

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

Year ended 31 March 2024

26 November 2024





Private and Confidential

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26 November 2024

Dear Members of the Audit Committee

Audit Findings for Rotherham Metropolitan Borough Council for the 31 March 2024

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 and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (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 for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2023.pdf \[grantthornton.co.uk\]](#).

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

Michael Green

Director
For Grant Thornton UK LLP

Chartered Accountants

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

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1. 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 the Council's financial statements for the year ended 31 March 2024 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 the Council's income and expenditure for the year
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Our work identified some adjustments to primary financial statements alongside other disclosure and presentational audit adjustments. These adjustments are detailed at Appendix D. Management has agreed to update the financial statements to correct these misstatements.

We have raised three recommendations for management as a result of our audit work on the financial statements. We have also reported two recommendations arising from our Information Technology review which was conducted as part of the financial statement audit. All five recommendations are included in the Action Plan at Appendix B. Our follow up of recommendations from the prior year are detailed at Appendix C.

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

- completing the remaining elements of our work on land and buildings valuation, pension fund assets and liabilities valuation, payables, receivables, journals, grant income, operating expenditure and few elements of income.
- 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.

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. Our anticipated financial statements audit report opinion will be unmodified.

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 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 are currently finalising of reporting of the finding of our work to review the Council's value for money (VFM) arrangements. An audit letter explaining the reasons for the delay in completing this work beyond 30 September 2024 was sent to the Chair of the Audit Committee on 18 September.

Our detailed findings will be reported in our commentary on the Council's arrangements in the Auditor's Annual Report (AAR) which we will bring to the January 2025 Audit Committee meeting.

In performing our work, we have identified two significant weaknesses in the Authority's arrangements for improving economy, efficiency and effectiveness. These are in relation to arrangements around housing compliance and building assets management.

We expect to make two key recommendations to the Council in relation to these weaknesses. More detail is included at section 3 of this report.

We can confirm these have no direct impact on our audit of the financial statements.

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 have completed the majority of work under the Code and expect to be able to certify the completion of the audit following publication of the Auditor's Annual Report in January.

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 Council's finance team and other staff during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings (ISA260) Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be presented to the Audit Committee on 26 November 2024.

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 ; and
- 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 are as noted on page 4.

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.

We issued the audit plan for financial year 2023-24 on 17 June 2024 which set the planning materiality. At the time of setting the planning materiality in the audit plan, we based the materiality on gross expenditure on cost of services on prior year audited financial statements.

Materiality was re-considered on receipt and review of draft accounts for 2023-24. This was performed at the post-statement engagement team meeting on 10 July 2024. As part of this reconsideration, we concluded that the most appropriate benchmark/criteria is gross expenditure in Surplus/Deficit on the provision of services rather than gross expenditure on the cost of services. We consider, this is more appropriate given stakeholders' interest in the Council delivering its budget. This resulted a minor change to the set materiality figures (see table) for the post statement audit which was conducted from July to November 2024.

Our determination of materiality for the Council is detailed in the table, covering the planning and the revised, final materiality.

Materiality area	Planning Materiality (£'000)	Final Materiality (£'000)	Qualitative factors considered
Materiality for the financial statements	9,845	11,421	We have determined the final materiality at 1.5% (1.5% at planning stage) of gross expenditure in Surplus/Deficit on the provision of services. We consider this as the most appropriate criteria given stakeholders interest in the Council delivering its budget.
Performance materiality	6,897	7,995	Assessed to be 70% (70% at planning stage) of financial statement materiality.
Trivial matters	492	571	This equates to 5% (5% at planning stage) of materiality. This is our reporting threshold to the Audit Committee for any errors identified.
Materiality for senior officer remuneration	18	19	The senior officer remuneration disclosures in the Financial Statements have been identified as an area requiring specific materiality due to its sensitive nature.



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
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> • made inquiries of finance staff regarding their knowledge of potential instances of management override of controls • evaluated the design and implementation of management controls over journals. This included the review of relevant controls management has in place to check journal postings • analysed the journals listing and determined the criteria for selecting high risk unusual journals This included criteria relating to journals which have not been authorised • performed a risk-based interrogation of the financial ledger to identify any unusual and potentially fraudulent transactions for testing • tested unusual journals identified through the application of our risk-based approach 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 as applicable • understood the ledger integration with relevant sources and sub-systems to identify how management may be able to intervene in the journals posting process and post fraudulent entries. <p>In performing the procedures above, we identified a population of journals to test using data analytic software to analyse journal entries and to split large batch journals into smaller sets of transactions that support targeted testing based on specific risk criteria assessed by the audit team. These criteria included but not limited to:</p> <ul style="list-style-type: none"> • Year-end and Post year-end journals • Material journals • Journals posted by senior management • Journals increasing useable reserves <p>Application of these routines and supplementary procedures identified a total sample of 24 journals to test.</p> <p>Our audit work in this area is nearly complete and work 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 26 November should any significant issues arise from completing our work in this area.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Risk of fraud in revenue recognition and expenditure

(Risk relating to the Council)

Revenue

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including at the Council, mean that all forms of fraud are seen as unacceptable.

Expenditure

Whilst not a presumed significant risk we have had regard to Practice Note 10 (Audit of financial statements and regularity of public sector bodies in the United Kingdom). Having considered the nature of the expenditure streams at the Authority, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because:

- there is little incentive to manipulate expenditure for a Council where services are provided to the public through taxpayer's funds
- there is no significant immediate pressures on general fund reserves of the Council.

As part of our final accounts audit process, we have reconsidered our rebuttal of both revenue and expenditure recognition and consider the rebuttal is still remain appropriate. Notwithstanding that we have rebutted these risks, we have undertaken procedures to test revenue and expenditure 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.

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.

Our audit work in this area is substantially complete however, work to date has not identified any issues in respect of risk of fraud in recognition of revenue or expenditure. We will provide a verbal update to the Audit Committee on 26 November should any significant issues arise from completing our work in this area.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Closing valuation of land and buildings, including Council dwellings and investment properties

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 £1.1 billion) and the sensitivity of this estimate to changes in key assumptions.

The Council holds both specialised and non-specialised buildings within its portfolio. The specialised assets comprise schools and leisure centres among others. The valuation approach is depreciated replacement cost (DRC) with the key valuation assumptions being the rebuild cost, building size and adjustments for obsolescence (buildings age, condition & functionality). The council also holds non-specialised assets such as car parks and offices. Council dwellings are also considered non-specialised.

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 valuation programme is used.

Further to our Audit Plan dated 17 June 2024 and the review of draft accounts for the year ended 31 March 2024, we have extended the closing valuation significant risk to Investment Properties (£33.8m). This is mainly due to increase during the year and fair valuation considerations at the year-end, which again involves judgements, assumptions and estimates. All investment properties need to be revalued at fair value at the year end.

Overall, we 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.

Commentary

As part of our work, we have:

- evaluated the design and implementation of management controls around processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work including the valuation of the football stadium
- evaluated the competence, capabilities and objectivity of the valuer
- 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 valuation expert to assess the instructions issued to the Council's valuer, the Council's valuer's report and the assumptions that underpinned the valuation
- tested, on a sample basis, revaluations made during the year to see if they had been posted 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 their carrying values are not materially different to current value at year end
- considered, where the valuation date is not 31 March 2024 (as relevant) for assets valued in year, the arrangements management has used to ensure the valuation remains materially appropriate at 31 March 2024
- agreed, on a sample basis, the Gross internal Areas (GIAs) to records held by the estates management function
- evaluated the assumptions made by management and the management expert when determining the closing valuation of investment properties at fair value as at 31 March 2024
- for non-specialised properties valued on the existing use value (EUV) basis, obtained market comparable information to assess the appropriateness of market rents and yields selected by management's expert and used in the valuation calculations.

Our audit work in this area is nearing completion however, work to date has identified the following matters to bring to your attention:

- Testing of valuations identified that two valuations were overstated to a total value of £3,180k. These were both miscalculations when determining the valuation. One overstatement was due to incorrect use of Gross Internal Area and the other was using the DRC area rather than the Modern Equivalent Asset area. Both were considered isolated issues.
- Investment property under construction to the value of £5.9m was included within Note 19 (property, plant and equipment). This is a classification error as the assets should be identified within Note 20 – Investment properties.
- Note 19 (e) incorrectly reported Assets under Construction of £78.2m as being valued during the year. Assets under construction are carried at cost.

Management have agreed to amend the financial statements for these as noted in Appendix D.

We also made a recommendation around note 19(e), around other land and buildings carried at historical cost, see appendix B

We will provide a verbal update to the Audit Committee on 26 November should any significant issues arise from completing our work in this area. None of these amendments impact on Council's usable reserves.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of the Authority's defined benefit pension scheme

The Council's pension fund net balance is considered a significant estimate due to the size of the numbers involved (£74m asset at 31 March 2023 after applying IFRIC14 accounting principles) 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 Council (in common with a number of local authorities in 2022-23) has had to consider the potential impact of IFRIC 14 on the Council's IAS 19 accounting. This has continued in 2023-24 due to a net pension surplus for the year ended 31 March 2024. 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 which is a significant estimate 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 evaluate the design of the associated controls
- evaluated the instructions issued by management to their management expert (Hymans Robertson) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary (Hymans Robertson) 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 net pension balance
- tested the consistency of the pension fund figures and disclosures in the draft 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 (PwC as auditor's expert) and performing any additional procedures suggested within the report
- evaluated the continued appropriateness (as applicable) of recognising a pension asset position against the Code and IFRIC 14 criteria
- assessed the calculation performed to identify the IFRIC 14 net pension asset ceiling and where appropriate, challenged management on the validity and appropriateness of the assumptions used in the calculation
- reviewed the accounting for any unfunded liability element of LGPS in line with Code guidance and accounting principles
- requested assurances from the auditor of the South Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund

Continued overleaf...

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of the Authority's defined benefit pension scheme

The Council's pension fund net balance is considered a significant estimate due to the size of the numbers involved (£74m asset at 31 March 2023 after applying IFRIC14 accounting principles) 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 Council (in common with a number of local authorities in 2022-23) has had to consider the potential impact of IFRIC 14 on the Council's IAS 19 accounting. This has continued in 2023-24 due to a net pension surplus for the year ended 31 March 2024. 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 which is a significant estimate 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.

Our audit work in this area remains ongoing including responses to our inquiries from the auditor of the South Yorkshire Pension Fund, however work to date has identified the following disclosure misstatement in respect of the valuation of the Council's defined benefit pension scheme:

- Within the asset and liability disclosure tables in Note 18, the pension liability for year ended 31 March 2023 was incorrectly reported as £94.491m. This should be £15.019m to reflect the unfunded pension liability.

Management have adjusted the financial statements for this matter as noted in Appendix D.

We will provide a verbal update to the Audit Committee on 26 November should any significant issues arise from completing our work in this area.

Auditor Commentary on Accounting for the Pension Fund Surplus/Asset in the Council's financial statements in line with IFRIC14

See pages 12 -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.

2. Financial Statements - Significant risks

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

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

This section covers:

- (1) Background to the issue and relevant accounting principles
- (2) Our observations of the draft accounts and actuary reports presented for audit
- (3) Summary position

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

As indicated in the prior year audit, for the first time since International Financial Reporting Standards (IFRS) were adopted in the public sector, the Council's net defined benefit pension fund was in a surplus or a net asset position in 2022-23 (in common with a number of local authorities in 2022-23 and 2023-24) as opposed to the significant liability balance that has been reported in previous years. This trend has continued in 2023-24

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

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

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

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

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

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

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

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

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

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

2. Financial Statements - Significant risks

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

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

Our observations highlighted that:

- According to the actuary report for year ended 31 March 2024, the funded asset surplus was £179.1m and the unfunded defined benefit obligation was £14.3m (see last point below). Therefore, according to accounting principles including IFRIC14 highlighted at page 13, the lower of the surplus or the asset ceiling should be recognised on the Council's balance sheet.
- The asset ceiling calculation for 2023-24 has been determined by the actuary and it was a negative value. According to the applicable accounting principles this cannot be negative and floored to zero. Therefore, applying the principles at page 13, the lower of (a) and (b) at page 13 is zero. Therefore, no asset was recognised on the balance sheet for the year ended 31 March 2024 which is in line with applicable accounting principles.
- In 2022-23, the same principles were applied. The fund surplus was lower than the asset ceiling in 2022-23 and the Council recognised the surplus asset (funded) which was £109.5m
- As indicated above, there was an unfunded defined benefit obligation of £14.3m. Under IAS19 (relevant accounting principles), 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 as in last year. The Council has correctly reported this separately on the balance sheet as a long-term liability.

(3) Summary position

Pension Fund Surplus/Deficit?	Asset ceiling calculated by the Actuary?	Lower of the (a) Asset Ceiling (b) Surplus recognised	Unfunded Defined benefit obligations correctly accounted for	Accounting treatment correct in line with IAS19 and IFRIC14
Surplus of £179.1m	Yes. It is a negative number and floored to £Nil	Yes. Lower figure is £Nil. Therefore, surplus is restricted to £Nil for recognition	Yes Separately recognised as a liability (£14.3m)	Yes

2. Financial Statements – other issues and risks

This section provides commentary on other issues and risks which were identified during the course of the audit that are still relevant to be reported.

Issue

Auditor commentary and view

IFRS 16 implementation

FRAB agreed with the deferral of IFRS 16 to 2024-25. Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. If management elect to implement IFRS 16 from April 2023 (early adoption) then in the 2022-23 accounts as a minimum, we expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts.

The Council has reported on this Standard under, Accounting policies, section B, 'Accounting Standards issued but not yet adopted' section. In that note, the Council has indicated that subject to discounting, the operating lease commitments disclosed at note 42 (leases) provide a reasonable guide to assets and liabilities which will be brought into the financial statements at implementation.

In our view, understanding of the impact of the new Standard is more complex due to exemptions and considerations of peppercorn rents etc. Considering we are now in November 2024 (c4 months to the year-end), we consider it is now important to understand the completeness of such right to use (the underlying asset) assets, within the scope of IFRS 16.

We have made a recommendation (Appendix B) that the Council should accelerate the progress of identifying such assets as a priority and ensure full impact is determined well before 2024-25 closedown.

There is no impact to 2023-24 audit.

Equal pay claims and the potential liabilities:

- There have been recent publicity in local government sector where certain councils have accumulated equal pay claims. In some cases, these claims have resulted in recognising significant liabilities on the balance sheet. This has created significant financial and cashflow challenges during an economic crisis where public services have already been impacted due to increasing service demands and cost pressures.
- As part of our 2022-23 audit, we inquired on such existing equal pay claims at the Council, directing our inquiries to the s151 Officer.
- Our objective was to identify any unrecorded liabilities in relation to equal pay claims at the Council.

We received a comprehensive response from senior management on this matter during 2022-23 and we understand, this response is still valid for 2023-24. From this cumulative knowledge, we are content that no liability is required to be recognised in relation to equal pay, or associated disclosures in the financial statements for the year ended 31 March 2024.

Additionally, we have requested a specific representation on this matter within the Letter of Representation – see page 20.

IT General Controls (ITGC) work:

As part of our audit procedures on the financial statements, we conducted our ITGC work. This was targeted on general IT controls and was performed by our IT specialists. The objective was to identify any significant deficiencies in IT general controls that could lead to any material errors in the financial statements.

There were two recommendations arising from our IT work during 2023-24. All recommendations from prior year have now been actioned.

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.

The audit team has considered the issues and recommendations identified (Appendix B). We do not consider them significant enough to have an impact on our audit approach (as we performed a fully substantive audit approach with no reliance on operating effectiveness of controls whether they are IT or manual). The recommendations identified by our IT audit specialists would further strengthen the Council's IT control environment when implemented.

Recommendations are followed up in Appendix B.

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
<p>Council Dwellings valuation: £838m</p>	<p>The Council is required to revalue its Council housing in accordance with Ministry of Housing, Communities & Local Government (MHCLG) ,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 2024 was £838mm, a net increase of £62m from 2022-23 (£776m).</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 2023-24 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 property valuation specialist's information we use and national reports and held discussions with our own valuation specialist as relevant. These discussions are still on going. We have also challenged management and the Council's valuation expert on valuation differences as identified through our sensitivity analysis work using other relevant indices when applicable. These discussions remain 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</p> <p>(Green) - TBC</p>
		<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 in terms of impact to the financial statements audit dure to key judgements and estimates.</p> <p>However , we have made a recommendation to management that valuation date on Council Dwellings to be moved closer to the year- end in line with many similar Councils rather than 1 April. This will reduce the further assessments on market fluctuations closer to the year end and .</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








Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Other Land and Buildings valuation: £285m</p>	<p>Other land and buildings comprises c70% 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 (c30%) 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 2024) and the year-end (31 March 2024). 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 2024 was £285m from £282m indicating no real change. However, please note this was merely a coincidence as valuations took place during 2023-24 as indicated above, and there were additions and disposals during year to 31 March 2024.</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 , 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 36) . 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 Montagu Evans (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</p> <p>(Green) - TBC</p>

2. Financial Statements - key judgements & estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
<p>This Year: Net pension Asset after asset ceiling calculation £Nil – see page 14</p> <p>Prior Year: Net pension Asset after asset ceiling calculation £109.5m</p>	<p>The Council's net pension asset as at 31 March 2024 after asset ceiling calculation is £Nil (PY asset after asset ceiling calculation £109.5m). As indicated at page 14, this year's surplus before the asset ceiling calculation was £179.1m. This gives an indication of the nature of the significant estimate and fluctuations on how the estimate is accounted for.</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. As indicated above and our reporting at pages 11-14, it is evident how the significant estimate could change due to assumptions.</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 border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>* PwC assessment</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.85%</td> <td>See comment below</td> <td>● Green</td> </tr> <tr> <td>Pension increase rate</td> <td>2.75%</td> <td>See comment below</td> <td>● Green</td> </tr> <tr> <td>Salary increase rate</td> <td>3.35%</td> <td>See comment below</td> <td>● Green</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>21.4/20.6</td> <td>See comment below</td> <td>● Green</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>25/23.6</td> <td>See comment below</td> <td>● Green</td> </tr> </tbody> </table> <p>*PwC report (auditor's expert) for year ended 31 March 2024, overall findings has commented on the Hymans Robertson LLP (management actuary/expert) assumptions as follows: "We are comfortable that the methodologies used by Hymans Robertson to establish assumptions will produce reasonable assumptions as at 31 March 2024 for all employers".</p> <p>Our work in this area remains ongoing. See pages 11-14. Our work to date has not identified any evidence to conclude that management's processes and key assumptions are not appropriate. We will provide a verbal update at the Audit Committee meeting on 26 November of any significant developments on our ongoing work.</p>	Assumption	Actuary Value	* PwC assessment	Assessment	Discount rate	4.85%	See comment below	● Green	Pension increase rate	2.75%	See comment below	● Green	Salary increase rate	3.35%	See comment below	● Green	Life expectancy – Males currently aged 45 / 65	21.4/20.6	See comment below	● Green	Life expectancy – Females currently aged 45 / 65	25/23.6	See comment below	● Green	<p>We consider management's process is appropriate (and key assumptions are neither optimistic or cautious) (Green) TBC</p>
Assumption	Actuary Value	* PwC assessment	Assessment																								
Discount rate	4.85%	See comment below	● Green																								
Pension increase rate	2.75%	See comment below	● Green																								
Salary increase rate	3.35%	See comment below	● Green																								
Life expectancy – Males currently aged 45 / 65	21.4/20.6	See comment below	● Green																								
Life expectancy – Females currently aged 45 / 65	25/23.6	See comment below	● Green																								

2. Financial Statements: Information Technology

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





IT system	Level of assessment performed	Overall ITGC rating	ITGC control area rating	
			Security management	Technology acquisition, development and maintenance
Active Directory	Detailed ITGC assessment (design effectiveness only)			
E5 Financials	Detailed ITGC assessment (design effectiveness only)			
iTrent	Detailed ITGC assessment (design effectiveness only)			
NEC Housing	Detailed ITGC assessment (design effectiveness only)			
NEC Revenues & Benefits	Detailed ITGC assessment (design effectiveness only)			

We also performed specific procedures in relation to the Cyber Security arrangements during the audit period, We observed the following results:

Result	Related significant risks / risk / observations
Cyber Security Review	No deficiencies identified
	N/A

The audit team has considered the non-significant deficiencies identified above during 2023-24 around Active Directory, IT application. We do not consider them significant enough to have an impact on our audit approach as they are non-significant deficiencies. We have also performed a fully substantive audit approach with no reliance on operating effectiveness of controls, whether they are automated or manual controls. The recommendations identified by our IT audit specialists (see appendix B) would further strengthen the Council's IT control environment when implemented. Please note all previous year recommendations have now been actioned and nothing to follow up.

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing and N/A

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 Strategic Director – Finance and Customer Services. 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/tailed separately at the Audit Committee meeting on 26 November. Additional representations are requested in relation to: <ul style="list-style-type: none"> Equal Pay liabilities, based on the assessment and work carried out by the Council, there is no requirement to recognise any Equal Pay liabilities on the balance sheet, as at 31 March 2024
Confirmation requests from third parties	We requested from management permission to send a confirmation request to the Council's bankers, and entities who were involved with the Council's investments and borrowings. This permission was granted, and the requests were sent and responded to with positive confirmations.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements to date. Our work did identify a small number of presentational disclosure amendments which have been processed by management and these are set out at Appendix D as relevant.
Audit evidence and explanations / significant difficulties	As in the previous five years, we have continued to experience good co-operation and engagement from the Council throughout our 2023-24 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 and a reported at Appendix D. We plan to issue an unmodified opinion in this respect as reported at Appendix G</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 first two matters . We have identified two significant weaknesses in value for money arrangements as referenced in section 3 of this report.</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. This threshold remains in place for 2023-24 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 alongside issuing the audit opinion.</p>
Certification of the closure of the audit	<p>We expect to delay the certification of the closure of the 2023-24 audit of Rotherham Metropolitan Borough Council due to a request from the National Audit Office not to certify until they have issued their opinion on the Whole of Government Accounts as detailed in Appendix G .</p>



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. 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 substantially completed our work to review arrangements in place at the Council to ensure Value for Money.

In performing our work in this area, we have identified two significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness. These are in relation to arrangements around health and safety and compliance related to the Housing Revenue Account and wider asset management and compliance arrangements.

We expect to make two key recommendations to the Council in relation to these weaknesses, which do not impact on our findings regarding the audit of the financial statements.

We are currently agreeing the substantive findings and recommendations with management and plan to communicate the findings regarding these areas in an update letter to Committee Members in advance of issuing the audit report on the financial statements. More detailed commentary will be included in the Auditor's Annual Report in January 2025.

4. Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers) In this context, we disclose the following to you:

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

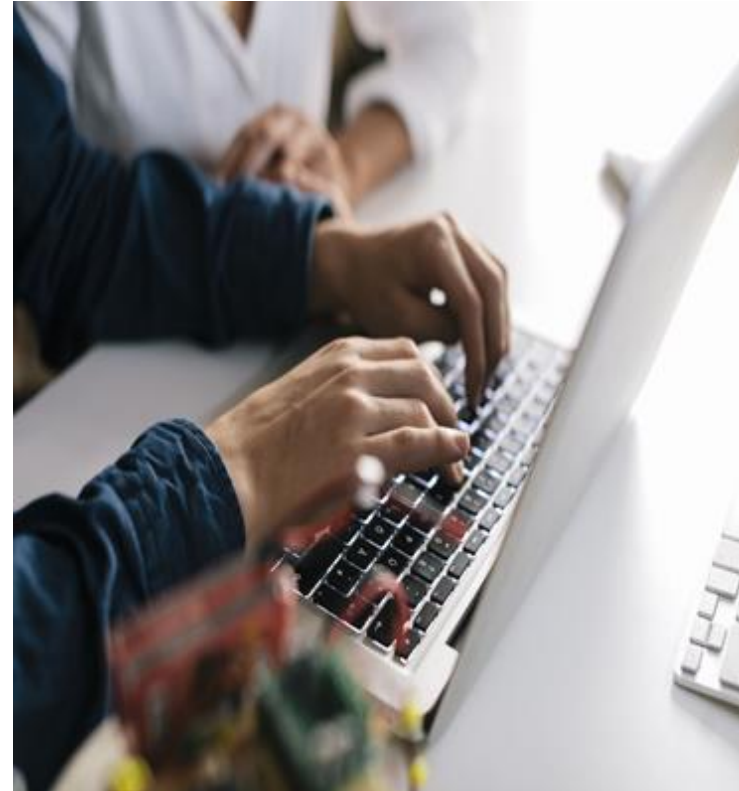
We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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 see [Grant Thornton International Transparency report 2023](#).



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	*35,640	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 *£35,640 in comparison to the total fee for the audit of £399,424 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 and self-interest 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.
			This audit work is also no longer completed by the audit team set out on page 3, but by our separate specialist grants audit team.
Non-audit related:			
None	-	-	-

* NOTE on Housing Benefit work and fees:

The £35,640 is the base fee for the 2023-24 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. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Management Letter of Representation
- G. Audit opinion

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, 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 report

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

B. Action Plan – Audit of Financial Statements Public

We have identified the following recommendations for the Council as a result of issues identified during the course of our financial statement audit. We have agreed our recommendations with management, and we will report on progress on this recommendation during the course of the 2024-25 audit. The matters reported here are limited to those areas that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>● Medium</p>	<p>1. IFRS 16 ‘Leases’ implementation from 1 April 2024</p> <p>IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. This is a shadow year (23-24) for the implementation of IFRS 16.</p> <p>IFRS 16 updates the definition of a lease to: “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.” In the public sector the definition of a lease is expanded to include arrangements with nil consideration. IFRS 16 requires all leases to be accounted for ‘on balance sheet’ by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.</p> <p>This process is a time and resource consuming exercise, to identify such lease contracts and ensure they are complete and accurate. A Council of Rotherham’s size (large metropolitan Council) would potentially have many such contracts to be considered/identified, to ensure those are within the scope of IFRS16 standard.</p> <p>The Council has reported on this Standard under , Accounting policies , section B, ‘Accounting Standards issued but not yet adopted’ section. In that note , the Council has indicated that subject to discounting, the operating lease commitments disclosed at note 42 (leases) provide a reasonable guide to assets and liabilities which will be brought into the financial statements at implementation. Whilst we believe, that note 42 be a guide only, there are other considerations when it comes to application of IFRS16 in the public sector. This includes assets with peppercorn rents which are within the scope of IFRS16 . Also, exemptions for leases with low value assets and short-term leases.</p> <p>Considering this is a time and resource consuming task and potential high number of such contracts at the Council, the implementation of this exercise should be accelerated, for understanding the impact and incorporating in 24-25 financial statements where the year-end is c4 months from this report date. If not, the risk is , Council not identifying all the contracts within the scope of IFRS16 and potential misstatements in 2024-25 Statement of Accounts.</p>	<p>Recommendation</p> <p>We recommend the Council to accelerate the implementation and identification process of assets within the scope of IFRS16 to ensure such assets are completely and accurately captured before 2024-25 accounts closedown.</p> <p>Management response – November 2024</p> <p>We have undertaken a thorough review of the contracts register as well as performing an in-depth analysis of relevant nominal codes to identify potential right of use assets and ensure our listing is complete. Working papers have been created to calculate the value of assets and corresponding liabilities as well as a write down schedule. We intend to upload information into the asset register software once the 2023/24 accounts have been signed off which should enable the key accounting entries relating to IFRS16 to be generated alongside our existing processes for other fixed assets. The valuers are finalising a list of peppercorn leases, and these will be valued in line with IFRS16.</p> <p>GT Comments – November 2024</p> <p>Noted and to be reviewed as part of our interim audit work for 2024-25</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
<p>● Low</p>	<p>2. Management Instructions to the valuer and valuer’s terms of engagement</p> <p>From our work to review and consider the approach to asset valuation at the Council, we have identified that management have provided brief instruction to the Council’s in-house RICS qualified valuers to value Council assets.</p> <p>Our understanding is that it is a mandatory requirement of the RICS Valuation – Global Standards [effective 31 January 2022] that the value must in turn prepare a written Terms of Engagement document, setting out how instructions will be met.</p> <p>We understand that no formal terms of engagement have been issued by the valuer and have been unable to confirm compliance with the reference RICS requirement.</p> <p>We have no reason to suggest that the valuation process has not been in line with the instructions or other professional guidance.</p> <p>Our view is , these instructions can be further improved by referring to the applicable LG Code guidance, which valuers need to comply with.</p> <p>The risk is , non-compliance with RICS guidance.</p>	<p>Recommendation</p> <p>We recommend:</p> <ul style="list-style-type: none"> • Management to further improve the valuation instructions to the in-house valuer by referencing for example, applicable LG Code guidance ; and • Council’s RICS qualified valuation expert to prepare a formal Terms of Engagement document and agree with management, further to the receipt of management valuation instructions <p>Management response – November 2024</p> <p>The valuer is putting together written terms of engagement which will be issued as part of the 2024/25 valuation process. The instructions to valuers will reference the appropriate code guidance.</p> <p>GT Comments – November 2024</p> <p>Noted and to be reviewed as part of our 2024-25 audit cycle.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
<p style="text-align: center;">● Medium</p>	<p>3. Timing of revaluation, disclosures note 19 , Property Plant and Equipment</p> <p>Under the LG Code guidance, The Council is required to publish a disclosure note capturing revaluation timings, covering the last five years. The Council has complied with this guidance and disclosed this under note 19 (e).</p> <p>Code guidance identifies that ‘Other Land and Buildings’ are measured at current value and therefore subject to revaluation. In the draft accounts provided for audit, ‘other land and buildings’ in the valuations table showed £32m of the total £300m balance as being carried at historic cost. We queried this based on the Code guidance and management have subsequently reduced this down to £15m. Whilst we understand some of this balance will include in-year additions, it is considered a high number given Council’s land and buildings are covered under a rolling 5-year cycle.</p>	<p>Recommendation</p> <p>We recommend management to perform further investigations on land and buildings carried out at historical cost at note 19 (e) linking to Council’s Fixed Asset Register and ensure they are identified, and such disclosures reflect the accurate numbers in this note.</p> <p>Management response – November 2024</p> <p>The historic cost balance will be further analysed, and appropriate actions will be taken as applicable, as part of 2024 -25 audit closedown.</p> <p>GT Comments – November 2024</p> <p>Noted and to be reviewed as part of our 2024-25 audit cycle.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – IT audit review

Our IT auditors have identified two recommendations for the Council as a result of the IT audit review, which is performed as part of the financial statement audit. Our IT auditors have agreed the recommendations with management, and we will report on progress on this recommendation during the course of the 2024-25 audit. As indicated at page 15, 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. The audit team has considered the issues and recommendations. We do not consider them significant enough to have an impact on our audit approach (as we performed a fully substantive audit approach with no reliance on operating effectiveness of controls whether they are IT or manual). The recommendations identified by our IT audit specialists would further strengthen the Council's IT control environment when implemented

Assessment	Issue and risk	Recommendations
<p>● Medium</p>	<p>4. Inadequate control over generic accounts within Active Directory</p> <p>During our review we noted that the passwords for three generic accounts within Active Directory are shared among two individuals.</p> <p>The use of generic or shared accounts with high-level privileges increases the risk of unauthorised or inappropriate changes to the application or database. Where unauthorised activities are performed, they will not be traceable to an individual.</p>	<p>Recommendation</p> <p>Where possible, generic accounts should be removed, and individuals should have their own uniquely identifiable user accounts created to ensure accountability for actions performed. Alternately, management should implement suitable controls to limit access and monitor the usage of these accounts (i.e. through increased use of password vault tools / logging and periodic monitoring of the activities performed). Where monitoring is undertaken this should be formally documented and recorded</p> <p>Management response – July 2024</p> <p>Generic accounts are kept to a minimum as per best practice, with all administrative staff having elevated accounts to enable them to perform their duties. Of the 3 accounts identified 2 are break glass accounts reserved for emergency purposes. The 3rd as stated is an inbuilt account for running backup services which only two Senior Principal officers know the password for.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – IT audit review (continued)

Assessment	Issue and risk	Recommendations
<p>● Low</p>	<p>5. Lack of review of information security/audit logs in Active Directory</p> <p>During our review , we noted that audit logs are not enabled for generic accounts within Active Directory, no monitoring is performed for activities performed for privileged generic IDs.</p> <p>Without formal and routine reviews of security event logs, inappropriate and anomalous activity may not be detected and resolved in a timely manner.</p> <p>Additionally, unauthorised system configuration and data changes made using privileged accounts will not be detected by management.</p>	<p>Recommendation</p> <p>It is recommended that security event logs are reviewed on a regular basis for example daily or weekly, ideally by an IT security personnel / team who are independent of those administrating [the application] and its underlying database.</p> <p>Any issues identified within these logs should be investigated and mitigating controls implemented to reduce the risk of reoccurrence</p> <p>Management response – July 2024</p> <ul style="list-style-type: none"> • The generic accounts identified are a minimum quantity and have passwords known by the people who have separate login accounts with the same privileges to the systems and therefore only authorised people would be accessing the system. • Although the recommendation sounds simple and is logical the reality is more complex and would potentially lead to greater risks or operational issues as outlined below:- • Cost and Resources: Regular log reviews can be resource-intensive. The Council would need to allocate budget and personnel to perform these reviews consistently. • Operational Overhead: Frequent log reviews create operational overhead. IT security personnel will spend significant time analysing logs, which could impact their ability to focus on other critical tasks such as incident response or vulnerability management. • False Positives: Security logs often contain false positives—events that appear suspicious but are benign. Frequent reviews might lead to unnecessary investigations and divert attention from genuine security incidents. • Alert Fatigue: Regular log analysis can lead to alert fatigue. Security analysts may become desensitized to alerts, potentially missing important signals amidst the noise. • Lack of Context: Without proper context, interpreting log entries can be challenging. Security personnel might not have the same understanding of the application’s business logic or operational context as the administrators, leading to misinterpretations.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C . 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 in 2021-22 to date

Issue and risk previously

Assessment communicated

Update on actions taken to address the issue

On-going

Other Land and Buildings Valuation date:

Management response November 2021:

Our work on land and building valuations indicates that the reported valuation date remains at 1 April (12 months from the year end date). This results in a lot of audit challenge from us, and a lot of work for the Council's finance team and the valuers, to justify that the valuation of assets valued on 1 April remains materially accurate as at 31 March.

A number of our other local authority audit clients have moved all their valuation dates to 31 March, or much closer to the balance sheet date.

We understand the valuation date for land and buildings could be moved closer to 31 March, which should enable a more efficient valuation process and audit approach going forward.

Recommendation

Considering the extensive procedures that the Council has in place to assess the movement in year of assets valued on 1 April, the Council should consider updating the valuations of assets valued on a Depreciated Replacement Cost basis with the year-end BCIS rebuild costs. This would provide the audit team with a greater level of assurance over the valuation of assets at the reporting date.

The Council should consider moving its valuation date for land and buildings closer to the balance sheet date of 31 March.

Noted and agreed. The Council intends to review its valuation process with a view to adjusting the valuation date from the 1 April to a later date within the financial year. Whilst the Council does recognise the benefit of this and the increased efficiency in processing it may bring, in order for the Council to meet the accounts closure timeline, it must have valuation reports completed before the end of February each year, to allow adequate review, challenge and processing. It is therefore expected that the Council will adjust its valuation date to the 31 December each year.

Management update July 2022 on 2021-22 valuations

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.

GT update November 2022:

We are pleased that the management has actioned this and continues to explore to further extend this closer to the year-end date (31 March). We believe this would further enhance the process of other land and buildings valuation estimate as at the year end.

Management response on 2022-23 valuations - Update May 2023/November 2023

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 Council's ability to take valuations too late in the financial year. No changes to May 2023 update. Will continue to explore but challenges remain as stated in May 2023.

GT update November 2024

We understand, from 2024-25, the deadline for draft accounts submission have now moved to 30 June 2025 from 31 May which provides an additional month to preparers of Local Government accounts. This may give some opportunity for the Council to consider further moving this date to balance sheet date (31 March).

Additionally, the Council should consider moving the Council Dwellings valuation date from 1 April to near the balance sheet date, (31 March). This will provide similar benefits as in moving forward other land and buildings valuation date above.

Management update – November 2024 : For land and building assets done on a DRC basis a date of 1st January is currently used as the valuation date due to the timelines for the availability of BCIS indices. A process takes place after the year end to account for any significant changes in valuation due to changes in BCIS indices between 1st January and 31st March. This ensures that the valuations at 31st March are materially correct. Non-DRC valuations currently have a valuation date of 1st April. The Council will continue to explore if the valuation date can be moved closer to the 31st March.

The bulk of HRA assets are valued on an EUV-SV basis so do not utilise BCIS indices within the valuations. There are a small number of community centres that are valued on a DRC basis. The council will explore if the valuation date of these can be moved closer to the 31st March. The Council will also look at the practicalities of moving the EUV-SV valuations closer to the year-end date.

D. Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2024 and the Council's useable reserves.

Detail	Comprehensive Income and Expenditure Statement (£'000)	Statement of Financial Position (£'000)	Movement in Reserves Statement (£'000)	Impact on useable reserves (£'000)
(1) Dr Investment Properties (note 20) –opening balance Cr Additions, Assets Under Construction (note 19) – opening balance	N/A	5,991 – note 20 (5,991 –note 19)	-	None
Investment property under construction corrected to be shown under investment properties note 20 brought forward, rather than PPE note 19 , AUC brought forward.				
(2) Cr Other Land and Buildings in note 19 Dr Revaluation Reserve Correction of overstating land and buildings valuation by £3,180k	N/A	3,180 (3,180)	-	None
(3) Dr Grants Received in advance – note 34a Cr Creditors – receipts in advance Misclassification of s75 funding (population health funding) , correctly reclassifying as creditors under receipts in advance	N/A	13,905 (13,905)	-	None
(4) Dr Grants Received in advance (note 34a) Cr Children and Young People (CYPS) , excluding schools (CIES, Cost of Services) Further to publishing draft accounts on 31 May 2024 , management put through an adjustment (e.g. not an audit finding) in June 2024 regarding safety valve funding received for 23-24 but accounted under Grants received in advance. This was corrected by management and not an audit adjustment. We have validated this adjustment as correct and reported for completeness only.	(730)	730	-	(730)

D. Audit Adjustments

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

Misclassification and disclosure changes

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

No.	Adjustment Type	Description and value	Account Balance	Updated in the revised accounts?
1.	Disclosure	<ul style="list-style-type: none"> Note 19 (d), the narrative which included that valuation adjustment was made for assets not revalued during the year was removed as there was no such adjustment made, and this statement was incorrect Note 19(e), the table highlighting asset valuations, other land and buildings carried at historical cost column was corrected/reduced from as this was materially incorrect. No impact to closing valuations of land and buildings, also see recommendation 4, at appendix B Note 19 (e), the table highlighting the asset valuations, Assets under construction total (£78,241k) was incorrectly reported within assets valued during year ended 31 March 2024. This was corrected to show under carried at historical cost. 	Note 19, PPE	✓
2.	Disclosure	<ul style="list-style-type: none"> The table at note 18 around pension assets and liabilities recognised on the balance sheet , the pension liability for year ended 31 March 2023 (2022-23) was incorrectly reported as £94,491k. This was corrected to show the unfunded liability as at 31 March 2023, which was £ 15,019k 	Note 18- Defined Benefit Pension Scheme	✓
3.	Disclosure	<ul style="list-style-type: none"> Our review of the draft Annual Governance Statement (AGS) and Narrative Report highlighted some disclosure misstatements and compliance with the relevant guidance. <p>These have now been updated in the final versions of the AGS and the Narrative Report</p>	AGS and the Narrative Report	✓
4.	Disclosure	<ul style="list-style-type: none"> External Audit Fees – this note was updated to correct presentational adjustments to reflect the correct External Audit Fees and other related fees to Grant Thornton to agree to correct fees reported in the Audit Plan and this report 	Note 15- External Audit Fees	✓
5.	Disclosure	<p>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: (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	No but no impact to our audit opinion

D. Audit Adjustments

No.	Adjustment Type	Description and value	Account Balance	Updated in the revised accounts?
6.	Disclosure	<p>Financial Instruments notes</p> <ul style="list-style-type: none"> The management has agreed to update the accounting policy note 21 in line with IFRS9 Note 24 was updated to show the correct Short Term creditor figure , which was incorrect in note 24 Note 24 was updated to correct investments reported and transferred non investments to debtors ,which they are Cash and Cash equivalent figure at note 24 was update to reflect the correct cash and cash equivalent per dace of the balance sheet Note 25, Fair Value of temporary loans was amended to match carrying amount. note 25, Fair value of financial assets table reported the total value of financial assets at amortised cost to be 76.904m whereas note 24 reports the carrying value of financial assets at amortised cost to total 80.625m. This was corrected to be consistent as note 24 was correct Other various presentational adjustments in the Financial Instruments notes to make them consistent with other part of the accounts , mainly the balance sheet and within GI notes (24-28 as applicable) 	Financial Instruments notes 24,25,26,27, 28 and accounting policy notes	✓
7.	Disclosure	The two paragraphs around infrastructure assets were not relevant to this section on accounting standards issued but not yet adopted and was removed. Please note this is included in note 19(a)	Accounting Policies , Section B, Accounting Standards issued and not yet adopted	✓
8.	Disclosure	Note 40(b) reconciliations of liabilities arising from financing activities reports a cash flow for NNDR and CTAX of 1.381m (19.067m in PY) with no opening or closing balances and the note was not clear – this was updated to make it clear	Note 40(b) : reconciliations of liabilities arising from financing activities	✓
9.	Disclosure	<ul style="list-style-type: none"> Management amended other services expenses in note 1b to £431,707k from £433,010k in line with the trial balance. This variance has moved to the depreciation line in note 1b resulting in nil impact to total expenditure. Management amended depreciation expenditure in note 1b to 47,937k from 46,674k in line with the trial balance. This variance has moved from the other services expenses line in note 1b resulting in nil impact to total expenditure 	Expenditure and Funding Analysis	✓
10.	Disclosure	<ul style="list-style-type: none"> Minor update to the depreciation policy on plant and equipment to capture on some specialist plant and equipment which may have a life more than 15 years rather than maximum of 15 years. 	Accounting policies , note 13, depreciation policy	✓
11.	Disclosure	<ul style="list-style-type: none"> Other minor presentational adjustments were made throughout the financial statements on various pages to further improve disclosures. 	Throughout the accounts	✓

D. Audit Adjustments

Impact of unadjusted misstatements 2023-24

The table below provides detail of unadjusted misstatements identified during the 2023-24 audit which was not made to the final set of financial statements due to its immaterial nature. It has no impact to our proposed audit opinion.

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves £000	Reason for not adjusting in 2023-24
(1) Dr PPE – Other Land & Buildings £615,238 Cr Loss on Disposal of Non-current Assets £615,238	(615.2)	615.2	No impact – reversed out through MIRS	Management does not consider these amounts to be material to the Council's accounts.
Our testing on PPE disposals identified an asset was removed from the balance sheet in 2023/24 without having been legally transferred over. The impact of this would be to increase PPE other land and buildings and decrease Loss on Disposal of Non-current Assets by £615k.				
(2) Dr PPE - Additions £929,543 (increase PPE) Cr Short Term Creditors £929,543 (increase ST creditors)	N/A	929.5 (929.5)	No impact	Management does not consider these amounts to be material to the Council's accounts.
Our cut-off testing on creditors identified one capital item that was incorrectly recorded in 2024-25 instead of 2023-24 in which the work was performed and completed. The impact of this would be to increase short term creditors and PPE additions by £930k. £Nil impact to the balance sheet				
Overall impact	See detail column	See detail column	No impact	Due to immaterial nature

D. 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	Impact on 23-24 accounts
<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. Technically this cannot be taken as an error or misstatement as the pension fund accounts did not include this and the share of the Council asset is based on pension fund accounts. We have disclosed this for completeness.</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	This is incorporated in overall 2023-24 valuations of defined benefit asset and no impact to 2023-24 audit.
Overall impact	See detail column	See detail column	No impact	Immaterial nature

E. Fees and non-audit services

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

Audit fees	Proposed fee	Final fee
Rotherham Metropolitan Borough Council Audit (Scale fee)	£383,874	£383,874
*Additional fee relating to the use of an auditor's expert for the valuation of property not included within the PSAA scale fee.	£3,000	£3,000
*Increased audit requirements of ISA 315 Revised – "Identifying and assessing the Risks of Material Misstatement" – (new controls requirement not included in the PSAA latest tender submission)	£12,550	£12,550
Total audit fees (excluding VAT)	£399,424	£399,424

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

Non-audit 'audit related' fees for other services (Also see pages 28 and 29)	Proposed fee	Final fee
Certification of Housing Benefit Claim	£35,640	**see note
Total non-audit fees (excluding VAT)	£35,640	£TBC

**NOTE on Housing Benefit work and fees:

The £35,640 is the base fee for the 2023-24 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.

The fees (audit and non-audit 'audit related' fees reconcile to the amended financial statements, Note 15 - External Audit Fees. These fees remain unchanged to our Audit Plan reported to you on 25 June 2024. None of the above services were provided on a contingent fee basis.

Relevant professional standards

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

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

F. Management Letter of Representation

The letter is tabled as a separate agenda item at the Audit Committee meeting on 26 November 2024

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 2024 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 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2024 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 2023/24; 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 (2024) ("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 of 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 of 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 2023/24 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. 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 of 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 of Finance and Customer Services with respect to going concern are described in the relevant sections of this report.

G. Audit opinion – Draft

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 of 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 November 2024 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 the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, 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 – Draft

Responsibilities of the Authority and the Strategic Director of 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 of Finance and Customer Services. The Strategic Director of 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 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director of 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 of 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 risk was in relation to management override of controls through inappropriate journal entries.

G. Audit opinion – Draft

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 large and unusual items and journals falling within identified risk criteria including;
 - journals posted by senior management;
 - year-end and post year-end journals;
 - journals increasing useable reserves; and
 - material 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 valuations, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

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

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

Our assessment of the appropriateness of the collective competence and capabilities of the 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.

G. Audit opinion – Draft

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

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 2024.

We have nothing to report in respect of the above matter except. In performing our work in this area, we have identified two significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness. These are in relation to arrangements around health and safety and compliance related to the Housing Revenue Account and wider asset management and compliance arrangements.

We expect to make two key recommendations to the Council in relation to these weaknesses

We are currently agreeing the substantive findings and recommendations with management and plan to communicate the findings regarding these areas in an update letter to Committee Members in advance of issuing the audit report on the financial statements. More detailed commentary will be included in the Auditor's Annual Report in January 2025. [WORDING TO BE CONFIRMED WITH KEY RECOMMENDATIONS]

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 November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

G. Audit opinion – Draft

Report on other legal and regulatory requirements – Delay in certification of completion of the audit [TO BE CONFIRMED]

We cannot formally conclude the audit and issue an audit certificate for Rotherham Metropolitan Borough Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect of WGA for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

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 85 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

Michael Green, Key Audit Partner

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

Manchester

Date: TO BE DATED

