to ISA 540 Revised - Auditing Accounting Estimates and Related Disclosures	£6,000
Enhanced audit procedures for journals and grants testing, given the risk of management override of controls	£5,000
Enhanced audit procedures for Payroll – Change of circumstances	£500
Enhanced audit procedures for Collection Fund – reliefs testing	£750
Increased audit requirements of ISA 315 Revised - identifying and assessing the Risks of Material Misstatement	£6,000
Enhanced audit procedures for Infrastructure assets	£2,500
Additional testing within the Housing Revenue Account	£500
Additional work on 'local risks' for the audit, to reflect that the audit sits within the FRC population of a 'major' audit, including the material DSG deficit on financial statements, VFM work and accounting on Safety Valve Funding with associated disclosures	£4,000
Additional audit work in respect of the Council's share of the Pension Fund asset position, the implications of IFRIC14, including reviews of asset ceiling calculations and internal technical discussions with GT technical department on individual client basis	7,500
Additional IT audit work on NEC Housing (Housing Rents System for the first time)	2,500
Total proposed audit fees 2022-23 (excluding VAT)	£188,688

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

E. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

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

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

Area of change	Impact of changes
Risk assessment	<p>The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of:</p> <ul style="list-style-type: none">the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit proceduresthe identification and extent of work effort needed for indirect and direct controls in the system of internal controlthe controls for which design and implementation needs to be assess and how that impacts samplingthe considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	<p>Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.</p>
Professional scepticism	<p>The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none">increased emphasis on the exercise of professional judgement and professional scepticisman equal focus on both corroborative and contradictory information obtained and used in generating audit evidenceincreased guidance on management and auditor biasadditional focus on the authenticity of information used as audit evidencea focus on response to inquiries that appear implausible.
Definition of engagement team	<p>The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor.</p> <ul style="list-style-type: none">Consideration is also being given to the potential impacts on confidentiality and independence. <p>Please note , this is not a group audit. This is only a single entity audit, which is the Council.</p>
Fraud	<p>The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none">clarification of the requirements relating to understanding fraud risk factorsadditional communications with management or those charged with governance.
Documentation	<p>The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.</p>

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

[Date] – (TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Grant Thornton UK LLP

Rotherham Metropolitan Borough Council
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Rotherham Metropolitan Borough Council for the year ended 31 March 2023 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 2022/23 and applicable law

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

Financial Statements

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 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

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.

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.

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

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

F. Management Letter of Representation (draft)

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.

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.

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.

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.

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.

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.

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

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

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

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

F. Management Letter of Representation (draft)

- 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

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. 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

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.

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

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

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.

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.

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.

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.

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.

F. Management Letter of Representation (draft)

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

Annual Governance Statement

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

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 28 November 2023 and fully approved and signed off by the relevant members at the Audit Committee meeting on 28 November 2023.

Yours faithfully

Name.....

Name

Position.....

Position

Date.....

Date

Signed on behalf of the Council

G. Audit opinion (proposed draft)

We anticipate we will provide the Council with an unmodified ‘clean’ audit report

Independent auditor's report to the members of Rotherham Metropolitan Borough Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Rotherham Metropolitan Borough Council (the ‘Authority’)

for the year ended 31 March 2023 which comprise the Comprehensive Income and Expenditure

Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Accounting Policies (including the Statement of accounting concepts and policies, Accounting standards issued but not yet adopted, Critical judgements in applying accounting policies and Assumptions made about the future and other major sources of estimation uncertainty), the notes to the Core Financial Statements, the Notes to the Housing Revenue Account and the Notes to the Collection Fund Statement. The

financial reporting framework that has been applied in their preparation is applicable law and the

CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2022-23.

In our opinion, the financial statements:

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

.Basis for opinion

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

Conclusions relating to going concern

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

In our evaluation of the Strategic Director - Finance and Customer Service’s conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority’s financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities.

G. Audit opinion (proposed draft - continued)

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

We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Strategic Director - Finance and Customer Service's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Strategic Director - Finance and Customer Services with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

G. Audit opinion (proposed draft- continued)

We anticipate we will provide the Council with an unmodified ‘clean’ audit report

Responsibilities of the Authority and the Strategic Director - Finance and Customer Services

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Our audit procedures involved:

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

G. Audit opinion (proposed draft - continued)

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

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

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

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

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

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

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

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

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

On 1 April 2022, we identified a significant weakness in the Authority's arrangements for improving economy, efficiency and effectiveness.

In July 2021, Ofsted and the Care Quality Commission (CQC) conducted a joint inspection to assess the effectiveness of the Authority's implementation of the special educational needs and disabilities (SEND) reforms set out in the Children and Families Act 2014. The inspection report issued in November July 2021 identified significant areas of weakness in the Authority's arrangements for implementing SEND reforms.

In our 2020-21 and 2021-22 Auditor's Annual Report, we made a key recommendation, that the Authority:

- have a clear Written Statement of Action (WSOA) in response to the inspection's findings
- develop an action plan to implement their WSOA
- ensure that the action plan is subject to formal monitoring and challenge by the Authority's Improving Lives Select Commission

Our work to date during 22-23 on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources has highlighted that improvements have been made on the key recommendation made. Our assessment of the progress made against this key recommendation is still ongoing. At the time of this audit report, we are unable to fully conclude the significant weakness still exist or not. [this para needs running past PSA AQ for their approval before we sign off]

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

Responsibilities of the Authority

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

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'.

G. Audit opinion (proposed draft - continued)

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

When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

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

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

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2023.

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

Use of our report

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

Signature: To be signed

Gareth Mills, Key Audit Partner

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

Date : To be dated

H. Audit letter in respect of delayed VFM work

[This was also communicated to the Chair of the Audit Committee on 28 September 2023]

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

28 September 2023

Dear Cllr Baker-Rogers,

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

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

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to finalise our report with management in January 2024 and present it to the Audit Committee in March. This is in line with the NAO's requirements to conclude the VFM work within three months of the accounts opinion.

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

