

## Informing the Audit Risk Assessment 2024-25

This appendix highlights the inquiries of management made by external audit as part of the 2024-25 audit planning process as well as managements responses.

General inquiries	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2024/25?	<ul style="list-style-type: none"> <li>IFRS 16 Leases (IFRS 16 removes the previous lease classifications of operating and finance leases for lessees and it requires that a right-of-use asset be recognised for all leases (there are exemptions for short-term and low value leases) with a corresponding lease liability representing the lessee's obligation to make lease payments for the asset);</li> <li>Schools converting to academy (during the course of 2024/25, a further 2 primary schools and a special school have converted to an academy. The impact on the Council's balance sheet and income and expenditure has yet to be determined but is likely to be material)</li> </ul>
2. Have you considered the appropriateness of the accounting policies adopted by Rotherham Metropolitan Borough Council?  Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	In January 2025 Audit Committee received a report outlining the Council's plans for the delivery of the Statement of Accounts and updates to accounting policies. As part of this process the Council's Financial Accounting team considered any adjustments required to accounting policies for 2024-25. The Accounting policies have been amended to reflect the changes required in relation to IFRS16.
3. Is there any use of financial instruments, including derivatives? If so, please explain	The Council uses Money Market Funds for short term investments, using AAA rated funds only, placing security and liquidity as its primary concern over yield.  All financial instruments are included in the Statement of Accounts note.  There are no derivatives.
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	Nothing significant
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No
6. Are you aware of any guarantee contracts? If so, please provide further details	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in-house solicitors, can you provide details of those solicitors utilised by Rotherham Metropolitan Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	The Council instructs EM Lawshare Panel Solicitors and various external Solicitors in relation to a variety of Pa matters including, Insurance Claims, some Property/ Commercial transactions and matters identified elsewhere in the External Audit

	Process. The Solicitors appointed in relation to CSE are employed by the Council's insurers. None of which are material to the year end accounts for 2024/25.
9. Have any of the Rotherham Metropolitan Borough Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	Nothing material
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	The Council uses advisors in respect of Taxation and Treasury Management. Treasury advisors MUFG provide information on matters such as market updates, counter party control and Treasury Management advice.  PWC provide support with taxation enquiries.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Investments and loans have been considered.  Transactions with other Local Authorities – provision not required under IFRS9.  MMF's and banks produce non material credit loss calculation.  The council has a small number of external loans which have been provided for.
<b>Fraud inquiries</b>	<b>Management response</b>
1. Has Rotherham Metropolitan Borough Council assessed the risk of material misstatement in the financial statements due to fraud?  How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?  How do the Council's risk management processes link to financial reporting?	The Council does not believe there is a risk of material misstatement in the financial statements due to fraud.  The Council has an anti fraud and corruption policy which provides staff with details on the Council's arrangements to manage fraud. There is also an anti fraud and corruption strategy which details the Council's approach to preventing, fraud and corruption and investigating suspected cases.  All employees are required to complete mandatory GDPR e-learning modules on an annual basis.  Fraud risks are entered onto risk registers where applicable, then regularly monitored. Directorate and Finance risk registers are considered and reviewed throughout the financial year to highlight any issues that may impact on the Council's financial standing or financial monitoring. The Finance and Customer Services Directorate risk register has a risk for the 'accurate and timely production of a draft Statement of Accounts and WGA'.  Senior Leadership Team also review the Corporate Risk Register as well as performance reports and financial reports. This enables the section 151 to ensure that financial risks are adequately reflected in risk registers and also ensure that significant directorate risks are appropriately managed.  Annual audit report completed that includes a review of the council's arrangements against current best practice. The self-assessment against the Fighting Fraud and

	Corruption Locally checklist and resulting actions were reported to the Audit Committee in September.
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	Low level expense claims.
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Rotherham Metropolitan Borough Council as a whole, or within specific departments since 1 April 2024? If so, please provide details	<p>None that would affect Statement of Accounts.</p> <p>Internal Audit is responsible for reporting risk of fraud to those charged with governance. The section 151 meets with Internal Audit weekly which enables early awareness and consideration of whether any urgent reporting is required. The Chief Executive also holds quarterly Statutory Officer meetings in order to understand any significant issues and risks and where any developing trends can be identified.</p> <p>The Council's corporate services such as Finance and Procurement provide an extra layer of support in identifying and preventing fraud through their operational processes and professional experience.</p>
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	<p>When internal audit discovers/suspects fraud, management of the relevant department will be contacted and discussion takes place, and agreement reached on how the matter will be investigated. The Chief Executive and Strategic Director Finance &amp; Customers Services are briefed regarding the issues raised.</p> <p>The whistleblowing officers meet regularly to discuss cases. The whistleblowing officers report into the Statutory Officers group which meets every quarter. An anonymous schedule is taken to Standards and Ethics Committee every quarter. The minutes of the Standards and Ethics Committee are an agenda item at Full Council. When Internal Audit undertake an investigation, the outcomes are reported in an exempt paper to the Audit Committee. The Audit Committee minutes are also an agenda item at Full Council.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Rotherham Metropolitan Borough Council where fraud is more likely to occur?</p>	<p>We have no concerns that there are areas where there are control weaknesses as such that would result in a fraud materially affecting the accounts.</p> <p>There are no concerns around any areas of significant risk or locations where this is more likely to occur.</p>
6. What processes do Rotherham Metropolitan Borough Council have in place to identify and respond to risks of fraud?	<p>Internal audit plan and progress reports and annual reports cover both proactive and reactive work covering fraud.</p> <p>Recommendation tracking looks to establish the degree of implementation of recommendations raised within audits and investigations. These results are reported to senior management and the audit committee. If internal audit finds the control</p>

	<p>environment to be weak and a partial or no assurance opinion is given, a follow up audit is planned within 6 months where progress against implementation of action is reviewed. The Council takes part in the NFI data matching exercise and work with services within the Council to review the matches and take appropriate action where necessary.</p> <p>The Council has a Whistleblowing Policy. A register is maintained of all whistleblowing allegations received and these are reported in summary to Standards and Ethics Committee. See also Question 1 above.</p>
<p>7. How do you assess the overall control environment for Rotherham Metropolitan Borough Council, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Internal controls are considered very tight overall.</p> <p>Key activities (listed below) to create clear segregation of duties, ensure everything is reviewed for approval at an appropriate level and reviewed for appropriateness.</p> <ul style="list-style-type: none"> <li>P2P Process</li> <li>Creditors</li> <li>Sundry Debtors Process</li> <li>Revs and Bens - Council Tax / NNDR</li> <li>Treasury Management / Banking Arrangements</li> </ul> <p>Internal Audits completed in respect of the following:</p> <ul style="list-style-type: none"> <li>Council Tax Support - Substantial Assurance</li> <li>Insurance - Substantial Assurance</li> <li>Council Tax Energy Rebate Scheme - Substantial Assurance</li> <li>NNDR - Substantial Assurance</li> <li>Sundry Debtors - Reasonable Assurance</li> <li>Payroll - Substantial Assurance</li> <li>Housing rents – Substantial Assurance</li> <li>RTB- Substantial Assurance</li> </ul> <p>The section 151 has weekly scheduled meeting with the Head of Internal Audit in order that the section 151 is made aware of any issues identified or reported at the earliest opportunity.</p>
8. Are there any areas where there is potential for misreporting? If so, please provide details	<p>The Council's finance structure and production of the accounts is such that all reports are reviewed by the relevant Head of Finance prior to decision making. Where information is fed into the Councils accounts it is submitted by the Head of Finance for the Directorate and reviewed by the Corporate Finance function. Ultimately the final accounts are also reviewed by the Assistant Director of Finance and Customer Services. These levels of control/review mitigate the risk of misreporting. As such the risk of misreporting is low.</p>
9. How does Rotherham Metropolitan Borough Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?	<p>Weekly communications are distributed to all staff through the 'Monday Briefing' and 'Chief Executives Briefing'. Both provide details of any policy changes are a means of promoting business practice and ethical behaviour. Staff events always</p>

<p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>start with a reminder of expectations and service plans also contain the vision for the directorate which includes expected standards. All employees areas are required to complete appropriate mandatory e-learning modules e.g. GDPR. Fraud awareness training is mandatory for all new starters and refresher training should be undertaken every 3 years. All employees are made aware of the Whistleblowing Policy and their responsibilities from it. No significant issues have been reported, that would impact the Councils accounts.</p> <p>The Council has an ethical procurement policy that sets out how ethical matters will be dealt with in procurement.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Segregation of duties throughout the finance and procurement function.</p> <p>Annual declaration of interests for all staff on PO or Chief Officer grades and risk assessments are completed by line management where interests have been declared.</p> <p>Internal Audit review matches from the National Fraud Initiative which identify potentially undeclared interests.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>There are no related party relationships that present a risk of fraud. There is segregation of duties across all of the Councils finance and contractual functions to ensure that multiple officers, from multiple functions are required to review and approve decision making.</p>
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Audit Committee are asked to review the Council's Anti-Fraud and Corruption Policy and approve the Strategy on an annual basis.</p> <p>Audit Committee is presented within an annual review which is designed to ensure that the Policy and Strategy are up to date with current best practice and to take into account any changes to the Council's organisation structure.</p> <p>The CIPFA Code of Practice on Managing the Risk of Fraud and Corruption requires an annual report on performance against the Strategy. There is a self-assessment and resulting Action Plan provided to AC on the performance against the strategy. In 2024 this was undertaken against the Fighting Fraud and Corruption Locally checklist.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>A register is maintained of all whistleblowing allegations received and these are reported in summary to the Standards and Ethics Committee.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>
<p><b>Laws and regulations</b></p>	<p><b>Management response</b></p>

<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Rotherham Metropolitan Borough Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>Service managers ensure service is compliant with relevant laws and regulations. Annually assurances provided on this via the Annual Governance Statement which is then thoroughly checked and challenged as required.</p> <p>The Financial Accounting team liaise with legal to ascertain the Council's list of ongoing litigation and claims. This is then assessed and distributed to the Finance Managers for review to determine appropriate disclosures of any provisions, contingent assets and contingent liabilities.</p> <p>There have been no changes to the Council's regulatory environment that would have a significant impact on the Council's financial statements.</p>
2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	Through the Annual Governance Statement, Internal Audit progress and annual reports on compliance with Contract and Financial procedures.
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2024 with an on-going impact on the 2024/25 financial statements? If so, please provide details	No
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	Only those listed in contingent assets and liabilities.
5. What arrangements does Rotherham Metropolitan Borough Council have in place to identify, evaluate and account for litigation or claims?	These are referred to Legal/Insurance team as required.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No
<b>Related parties</b>	<b>Management response</b>
<p>1. Have there been any changes in the related parties including those disclosed in Rotherham Metropolitan Borough Council's 2024/25 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and Rotherham Metropolitan Borough Council</li> <li>whether Rotherham Metropolitan Borough Council has entered into or plans to enter into any transactions with these related parties</li> <li>the type and purpose of these transactions</li> </ul>	<p>There have been no changes in the related party relationships disclosed by the Council at an entity level, though the Council's RP disclosures at an officer or member level do change each year. This information is presented clearly within the Council's accounts, within the specific related party note. Process the same as in previous years looking at all members and Heads of Service and above Officers declaration forms. Please refer to related parties working paper for members and Officers for more details.</p>
2. What controls does Rotherham Metropolitan Borough Council have in place to identify, account for and disclose related party transactions and relationships?	Declarations of Interest completed by all officers annually, reviewed and approved by line management. Members complete the form termly or when a change in circumstances arises. The guidance for officers and members is clear that it is their responsibility to notify the Council of any significant change of circumstances.

3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	Requisitions are reviewed and approved in line with the Council's Financial and Procurement Procedure Rules.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	The Council has a procurement exemption process in place which allows for the award of contracts without a competitive process in exceptional circumstances. This process requires procurement, legal, Head of Finance and S151 officer approval.  Where a payment is made outside of the procurement system it must be approved by two Finance Managers.
<b>Going concern</b>	<b>Management response</b>
What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Rotherham Metropolitan Borough Council will no longer continue?	Monthly revenue and capital monitoring takes place which identifies any key financial risks for the Council. In addition, budget, mid year and outturn reports are submitted to Cabinet which highlight any financial risks which may affect the continuation of service provision.
Are management aware of any factors which may mean for Rotherham Metropolitan Borough Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No
With regard to the statutory services currently provided by Rotherham Metropolitan Borough Council, does Rotherham Metropolitan Borough Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Rotherham Metropolitan Borough Council to cease to exist?	The Council expects to continue to deliver the statutory services for the foreseeable future.
Are management satisfied that the financial reporting framework permits Rotherham Metropolitan Borough Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes
<b>Accounting estimates</b>	<b>Management response</b>
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	PPE and Pension Fund are significant, robust processes are in place to ensure these are accurately reflected.
2. How does the Council's risk management process identify and address risks relating to accounting estimates?	Review and challenge of key areas to ensure they are robust. Where issues are identified a more detailed review of processes and controls will be undertaken, likely through the Councils internal audit function.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Finance Managers identify the methods and processes to be used ensuring compliance with the Code of Practice.
4. How do management review the outcomes of previous accounting estimates?	Review by management with challenge on key areas.

	<p>The Statement of Accounts is presented for review and scrutiny by the Audit Committee ahead of publication of the final accounts.</p> <p>The SOA is also reviewed by the wider finance team for accuracy.</p>
5. Were any changes made to the estimation processes in 2024/25 and, if so, what was the reason for these?	None
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	The Council's Corporate Finance team and specific Finance Managers identify the methods and processes to be used ensuring compliance with the Code of Practice. Qualified valuers used for valuations, treasury advisors supply fair value for financial instruments.
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	<p>Valuers are issued with instruction letter.</p> <p>RMBC participate in annual bulk exercise to obtain IAS19 disclosures.</p> <p>Quality assurance is carried out.</p> <p>If any concerns are raised the S151 officer can request the internal audit review.</p>
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	As above
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> <li>• Management's process for making significant accounting estimates</li> <li>• The methods and models used</li> </ul> <p>The resultant accounting estimates included in the financial statements.</p>	The SOA accounts is reviewed by management with challenge provided on key areas of the accounts. The SOA is also presented for review and scrutiny by the Audit Committee ahead of publication. The SOA is also reviewed by the wider finance function (chartered accountants) for accuracy and to identify any issues. Training offered to new audit committee members and refresher training offered to existing members.
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	Yes, via the presentation of the SOA and supporting reports, highlighting any changes in regulations or environment that may give rise to a challenge to the Councils accounting estimates process.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Arrangements reviewed annually for appropriateness and where relevant external expertise is used.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate?	Robust reporting to Audit Committee and training provided on the production of the statement of accounts.

**Appendix A – Accounting Estimates**

Possible examples include: land and buildings valuations, council dwelling valuations, investment property valuations, valuation of defined benefit net pension fund liability/asset, fair value estimates, level 2 and 3 investments, PFI liabilities, provisions, accruals, credit loss and impairment allowances, leases.

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation	<b>Straight line method based on opening value as at 1<sup>st</sup> April</b>	<b>Treatment of asset classifications and UEL applied as per policy</b>	<b>Only in obtaining the most recent asset valuations used</b>	<b>Asset is still in use, useful economic life</b>	<b>No</b>
Assets held for sale	<b>Measured at the lower of carrying value and fair value less cost to sell</b>	<b>Experience of key staff and valuation team</b>	<b>RMBC valuation staff</b>	<b>Fair value based on view of qualified valuers</b>	<b>No</b>
Valuation of defined benefit net pension fund assets/liabilities	<b>Liabilities have been assessed on an actuarial basis using the projected unit current method</b>	<b>An estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.</b>	<b>The liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries</b>	<b>Rates of inflation, longevity, increase in salaries, increases in pension and rate for discounting liability</b>	<b>No</b>
Valuation of fair value estimates (including use of level 2 inputs)	<b>Surplus assets and investment properties are revalued at fair value annually / Both are valued using a market approach</b>	<b>Local information such as sale prices, rental income</b>	<b>RMBC valuation staff</b>	<b>Based on individual valuation certificates</b>	<b>No</b>
Fair value of debt instruments estimate	<b>An income approach is used, this converts future amounts (eg cash flows) to a current/discounted amount</b>	<b>Based on PWLB new loan rates</b>	<b>The Council's treasury advisors provide the calculations</b>	<b>A calculation is done using PWLB redemption rates as a comparison</b>	<b>No</b>

Provisions	<b>Appeals provision based on previous appeals success %</b>  <b>Insurance based on previous claims data</b>	Experience of key staff and Insurance team	N/A	The % used can change each year based on historic information	No
Contingent liabilities and contingent assets	<b>Legal/insurance team provide information</b>	Experience of key staff and Insurance team	N/A	Each case is individual	No
Credit loss and impairment allowances	<b>Expected Credit Loss model</b>	<b>Historic default rate data from 3 main credit rating agencies.</b> <b>Previous year collection rates for debtors</b>	The historic default rate figures are provided by Treasury advisors.	The % used changes each year based on historic information	No
Right of use assets and lease liabilities (IFRS 16)	<b>Cost or value model</b>	<b>Implicit interest rates already identified within previous finance lease models – incremental borrowing rates determined with reference to PWLB published rates</b>	<b>Qualified valuers have provided valuations for peppercorn leases and other Right of Use assets carried at value</b>	Assets held at value – based on the views of qualified valuers	Yes - 24/25 is year of transition to IFRS16
PFI liabilities	<b>PFI Model</b>	Based on model used	PWC produced the original model, RMBC have used these models to derive liability under IFRS16	PFI model is most appropriate estimate	Yes – due to transition to IFRS16
Other (please add)					