

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

Year ended 31 March 2025

25 November 2025



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Audit Findings for Rotherham Metropolitan Borough Council for the 31 March 2025

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 manage risk, quality and internal control particularly through our Quality Management Approach. 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-2024-.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

Key Audit Partner
For Grant Thornton UK LLP

Chartered Accountants

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1. Headlines and status of the audit

Headlines

This page and the following 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 2025 for the attention of 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 its income and expenditure for the year; and
- 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 consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

We received the Council’s draft accounts on 9 June 2025, ahead of the 30 June deadline for the publication of local authorities draft accounts.

Our audit work commenced during July and continued through to November as planned. Our work was completed using a hybrid of on-site and remote work. Our findings are summarised on pages 14 to 42 of this report.

We have identified one adjustment to the financial statements that has resulted in a £13m adjustment to the Council’s Comprehensive Income and Expenditure Statement. The adjustment has no impact on the Council’s usable reserves.

We identified three misstatements that management have decided not to adjust for in the financial statements presented for approval, one of which only impacts on disclosures in the notes to the financial statements. These misstatements would result in a £7.1m adjustment to the Comprehensive Income and Expenditure Statement as a reduction to the deficit outturn and would increase usable reserves by £1.1m.

Audit adjustments are detailed from page 36.

Our work also identified several presentational and disclosure amendments which are detailed on pages 39 to 42.

We have also two raised recommendations for management as a result of our audit work. These are set out on page 43. We have followed up on the recommendations raised in the prior year on pages 44 and 45.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters:

- receipt of management representation letter
- satisfactory resolution of an identified variance between the pension fund records and the actuary report in respect of benefits paid
- review of the final set of financial statements to check agreed amendments have been processed
- updating our post balance sheet events review, up to the date of signing the opinion
- completion of internal quality review processes, including final reviews of the file by both the Engagement Lead and Engagement Manager, specifically in respect of the significant audit risks of the closing valuation of land and buildings and council dwellings and valuation of the defined benefit pension scheme net balance

Headlines

Financial statements (continued)

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

Our anticipated financial statements audit report opinion will be unmodified. We anticipate signing your accounts by the end of the 2025 calendar year.

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 have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is to be reported to the Audit Committee on 25 November alongside this report. We identified two significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (page 47).

Headlines

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 required under the Code. However we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until confirmation has been received from the NAO that the Whole of Government Accounts audit has been certified by the Comptroller and Auditor General and therefore no further work is required to be undertaken in order to discharge the auditor’s duties in relation to consolidation returns under paragraph 2.11 of the Code.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Significant matters

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

Headlines

National context – audit backlog

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Headlines

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. 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.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

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

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

2. Materiality

Our approach to materiality

As communicated in our Audit Plan dated 9 June 2025, we determined materiality at the planning stage as £15.2m, which equated to 2% of your prior year (2023-24) gross expenditure to the surplus/deficit on the provision of services. At year-end, we have reconsidered planning materiality based on the draft financial statements. Materiality has remained at the same level as determined at the planning stage and equates to 1.7% of gross expenditure for 2024-25.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £15.2m based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as prior year audit findings and consideration of the risks associated with the audit of the financial statements.
- We have used 2% of the prior year's gross expenditure on the surplus/deficit on the provision of services as the basis for determining materiality.
- As communicated at the planning stage, the 2% measurement percentage is greater than the 1.5% used in the prior period. We reached the judgement to increase this in 2024-25 on the basis that this is now our seventh year as external auditors to the Council and we have developed a great deal of cumulative knowledge and experience over this period. We note that no material errors impacting on useable reserves were identified in prior periods and there is stability in the Council's Senior Leadership Team in addition to the Council's being in good financial standing overall with a strong control environment.

Performance materiality

- We have determined performance materiality at £10.64m, this is based on 70% of headline materiality. There has been no change to the level of performance materiality determined at the planning stage and the 70% remains consistent with the measurement percentage used in the prior period.
- The level determined reflects the fact that the Council has a stable financial reporting team with a track record of preparing good quality financial statements, supporting working papers and engaging well throughout the audit process.

Specific materiality – Remuneration disclosures

- We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £23k.

Reporting threshold

- This has been determined to be £760k, equivalent to 5% of headline materiality.
- We will report all misstatements identified in excess of this threshold to Audit Committee, in addition to any matters considered to be qualitatively material.

Our approach to materiality

A summary of our approach to determining materiality is set out below.

Materiality area	Amount	Qualitative factors considered
Materiality for the Council's financial statements	£15.20m	This equates to 2% of the Council's gross expenditure on the surplus/deficit on the provision of services for 2023-24 based on the audited statement of accounts for the year then ended. This is greater than the 1.5% measurement percentage used in the prior period. We have reached this judgement on the basis that this is now our seventh year as external auditors to the Council and we have developed a great deal of cumulative knowledge and experience over this period. We note that no material errors impacting on useable reserves have been identified in prior periods and there is stability in the Council's Senior Leadership Team in addition to the Council's being in good financial standing overall. These factors have indicated that increasing the measurement percentage to 2% is appropriate. Our overall risk assessment at the planning stage supports the 2% benchmark applied.
Performance Materiality (PM)	£10.64m	The performance materiality has been set at 70% of financial statement materiality, consistent with the measurement percentage used in the prior period. This reflects our risk assessed knowledge of potential for errors occurring. Performance materiality is used for the purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit procedures. This is the amount we set at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Trivial Matters (reporting threshold)	£0.76m	The amount below which findings would be clearly inconsequential both individually or in aggregate to any reader of the financial statements. This equates to 5% of headline materiality. We report all misstatements identified in excess of £760k to Audit Committee.
Specific Materiality – Remuneration Disclosures	£23k	Due to the public interest in senior officer remuneration disclosures, we apply specific audit procedures to this work and set a lower materiality level for this area. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We evaluate errors in the remuneration report for both quantitative and qualitative factors against this lower level of materiality. We will apply heightened auditor focus in the completeness and clarity of disclosures in this area and will request amendments to be made if any errors exceed the threshold we have set or would alter the bandings reported for any individual.

3. Overview of significant and other risks identified

Overview of audit risks

The below table summarises the significant and other risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs. A significant risk can be a significant risk due to error or due to fraud.

For the purposes of the ISAs (UK), the auditor is concerned with fraud or suspected fraud that causes a material misstatement in the financial statements. Two types of intentional misstatements are relevant to the auditor – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. As part of our consideration of risks relating to fraudulent financial reporting we consider the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to suppress revenue expenditure and minimise the depletion of an Authority’s general fund reserves over time.

Other risks are, in the auditor’s judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	●
Closing valuation of land and buildings, including Council dwellings	Significant	↔	✗	High	●
Valuation of the defined benefit net pension fund balance	Significant	↔	✗	High	●
Presumed risk of fraud in revenue recognition (rebutted)	Rebutted the risks	↔	✗	Low	●
Presumed risk of fraud in expenditure recognition (rebutted)	Rebutted the risks	↔	✗	Low	●
Implementation of IFRS 16 leases standard	Other	↔	✗	Medium	●

- ↑ Assessed risk increase since Audit Plan

↔ Assessed risk consistent with Audit Plan

↓ Assessed risk decrease since Audit Plan
- Not likely to result in material adjustment or change to disclosures within the financial statements

● Potential to result in material adjustment or significant change to disclosures within the financial statements

● Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks

Risk identified	Auditor commentary and procedures performed
<p>Management override of controls</p> <p>Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p> <p>We therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p>Our work focussed on key estimates and judgements made by management; we conducted testing on journal entries where there has been the potential to manually input adjustments to the general ledger, with a focus placed on closing journal entries in the final period and during the preparation of the financial statements as guided by relevant auditing standards. We also reviewed key accounting judgements and accounting estimates. No estimates or judgements have been identified as a fraud risks and due to statutory accounting overrides prescribed by the CIPFA Code, we have not identified any incentives for management to fraudulently misstate relevant transactions and balances. No indicators of management bias have been identified from our work on judgements and accounting estimates.</p> <p>As part of our work, we have:</p> <ul style="list-style-type: none">• evaluated the design effectiveness of management controls over journal entries;• analysed the journals listing and determined the criteria to be applied in identifying high risk unusual journals;• identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration;• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and• evaluated the rationale including the existence of underlying incentives for any changes in accounting policies, estimates or significant unusual transactions. <p>In performing the above procedures, we identified a population of journals to test using data analytics software to analyse journal entries and to split large batch journals into smaller sets of transactions to consider against specific risk criteria determined by the audit team.</p> <p>The risk criteria determines included:</p> <ul style="list-style-type: none">• Material journals across the year• Journals posted by senior officers• Post year-end journals• Journals crediting expenditure around the year-end• Journals posted by members of the Council’s Financial Systems Support Team who have administrator user access to the general ledger <p>Application of these routines and supplementary procedures identified a total sample of 27 journals to test.</p> <ul style="list-style-type: none">• challenged management’s key judgements and estimates and considered whether these judgements and estimates are individually or cumulatively indicative of management bias• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness <p>Key findings</p> <p>Our audit work has not identified any issues in respect of management override of controls.</p>

Significant risks

Risk identified

Closing valuation of land and buildings, including Council dwellings

Land and buildings: The Council re-values its land and buildings on a rolling five-yearly basis in line with the Code requirements.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £282m at 31 March 2024) and the sensitivity of this estimate to changes in key assumptions.

Additionally, management needs to ensure the carrying value of land and buildings is not materially different from the current value at the balance sheet date, where a rolling programme is used.

Council dwellings: The CIPFA Code requires stipulates that Council dwellings (£838m at 31 March 2024) should be valued on the basis of existing use value as social housing and the Council has adopted a beacon methodology.

The valuation of land and buildings and council dwellings involves subjectivity and a significant degree of judgement and estimation by management. This is due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

The closing valuation of land and buildings and council dwellings was identified as a significant risk in our Audit Plan dated 9 June 2025, and one of the most significant assessed risks of material misstatement.

Auditor commentary and procedures performed

The draft accounts indicated a fall in the carrying value of other land and buildings totalling £30m, of this over £20m is the result of four schools converting to academies during the financial year. The most significant individual valuation movement related to Riverside House, which showed a fall of £5m on an existing use basis reflecting perceived weaker demand for office accommodation. Around £30m of the capital additions recorded as other land & buildings arose on adoption of the IFRS16 leases accounting standard, however, this accounting transaction has not enhanced the valuation of the PFI & leased specialised assets and as such a revaluation decrease of £30m has been recorded which nullifies the impact of the £30m capital addition on the carrying value of other land & buildings.

As part of our work, we have:

- evaluated the design effectiveness of controls in place around the valuation process
- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work & the appropriateness of the basis of the valuation
- evaluated the competence, capabilities and objectivity of management's valuation expert
- evaluated the challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding & written to the valuer to confirm the basis on which the valuation was carried out
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's AssetManager.NET fixed asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end
- considered the carrying value of assets not valued in the year and the potential for material change in their value since previous valuation to the Balance Sheet date
- engaged, our own RICS registered valuation auditor's expert to assess the instructions issued to the valuer, the assumptions and estimates applied that underpin the valuation of buildings and give a view on the adequacy and appropriateness of management's external valuer's report
- agreed, on a sample basis, the internal floor areas (GIAs) to the Council's AutoCAD building measurement software

Significant risks

Auditor commentary and procedures performed

Closing valuation of land and buildings, including Council dwellings (continued)

Key findings

The Council acquired residential properties totalling £23m during the year as part of its programme to build out its housing stock. These were recorded at historic cost in the draft accounts. Our audit work identified that carrying these newly-acquired council dwellings at historic cost was not compliant with Code requirements, which specifies that Council Dwellings are to be carried at a social housing valuation (EUV-SH). Management adjusted the carrying value of the properties to comply with Code requirements resulting in a fall in the carrying value totalling £13m. We note that this fall in value is not reflective of any loss in value that would occur if these properties were sold on the open market, it is purely a technical accounting adjustment to reflect that these properties have been designated as social housing. This audit adjustment has been recorded as an audit adjustment on page 37 of this report.

In performing our procedures we challenged the classification of the Forge Island complex which had been included as a surplus asset after being brought into use. Following discussion, management agreed to reclassify the assets to 'other land and buildings' and this has been recorded as an audit adjustment on page 42 of this report. There was no impact on the carrying value of the Forge Island land and buildings resulting from this audit adjustment.

Based on procedures performed, we have gained suitable appropriate evidence to conclude that the carrying value of land and buildings and council dwellings at the year-end are fairly stated.

Significant risks

Risk identified

Valuation of the defined benefit net pension fund balance

The Council's pension fund net asset/liability balance, as reflected in its balance sheet, represents a significant estimate in the financial statements. The pension fund net balance is considered a significant estimate in the financial statements due to the size of the numbers involved to arrive at that net balance (gross asset of £1.5bn and liability of £1.3bn in 2024) and the sensitivity of the estimate to changes in key assumptions.

At 31 March 2024, the Council reported a net pension surplus in their financial statements and was subsequently capped at £nil under the principles of IFRIC 14. Gross assets were reduced by nearly £0.2bn to reach the £nil balance sheet position. The £14.3m liability noted as the net pension balance reflects the Council's obligations in respect of unfunded liabilities, for which there are no pension assets to offset. A key aspect of our work planned is to consider whether this position remains supported by fund-level assumptions and market-based factors.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

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

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the net IAS 19 surplus. In particular the discount and inflation rates, and life expectancy.

We therefore identified the valuation of the Council's pension fund net balance as a significant risk of material misstatement.

Auditor commentary and procedures performed

As part of our audit work, we have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net surplus is not materially misstated and evaluated the design of the associated controls
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- performed procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and we have performed any additional procedures suggested within the report
- obtained assurances from the auditor of the South Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.
- confirmed that pension fund asset valuations were based on a 31 March 2025 valuation date.

Significant risks

Auditor commentary and procedures performed

Additional commentary and work undertaken in respect of pension surplus position:

UK economic and market conditions have continued to give rise to circumstances for an LGPS IAS 19 pension fund surplus to exist. The surplus position is consistent with the prior period, although the headline surplus has increased in magnitude due to the factors described below.

IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

During the preparation of the draft accounts, management obtained an IFRIC 14 calculation from its actuarial expert that satisfies the requirements of the accounting standard. This calculation indicated an asset ceiling that was negative (i.e. less than £0) and per IFRIC 14 principles, the asset ceiling has been capped at £nil in the draft financial statements. Accounting for the net pension surplus at £nil is consistent with the LGPS net pension surplus valuation in the signed financial statements for the prior period (2023-24).

There has been an increase in the headline surplus calculated due to a year-on-year increase in the discount rate on high-quality corporate bonds (assumption stipulated by IAS 19 accounting standard) alongside an unchanged inflation (pension increase) assumption. The asset ceiling calculation indicates that future annual cash contributions will exceed the future service cost and as such no economic benefit is generated for the Council from the existence of the net pension surplus, which is why the net pension surplus has been capped at £nil.

There is an unfunded defined benefit liability of £12.6m that should be recognised under IAS 19 in the accounts. This relates to termination benefits made on a discretionary basis upon early retirement in respect of some members of the pension scheme. This amount should be recognised separately on the balance sheet irrespective of the pension fund asset position. Management has continued to account for the unfunded pension liability within pension liabilities at Note 18. We consider this accounting to be appropriate.

Key findings

Our review of the letter from the auditor of South Yorkshire Pension Fund identified unadjusted misstatements from the audit of the pension fund, which also impact on the share of pension fund assets held by Rotherham Metropolitan Borough Council. These are set out on page 41 of this report. We have not identified any impact on the Council's balance sheet due to the application of IFRIC 14 which has resulted in the LGPS net pension surplus being capped at £nil and a nil balance position recorded on the balance sheet in respect of the funded LGPS net pension balance. This would therefore only impact on the disclosures at Note 18, and if adjusted this would increase the net pension surplus by £4.25m and also increase the asset ceiling adjustment by the same amount. Management have not adjusted on the grounds of materiality.

Risks rebutted

Risk identified

Presumed risk of fraud in revenue recognition - revenue cycle includes fraudulent transactions

(rebutted)

Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement 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 related to revenue recognition.

We reported in our Audit Plan dated 9 June 2025 that having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

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

Auditor commentary and procedures performed

No changes to our assessment reported in the audit plan subsequently identified. Although we have rebutted the risk, we have undertaken standard audit procedures consistent with ISA (UK) for material streams of transactions, which include the following:

Accounting policies:

- Evaluated the Council's accounting policies for recognition of income for its material income streams and compliance of recognition principles with the CIPFA Code.

Grant Income

- For grant income, we sample tested items for supporting evidence and checked the appropriateness of the accounting treatment in line with the CIPFA Code, including appropriate classification of specific grant income credited to services and non-specific grant income credited to non-specific grant income and taxation. Regard to principal/agent accounting considerations has also been given as part of our detailed testing.
- For income raised from council tax and non-domestic rates, which are of a predictable nature, we performed substantive analytical procedures based on the no. & value of rateable properties, applying any annual increases to rates as appropriate.

Fees, Charges and Other income

- Disaggregated the non-grant income transaction stream, identifying significant income sub-streams. Housing rents (HRA) income was tested using a substantive analytical procedure recognising the recurrent and predictable nature of the income generated annually from the rental of the Council's housing stock.
- Tested, on a sample basis, fees and charges transactions to supporting documentation and cash receipts to evidence the occurrence of these transactions.
- Designed and carried out appropriate audit procedures to ascertain that recognition of income is in the correct accounting period, for example, using cut off testing, focusing either side of the reporting date of 31 March 2025.

Key findings

Our work has not identified any issues that would change our assessment of the risk of fraud in revenue recognition. We have gained assurance that Council revenue is fairly stated. One immaterial estimated error has been identified which indicates an understatement to fees and charges income of £1.1m also increasing useable reserves by £1.1m. This has not been adjusted on the grounds of materiality. Further detail is set out on page 37.

Risks rebutted

Risk identified

Presumed risk of fraud in expenditure recognition – expenditure cycle includes fraudulent transactions (rebutted)

Practice note 10: Audit of financial statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies. As per PN10, fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).

We considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams. We rebutted this risk for the Council because:

- the Council requires cash to meet its payroll and third-party payment obligations and therefore any manipulation of expenditure between accounting periods does not generate any clear financial benefits. The Council makes direct payments for social care expenditure, which are regular and paid on a timely basis, which suppresses the opportunity to meaningfully exclude expenditure transactions from being reported in the general ledger.
- the Council was expected to have £53m of general fund reserves at 31 March 2025, equivalent to 16% of its net revenue budget. The unearmarked reserves balance at outturn was £55m. This exceeds the broad 5% target in the LG sector and as such the availability of reserves to fund the Council's expenditure does not indicate excessive financial pressures.

Auditor commentary and procedures performed

No changes to our assessment reported in the audit plan subsequently identified. Although we rebutted the risk, we have undertaken standard audit procedures consistent with ISA (UK) for material streams of transactions:

Accounting policies:

- Evaluated the Council's accounting policies for recognition of expenditure for its material expenditure streams and compliance of recognition principles with the CIPFA Code.
- Updated our understanding of the Council's business processes associated with accruing for relevant expenditure at the end of the accounting period.

Expenditure

- Agreed, on a sample basis, non-pay expenditure to supporting evidence to demonstrate occurrence and accuracy of expenditure recorded.
- Obtained an understanding of the GRNI (goods received not invoiced) and creditors closedown processes implemented to ensure that expenditure is accounted in the period to which it relates.
- Undertook a detailed substantive analytical procedure on pay expenditure, including checking that changes in gross pay year on year were supported by underlying data including enacted pay awards and movements in workforce numbers.
- Designed and carried out appropriate audit procedures to ascertain that recognition of expenditure is in the correct accounting period, for example, using cut off testing, focusing either side of the reporting date of 31 March 2025.
- Reviewed the nature of expenditure charged to the HRA to ensure compliance with ringfencing requirements
- Inspected a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the value of the accrual was consistent with the value invoiced after the year end.

Key findings

Our work has not identified any issues that would change our assessment of the risk of fraud in expenditure recognition. We have gained assurance that Council expenditure is fairly stated and there are no matters to report in respect of the Council's expenditure recognition.

Other risks

Risk identified

Implementation of IFRS 16

The Council adopted the IFRS 16 leases standard on 1 April 2024 for the 2024–25 period of account. This standard has removed the distinction between operating and finance leases for lessees. Now all leases, apart from those that are deemed low value or short term, are accounted for on balance sheet by lessees.

In the public sector, the definition of a lease has been extended to include the use of assets for which little or no consideration is paid, often called ‘peppercorn’ rentals. This is one instance where the right of use asset and its associated liability are not initially recognised at the same value. For peppercorn rentals, the right of use assets are initially recognised at market value. Any difference between market value and the present value of expected payments is accounted for as income. This has similarities with the treatment of donated assets.

The application of the IFRS 16 standard has also impacted on the Council’s PFI liabilities which subject to annual indexation for retail price inflation (RPI). Previously, such additional PFI rentals were accounted for as a charge to the revenue account as expenditure (contingent rents). The impact of the new accounting standard is to account for these additional PFI rentals within the PFI model, which will result in these being split between operating costs, repayment of the lease creditor and interest costs. As a result, an overall increase in the value of the PFI liability is expected following application of the IFRS 16 standard to PFI liabilities. In terms of the I&E impact, we were expecting to observe a decrease in PFI contingent rents charged to expenditure and an increase in depreciation charges and lease interest costs.

We have therefore identified completeness of relevant assets and leases and subsequent valuation as an ‘other’ level risk.

Audit procedures performed

As part of our work, we have:

- Obtained the Council’s contracts register and copies of signed lease agreements, to assess the completeness of contracts identified as being within the scope of the IFRS 16 leases accounting standard.
- Agreed disclosures presented in the financial statements to underlying accounting records and calculations.
- Reviewed management’s lease accounting calculations, and assessed the accuracy and appropriateness of the inputs and assumptions used including lease term, discount rate and annual rentals. We concluded that the assumptions used were appropriate and reasonable.
- Considered management’s accounting for leases with little to no consideration payable annually, termed peppercorn leases, of which the Council does not have any.
- Challenged the completeness of the contracts identified by the Council as containing a lease and for a housing properties where the Council has a contract to occupy, it was confirmed that there is a right to substitute in the contract meaning that these would not pass the IFRS 16 ‘identified asset’ test and as such did not constitute a lease as per the accounting standard

Key findings

The adoption of this standard has impacted on the Council’s four PFI schemes, increasing the balance sheet liability by £10.7m. The lease liability relating to Riverside House increased by £15.5m. The lease terms and implicit interest rates were clearly stated in the PFI models and Riverside House lease agreement, minimising management estimation on remeasurement of the liability at the time of adoption (1 April 2024). The increases in PFI and lease liabilities on the Council Balance Sheet following implementation of the new standard will be written down over the remaining term of each contract, split between a charge to the CIES as interest and the repayment of the lease creditor.

We have identified a misstatement relating to the accounting for revaluation losses on land & buildings arising on transition to IFRS 16. These losses arose following initial recognition whereby the carrying values were uplifted to align with the remodelled PFI and lease liabilities however, it was established that the right of use assets had not increased in value under the specialised asset method of valuation. The Council accounted for these reductions by making a charge to the CIES however, the Code prescribes that available revaluation reserve balances should be consumed prior to any charge to the CIES. In preparing financial statements incorporating IFRS 16 transition adjustments, the accounting treatment applied was in advance of clarification guidance issued by CIPFA in June 2025, which specified that downward movements in valuation should first be charged to the revaluation reserve where available. The impact of this misstatement has been determined to be an overstatement of the revaluation reserve totalling £6m and a corresponding understatement of the capital adjustment account. There is no impact on usable reserves.

4. Other findings

Other findings – key judgements and estimates

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

Key estimate	Summary of management’s approach	Auditor commentary	Assessment
Valuation of other land and buildings £264m at 31 March 2025	<p>Other land and buildings comprises £185m of specialised assets such as schools, leisure centres, customer service centres hubs and children’s centres, 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 as existing buildings.</p> <p>The remainder of other land and buildings (£79m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end based on market comparables such as the capitalisation of passing rent (income approach) or the comparison to similar land & buildings on the open market (comparative approach). EUV assets include offices, public car parks, and council depots.</p> <p>The Council engaged its internal valuers to complete the valuation of land and buildings for 2024-25. Specialised assets were valued on the DRC basis as at 1 January 2025 and non-specialised assets were valued on the EUV basis as at 1 April 2024. The land and buildings portfolio is valued on a five yearly cyclical basis. In the draft accounts around 47% of total other land & buildings (by value) were revalued during 2024-25.</p> <p>The capital accounting function worked with its internal property surveyors to ensure the assets included in the population of assets to be valued offered appropriate coverage across the sub-types of buildings held, and the Council communicated significant changes to existing land & buildings, such as major refurbishments, repurposing, with the external valuers to be captured in the valuations, as the valuer considered appropriate.</p> <p>Management has also considered the year end carrying value of land and buildings not valued in year to determine whether there has been a material change in the total value of these buildings. This assessment of assets not revalued in year has not identified a material change to these assets’ current value compared with their carrying value as at 31 March 2025.</p> <p>Management’s assessment was also performed for assets valued in year, with a valuation reference date of 1 April (EUV) and 1 January (DRC), to determine whether any material movements were identifiable for the period up to the year end of 31 March 2025. No material changes in current value were indicated from the Council’s assessment and the carrying values of these assets were therefore not adjusted.</p>	<p>We have:</p> <ul style="list-style-type: none">assessed the competence and expertise of management’s expert (external RICS-registered valuers), concluding that they are competent, capable and objectivereviewed the completeness and accuracy of the underlying information used to determine the valuation estimatereviewed the assumptions used by the expert in the calculations, including the accuracy of gross internal areas (floor areas)considered the valuation method used to revalue assets, and ensured that the method is suitable for the type of land or buildingin relation to assets not revalued in the year, and those valued as at 1 April 24 and 1 January 25, we reviewed relevant cost- and market-based indices (e.g. BCIS & MSCI) to assess the appropriateness of management’s assessment that the assets’ carrying value is not materially different from their current value at the year end.for non-specialised properties valued on the existing use value (EUV) basis, obtained market comparables to assess the appropriateness of market rents and yields selected by management’s expert and used in the valuation calculations	<p>● Green (post audit adjustments)</p> <p>We consider management’s process is appropriate and key assumptions are neither optimistic or cautious</p>

Other findings – key judgements and estimates

Key estimate	Summary of management's approach	Auditor commentary	Assessment
<p>Valuation of council dwellings</p> <p>£888m at 31 March 2025</p>	<p>The Council owns 19,942 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance.</p> <p>The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council's internal HRA valuer has undertaken the valuation of these properties with a valuation reference date of 1 April 2024.</p> <p>To assess the current value of the council dwellings as at 31 March 2025, the internal valuer has undertaken a market exercise for the period from April 2024 to March 2025, to determine whether there had been a material movement in the value of the housing stock in this period.</p> <p>This exercise reported that market indices, including data from HM Land Registry indicated a increase in values totalling 8%. This was considered alongside the re-performance of a selection of beacon valuations to assess the relevance of Rotherham headline indices to the Council's asset base of council dwellings. It was concluded that an increase should be applied and this resulted in an increase in the carrying value of £7.7m, which was incorporated by management into the draft financial statements.</p> <p>The year end valuation of Council Housing was £888m, a net increase of £50m from 2023-24 (£838m).</p>	<p>We have:</p> <ul style="list-style-type: none"> assessed the competence and expertise of management's expert (external RICS-registered valuers), concluding that they are competent, capable and objective reviewed the completeness and accuracy of the underlying information used to determine the valuation estimate confirmed the application of the 41% social housing discount factor. This is in line with the DCLG Stock Valuation Guidance 2016 discussed the selection of the beacon with management's valuer to understand and assess how this is representative of the remaining properties in each archetype independently obtained, on a sample basis, comparable properties from web sources that list sold properties (Zoopla, Rightmove) and assessed the appropriateness of the beacon valuation adopted by management's expert reviewed market data and house price indices to corroborate the 3% year end increase adjustment applied to flats and maisonette and the 2% increase applied to houses as part of the year end stock valuation. for council dwellings, which are valued using the beacon methodology, obtained comparables from online sold property websites and assessed the valuation of the beacon property against the sale prices of comparable residential properties. <p>Key Findings</p> <p>Our work identified £23m of council dwellings which were recent acquisitions and were being carried at historic cost in the draft accounts. The Code prescribes that council dwellings are to be carried at existing use value – social housing. An impairment of £13m to the purchase cost was identified in order to satisfy the Code requirement for these council dwellings to be valued at EUV-SH. This adjustment is set out in detail on page 37.</p>	<p>● Green (post audit adjustments)</p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Other findings – key judgements and estimates

Key estimate	Summary of management's approach	Auditor commentary	Assessment																								
<p>Valuation of defined benefit net pension balance</p> <p>£12.6m at 31 March 2025</p> <p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.</p> <p>IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan'.</p>	<p>The Council's Local Government Pension Scheme net pension liability at 31 March 2025 is £12.6m (PY £14.3m) comprising the South Yorkshire Pension Fund Local Government Pension Scheme obligations.</p> <p>The Council continues to engage Hymans Robertson to provide actuarial valuations of the assets and liabilities derived from this scheme. A full actuarial valuation is required every three years which was undertaken as at 31 March 2022 for LGPS.</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 surplus, small changes in assumptions can result in significant valuation movements. There has been a £200m net actuarial gain for the Council's LGPS funded pension obligations during 2024-25.</p> <p>This improved position is largely a result of an increase in the discount rate with no change in the CPI inflation assumption.</p>	<p>We have:</p> <ul style="list-style-type: none"> Assessed the competence, capability and objectivity of management's expert, Hymans Robertson. Assessed the actuary's approach taken and deemed it reasonable. Used PwC as an auditor's expert to assess the actuary and the assumptions applied – please see the table below. The PwC report has also indicated that they are comfortable with Hymans Robertson's methodologies used to establish assumptions and they will produce reasonable assumptions as at 31 March 2025 for all employers. Confirmed the completeness and accuracy of the underlying information used to determine the estimate including performing additional tests in relation to the accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the roll forward calculation. Corroborated the increase in the net pension surplus (£200m actuarial gain) to PwC's commentary. Confirmed the adequacy of the disclosures in the financial statements and the consistency of the pension fund disclosures in the notes to the financial statements with the IAS 19 report from the actuary. Obtained assurances from the auditor of the South Yorkshire Pension Fund as at the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Confirmed that asset valuations were based on a 31 March 2025 valuation date. <table> <tr> <th>Assumption</th><th>Actuary Value (Hymans Robertson)</th><th>PwC comments</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>5.80%</td><td>Assumption with PwC's expected range</td><td>● Green</td></tr> <tr> <td>Pension increase rate</td><td>2.75%</td><td>Assumption with PwC's expected range</td><td>● Green</td></tr> <tr> <td>Salary growth</td><td>3.35%</td><td>Assumption with PwC's expected range</td><td>● Green</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>21.3/20.5</td><td>Assumption with PwC's expected range</td><td>● Green</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>25/23.6</td><td>Assumption with PwC's expected range</td><td>● Green</td></tr> </table>	Assumption	Actuary Value (Hymans Robertson)	PwC comments	Assessment	Discount rate	5.80%	Assumption with PwC's expected range	● Green	Pension increase rate	2.75%	Assumption with PwC's expected range	● Green	Salary growth	3.35%	Assumption with PwC's expected range	● Green	Life expectancy – Males currently aged 45 / 65	21.3/20.5	Assumption with PwC's expected range	● Green	Life expectancy – Females currently aged 45 / 65	25/23.6	Assumption with PwC's expected range	● Green	<p>● Green</p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>
Assumption	Actuary Value (Hymans Robertson)	PwC comments	Assessment																								
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Other findings – grant income recognition

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<p>Recognition and presentation of grant income</p> <p>£440.5m in 2024/25</p> <p>The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code.</p> <p>The main considerations are to determine whether the Council is acting as principal/agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income.</p> <p>The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.</p>	<p>Management has taken into account three main considerations in accounting for grants, as set out in sections 2.3 and 2.6 of the Code:</p> <ol style="list-style-type: none"> whether the Council is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Where the Council has determined that it is acting as an agent and it does not recognise grant income. Conversely, where the Council is acting as the principal and it has credited the grants and contributions to the Comprehensive Income and Expenditure Statement. Management's assessment considers relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements. whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income whether the grant is a specific or non-specific grant. General un-ringfenced and capital grants are credited to taxation and non-specific grant income and disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts. <p>There may be judgements over the accounting treatment. Different conclusions may be reached by councils depending on how they have applied any discretion in administering the schemes and application of Code guidance.</p>	<p>The Council receives a number of grants and contributions and is required to follow the requirements set out in the Code. The main considerations are to determine whether the Council is acting as principal or agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.</p> <p>As part of our audit work, we have performed the following:</p> <ul style="list-style-type: none"> substantively tested a sample of grants across categories and reviewed management's assessment as to whether the Council is acting as the principal or agent for the samples selected, we have reviewed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income assessed, for the sample of grants received, whether the grant is a specific or non-specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES (i.e. specific grants recognised above the line in net cost of services and non-specific grants recognised below the line in taxation and non-specific grant income) assessed the adequacy of disclosure of grants received and judgement used by management as part of our detailed testing. 	<p>● Green</p>

Other findings – Information Technology

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

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application 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	Technology infrastructure	IT Operations
eFinancials (e5) – One Advanced	ITGC assessment (design and implementation effectiveness only)	<div></div> Amber	<div></div> Amber	<div></div> Amber	<div></div> Out of Scope	<div></div> Out of Scope

Assessment:

- [Red]
- [Amber]
- [Green]
- [Grey]
- 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/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for assessment

Other findings – Information Technology

Assessment	Issue and risk	Recommendations
<div> <div></div> <div> <div>●</div> <div>Amber</div> </div> </div>	<p>User access within E5 Financials is not appropriately revoked for terminated employees</p> <p>During our review, we identified an instance where a user account remained active for 7 days following the individual’s termination date. We further inspected the user account’s last login date and confirmed that the account was not accessed after the termination date.</p>	<p>Management should ensure that comprehensive user administration procedures are in place to revoke application in a timely manner. For a user administration process to be effective, IT must be provided with timely notifications from HR and/ or line managers</p> <p>Management should consider performing user access reviews on all terminated accounts to ensure all accounts have been disabled in a timely manner.</p> <p>Where old or unused accounts have been identified, these should be immediately revoked.</p>
	<p>Risk</p> <p>Where system access for leavers is not disabled in a timely manner, there is a risk that former employees will continue to have access and can process erroneous or unauthorised access transactions.</p> <p>There is also a risk that these accounts may be misused by valid system users to circumvent internal controls.</p>	<p>Management response:</p> <p><i>The HR system and e5 are controlled by separate teams within RMBC. As such, monthly HR leavers reports are sent to all RMBC system owners, whereby the Financial Systems Support Team actively disable leaver’s accounts on e5 upon receipt of the report.</i></p> <p><i>RMBC managers are also responsible for informing the team of leavers but on occasion do not action this, hence the need for the Leavers report. Users cannot access e5 without access to the RMBC network and when an employee leaves RMBC, their network account is disabled, thus they cannot access e5.</i></p> <p><i>In terms of the comment about other users accessing leaver’s accounts, we have a process in place that emails the specific user with a password so other employees cannot access this unless they had access to that person’s email address, which isn’t allowed. We actively advise staff they are not allowed to share user IDs/passwords with other staff. This was an acceptable process in previous audits.</i></p> <p><i>Furthermore, now we have upgraded to e5.7, we use Single Sign On so you may only access e5 if you use your own network account so this issue will be negated in future audits.</i></p>

Other findings – Information Technology

Assessment	Issue and risk	Recommendations
<div> <div> <div></div> <div>Amber</div> </div> </div>	<p>Lack of UAT testing completed for e5 eFinancials System Patch</p> <p>We noted that a patch fix ‘Fix 51184’ had not been tested before promoting the change into the live environment.</p> <p>We were informed that patches do not require user acceptance testing. Patches may be deployed directly into the production environment without undergoing the user acceptance testing phase, provided all standard change management & approval processes are duly followed.</p> <p>Risk</p> <p>Failure to adequately perform change management testing prior to releasing the change into the production environment could lead to a loss of data integrity, processing integrity and/or system down-time.</p>	<p>Management should ensure that change management procedures are recommunicated and reassessed to staff so that testing is performed and approved prior to introducing a change into the live environment.</p> <p>Management response:</p> <p><i>In this instance, the patch was tested but documentation just wasn’t retained. All fixes are tested where possible in the Test environment. Sometimes it isn’t possible to test a fix due to the nature of the issue and that it may not occur in the Test system due to not processing daily transactions in Test.</i></p> <p><i>Every effort is made to ensure testing is performed where possible by the team who have been maintaining the system effectively and appropriately for 20 years and are aware of the change management processes.</i></p>

Other findings – Information Technology

Assessment	Issue and risk	Recommendations
<div> <div></div> <div>Green</div> </div>	<p>Weak password configuration settings for E5 Financials</p> <p>Our review of system password settings identified two configurations that were not aligned with Rotherham MBC’s established password policy and recognised industry best practices:</p> <ul style="list-style-type: none"> • Maximum Password Age • Account Lockout Threshold. <p>Risk</p> <p>A lack of robust password settings may allow financial information to be compromised by unauthorised users. In particular:</p> <ul style="list-style-type: none"> - Short passwords can easily be guessed. - Passwords tend to become known by other users if they are in continued use over a long period of time. - If password complexity is not configured, users will tend to choose simple, guessable words as their passwords. - If password history is not maintained, a user may recycle the same password over a long period. 	<p>Management should ensure that password settings configured on E5 Financials are in line with the organisation's password policy.</p> <p>We recommend that password parameters for E5 Financials should be configured to meet best practice guidelines such as those recommended by NCSC, see https://www.ncsc.gov.uk</p> <p>Where configuration settings cannot be strengthened due to system limitations, management should undertake a risk assessment and implement additional compensating controls.</p> <p>Management response:</p> <p><i>Password settings have remained the same for a number of years and as per previous audits, we have advised that the e5 system had some limitations.</i></p> <p><i>Since upgrading to e5.7 in July 2025, we now use single sign on, so e5 passwords are no longer required as the user logs on via their network login.</i></p>

5. Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with management and the Audit Committee have not been made aware of any significant instances in the period that are considered to impact on the financial statement audit, and no issues have been identified during the course of our audit procedures for the Council.
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	Management 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	A letter of representation will be requested from the Council prior to concluding the audit, which will be presented to management and those charged with governance prior to giving the audit opinion. An additional representation has been requested regarding the Council position on equal pay claims.
Accounting practices	We have evaluated the appropriateness of the Trust's accounting policies, accounting estimates and financial statement disclosures. A number of minor amendments were made to the accounting policies to enhance the transparency of the disclosures within the Accounts.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banking and treasury partners. This permission was granted and the requests were sent. These requests were returned with positive confirmation and no issues were noted.
Disclosures	Our review found no material omissions in the financial statements. A small number of presentational disclosure changes are listed on pages 40 to 42.
Audit evidence and explanations/	All information and explanations requested from management. We would like to thank the Council officers for their help and support during the audit process.

Other responsibilities

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 2024). 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 for the Council• management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

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>No inconsistencies have been identified/or set out here any inconsistencies. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none">• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,• if we have applied any of our statutory powers or duties.• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>The specified group reporting threshold is £2 billion. As in prior years, only limited work is expected to be required on this, as the Council is not expected to exceed the audit threshold in 2024-25</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2024/25 audit of Rotherham Metropolitan Borough Council in the audit report 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 (NAO) notifies us that they have concluded their work in respect of WGA for the year ended 31 March 2025.</p>

6. Audit adjustments

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 2025.

	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net expenditure	Impact on general fund (usable reserves)	Impact on unusable reserves
Detail	£'000	£'000	£'000	£'000	£'000
Impairment of newly purchased council dwellings down to their existing use value – social housing, the valuation methodology as prescribed by the CIPFA Code	Debit (increase) gross expenditure on net cost of services - Local Authority Housing (HRA)	Credit (reduce) council dwellings	Reverse effect on CIES through the MiRS:	nil	Debit (reduce) Capital Adjustment Account (CAA)
The Council’s draft accounts presented £23m of council dwellings valued at historic cost as per Note 19 (e).	13,000	13,000	Credit gross expenditure on net cost of services - Local Authority Housing (HRA) (decrease expenditure)		13,000
It was established that this amount wholly related to newly acquired dwellings and did not represent capital improvements made to the existing housing stock. The Council acquired these dwellings using a mixture of self-build, market acquisitions, section 106 agreements and small-scale SME developments. We understand the Council’s purchase rationale was for these dwellings be added to the Council’s social housing stock to build out capacity to meet local demand for council dwellings.			13,000		
These dwellings were recorded in the draft accounts at their purchase cost. We challenged management on this approach since the Code prescribes that council dwellings are to be carried out existing use value – social housing, which effectively takes an open market valuation and makes a downward adjustment to reflect its current usage as social housing.					All of the impact arising from this adjustment has been taken to unusable reserves
Management reconsidered the valuation treatment and identified an impairment of £13m to the purchase cost in order to satisfy the Code requirement for these council dwellings to be valued at EUV-SH. Note this does adjustment does not reflect any change in what these dwellings could sell for on the open market, it solely reflects the impact of adopting the Code-prescribed valuation methodology for council dwellings.					
Overall impact	13,000	(13,000)	nil	nil	13,000

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net expenditure	Impact on general fund (usable reserves)	Impact on unusable reserves
Detail	£'000	£'000	£'000	£'000	£'000
Estimated Error – Understatement of Fees and Charges Income					nil
Our audit procedures to address the risk of fees and charges being recorded in an incorrect period, identified an invoice raised post year end that related to the 2024-25 year, had not been recorded as accrued income at the year end.	Credit (increase) gross income on net cost of services - Local Authority Housing (HRA) (1,100)	Debit (increase) short-term debtors accrued income 1,100	Credit (decrease) total net expenditure (1,100)	Credit (increase) unearmarked general fund reserves 1,100	
This related to an annual payment from one of the Council’s main housing maintenance delivery partners, which passed on an annual credit to the Council as shared savings in circumstances where the contractor had met its annual profitability targets and delivered on KPIs. We understand this is to recognise the Council’s efforts in jointly delivering on operational and cost efficiencies.					
We understand from Management that its view is that it is unable to accrue at year end for shared savings as at this point since it has no insight whether there will be any profits on the contracts or KPI achievement. We reviewed the three prior year income invoices to assess whether a reasonable accrual could have been accounted for in the year using the average of the three prior year invoices. The average of the last three years totalled £1.3m which we consider may have been reasonable to accrue in the 2024-25 financial year. The misstatement shown to the right represents the invoiced amount for the shared savings due to the Council that relate to 2024-25. Management opted not to adjust for this on the grounds of materiality.					

Audit adjustments

Impact of unadjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund (usable reserves) £'000	Impact on unusable reserves £'000
<p>Accounting for revaluation losses identified on subsequent recognition of IFRS 16 leases accounting standard (new standard implemented in 2023-24)</p> <p>On initial recognition, the Council has uplifted (credited) lease liabilities so as to reflect the impact of indexation within the liability rather than expensing these annually as contingent rents, as per the previous accounting treatment. The other side of this entry was to increase (debit) the carrying values of the right of use assets</p> <p>On subsequent recognition, the Council has identified that these RoU assets are delivering the same services and have not increased in value under a specialised asset valuation and so determined that they should be revaluation downwards to their specialised asset valuations provided by the valuation experts.</p> <p>In accounting for these revaluation losses, a charge has been made to the CIES as expenditure for the total revaluation losses of £26m and at this time, the available revaluation reserve balances totalling £6m were not consumed prior to the revaluation losses being charged to expenditure. The Code prescribes that available revaluation reserve balances should be consumed prior to any charge to the CIES. In preparing financial statements incorporating IFRS 16 transition adjustments, the accounting treatment applied was in advance of clarification guidance issued by CIPFA in June 2025, which specified that downward movements in valuation should first be charged to the revaluation reserve. The impact of this misstatement has been determined to be an overstatement of the revaluation reserve and a corresponding understatement of the capital adjustment account. Management have not adjusted on the grounds of materiality. These unadjusted accounting entries do not impact on usable reserves.</p>	<p>Credit (decrease) gross expenditure on net cost of services (6,000)</p>	<p>nil</p>	<p>Reverse effect on CIES through the MiRS: Credit gross expenditure on net cost of services - (decrease expenditure) 6,000</p>	<p>nil</p>	<p>Credit (increase) capital adjustment account (6,000) Debit (decrease) revaluation reserve 6,000</p>
Overall impact of current year unadjusted misstatements	(7,100)	1,100	(7,100)	(1,100)	nil

Audit adjustments

Misclassification and disclosure changes

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

Account balance / disclosure note	Description and value	Adjusted?
Note 12, Pooled Budgets	<p>The Council is party to four partnership working arrangements including Better Care Fund, Youth Offending, One Adoption South Yorkshire Agency and Rotherham Safeguarding Children Partnership.</p> <p>Narrative disclosures at Note 12 have been enhanced to explain the arrangements where Rotherham MBC has identified that it is acting as principal and therefore records gross income and gross expenditure pertaining to the arrangement in its accounts. The enhanced disclosure also clearly indicate those arrangements that the Council has identified as a joint operation under IFRS 11 where the Council accounts for its share of the joint operation's assets, liabilities, revenue and expenditure.</p> <p>The narrative has also been enhanced to explain to users how any accumulated surpluses or deficits are accounted for and distributed between partners.</p>	✓
Note 36, Useable reserves	<p>The supporting narrative note for Dedicated School Grant (DSG) under the table at Note 36 has been expanded to include reference to the exact plan and timetable to bring the unusable DSG reserve into balance, and the workstreams currently underway to support delivery of this outcome.</p>	✓
Note 18, Pensions	<p>The sensitivity analysis on page 68 has been updated to accurately reflect the values disclosed in the IAS 19 report from the actuary.</p> <ul style="list-style-type: none"> • The life expectancy disclosure has been updated from £52m to £45m (decrease of £7m) • The rate of inflation disclosure has been updated from £21m to £19m (decrease of £2m) • The salary growth disclosure has been updated from £2m to £0.8m (decrease of £1.2m) • The discount rate disclosure has been updated from £23m to £19m (decrease of £4m) 	✓
Various notes	<p>Other minor disclosure amendments to improve financial reporting and transparency for the reader of the accounts.</p>	✓

Audit adjustments

Misclassification and disclosure changes

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

Account balance / disclosure note	Description and value	Adjusted?
Note 21, Intangible Assets	Note 21 to the financial statements, Intangible Assets, indicated that the Council held £21.7m of intangible assets at 1 April 2024 against which £18m of amortisation had been accumulated with a net carrying value of £3.7m.	
	During the performance of our work, we challenged Management to demonstrate whether these intangibles remained in use and generating economic benefits for the Council, particularly those which had been fully written down with net book values of nil.	✓
	Management identified that £12.5m of these intangibles with a nil net book value were no longer in use by the Council and so should be written off from the fixed asset register. The impact of this disclosure adjustment has been to reduce both the gross cost of intangible assets and accumulated amortisation by £12.5m. This has been adjusted for by management in the updated financial statements.	
Note 18, Pensions	Our review of the letter from the auditor of South Yorkshire Pension Fund identified unadjusted misstatements from the audit of the pension fund, which also impact on the share of pension fund assets held by Rotherham Metropolitan Borough Council.	
	A misstatement of £1.75m has arisen as a result of stale pricing of level 2 and 3 assets. This is where an early valuation was used to prepare the IAS19 report for the Council rather than the March 2025 valuation, and there has been price movements on the assets between these dates. A further misstatement was identified with a value of £2.5m in respect of cash and debtors held by the level 3 Border To Coast Pensions Partnership funds, which had erroneously been excluded from South Yorkshire Pension Fund’s net assets statement at the time of preparing its draft accounts.	✗
	We have not identified any impact on the Council’s balance sheet due to the application of IFRIC 14 which has resulted in the LGPS net pension surplus being capped at £nil and a nil balance position recorded on the balance sheet in respect of the funded LGPS net pension balance. This would therefore only impact on the disclosures at Note 18, and if adjusted this would increase the net pension surplus by £4.25m and also increase the asset ceiling adjustment by the same amount. Management have not adjusted on the grounds of materiality.	

Audit adjustments

Misclassification and disclosure changes

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

Account balance / disclosure note	Description and value	Adjusted?
Note 19, Property, Plant and Equipment	In the draft accounts, the Forge Island development was classified as a surplus asset within property, plant and equipment. The Code defines a surplus asset as one not used for the Council’s delivery of services and not one held for investment potential as investment property. We note that the surplus asset category commonly includes assets that have reached the end of their operational service life and that have been decommissioned awaiting repurposing or disposal on the open market.	
	The business case for the Forge Island development which noted that the development would contribute to transformation and regeneration of the town centre. The Code states that an appropriate way to classify land and buildings held to deliver a regeneration policy would be as operational property, plant and equipment (other land & buildings).	✓
	Management have reclassified all land and buildings connected with the Forge Island development from surplus assets to other land and buildings. The impact of this disclosure adjustment has been to increase other land & buildings by £45.5m with a corresponding decrease to surplus assets.	

Action plan

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

Assessment	Issue and risk	Recommendations
● Low	<p>Presentation of short-term debtors in the notes to the accounts</p> <p>The Council has presented its short-term debtors note by counterparty type (central government bodies, other LAs etc.) which is not consistent with requirements of the Code, which states that balances should be presented by the nature (trade debtors, prepayments etc.). We note that the Council has presented its creditors note in line with Code requirements.</p> <p>Code 3.4.2.67 states that an authority shall disclose, either in the Balance Sheet or in the notes, further sub-classifications of the line items presented, classified in a manner appropriate to the authority with receivables disaggregated into amounts receivable from trade customers, receivables from related parties, prepayments and other amounts. It is our view that the Council’s presentation of the short-term debtors note in its financial statement does not reflect the requirements of the Code.</p>	<p>We recommend that the presentation of the short-term debtors note is refreshed in the 2025-26 financial statements and the note disaggregated and presented based on the nature of the short-term debtors. This should enable the Council to be compliant with the requirements of the Code.</p> <p>Management response</p> <p><i>The Council will update the presentation of the short-term debtors note in 2025-26 financial statements to ensure the note is disaggregated and presented based on the nature of the short-term debtors.</i></p>
● Low	<p>Calculation of accumulated absences accrual</p> <p>The Council has historically adjusted the year end Employee benefit expenditure annual leave accrual for officers to reflect any gross pay movements per FTE (Full time equivalent) and any fluctuations in total FTE at year end.</p> <p>We attempted to gain assurance over the original source data that is being adjusted each year for these variables, however, this information was not available - i.e. no records have been maintained to evidence this source data, whilst we have performed appropriate and sufficient procedures to ensure there is no material risk to this balance, and therefore the financial statements, we have opted to raising a recommendation here.</p>	<p>We recommend that work in undertaken in the remainder of 2025-26 to obtain the relevant source data used in the accumulated absences accrual. It is also recommended that a working paper is prepared by the financial accounting team and shared with the audit team as part of the working paper requests in 2025-26 in order to better demonstrate the basis for the accumulated absences accrual in the financial statements.</p> <p>Management response</p> <p><i>The Council will consider options on how to better demonstrate the basis for the accumulated absences accrual in the financial statements in 2025-26.</i></p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Follow up of prior year recommendations

We identified the following issues in the audit of the Authority’s 2023/24 financial statements, which resulted in three recommendations being reported in our 2023/24 Audit Findings Report. We are pleased to report that management have implemented our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Addressed & closed	<p>IFRS 16 ‘Leases’ implementation from 1 April 2024</p> <p>IFRS 16 is required to be implemented by local authorities from 1 April 2024. 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>We recommended 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><i>Management has 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 the listing is complete. Working papers have been created to calculate the value of assets and corresponding liabilities as well as a write down schedule. The Council has used a mix of new working papers and uploaded information into the asset register software to enable the key accounting entries relating to IFRS16 to be generated alongside our existing processes for other fixed assets. The valuers have finalised a list of peppercorn leases, and these will be valued in line with IFRS16.</i></p>
Addressed & expected to be closed in 2025/26	<p>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 identified that management provided brief instructions 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 valuer must in turn prepare a written Terms of Engagement document, setting out how instructions will be met. No formal terms of engagement have been issued by the valuer and therefore we were unable to confirm compliance with the reference RICS requirement.</p> <p>We recommended that these instructions be further improved by adding further detail referring to the applicable LG Code guidance, with which valuers need to comply. In addition, we recommended that the Council’s in-house RICS qualified valuation expert prepare a formal Terms of Engagement document to acknowledge receipt of management’s instructions and confirm their intention to comply with management’s instructions, RICS Valuation - Global Standards, RICS UK Supplements and the LG Code.</p>	<p><i>The valuer is putting together written terms of engagement which will be issued as part of the 2025/26 valuation process. The instructions to valuers will reference the appropriate code guidance.</i></p>

Follow up of prior year recommendations

We identified the following issues in the audit of the Authority’s 2023/24 financial statements, which resulted in three recommendations being reported in our 2023/24 Audit Findings Report. We are pleased to report that management have implemented our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Addressed & closed	<p>Timing of revaluation, financial statement disclosure 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 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 prior year’s financial statements , ‘other land and buildings’ totalling £15m were disclosed as being carried at historic cost. Whilst we acknowledge some of this balance will include in-year additions, it is considered to represent a high number given Council’s land and buildings are covered by the rolling 5-year valuation cycle.</p> <p>We recommended that management perform further investigations on land and buildings carried out at historical cost at note 19 (e) linking to these Council’s Fixed Asset Register and ensuring that these have been valued appropriately and such disclosures reflect the accurate values at this note.</p>	<p><i>Additional work has been performed on this disclosure for 2024/25 to ensure it is accurate. The value of Land and Buildings carried at historic cost as at 31/3/25 was just £2.77m, a significant reduction against the previous year.</i></p>

7. Value for Money arrangements

Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report with those charged with governance by 30th November each year from 2024-25. Our Auditor's Annual Report is to be reported to the Audit Committee on 25 November alongside this report. In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



Improving economy, efficiency and effectiveness

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



Financial sustainability

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



Governance

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

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have reported significant weaknesses in arrangements:

1. In our 2023/24 Auditor's Annual Report, we reported a significant weakness and key recommendation, based on the fact that the Council had identified issues with HRA building compliance, including in relation to asbestos, and fire safety, as well as a lack of capability and capacity in these areas. The Council self-referred its performance to the Regulator of Social Housing in August 2024. The Council has taken, and continues to take, steps to improve HRA housing compliance, with a range of improvements implemented since our review in 2023/24. The Council has also achieved compliance on health and safety-related measures, including fire, asbestos, lifts and water safety over 2024/25, alongside making progress on the Decent Homes Standard. Updates on regulatory compliance and tenant satisfactory measures (TSM) are brought to Cabinet for consideration every six months. Nevertheless, risks remain, including that the Council has not yet completed work to improve the proportion of properties covered by a recent stock condition survey.
2. In 2023/24, we reported a key recommendation regarding building compliance and asset data in relation to the Council's corporate buildings. Concerns around compliance were prompted by the Council's own assessment. A range of weaknesses were identified around compliance within the operational estate, a lack of consistent fire risk assessments, a lack of asset management plans for properties leased to third parties as well as insufficient capacity and capabilities within the asset management and facilities service. Our review in 2024/25 indicates that the Council understands gaps in its data and is working actively on understanding what assets the Council has, their condition, and the level of health and safety compliance. Nevertheless, a full stock condition survey has not yet been completed, as a result, we update and retain this recommendation.

8. Independence considerations

Independence considerations

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 and managers). There are no such matters to report.

We confirm that we have implemented policies and procedures to meet the requirement 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 February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Independence considerations

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

Matter	Conclusions
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 or investments held by individuals.
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, its senior management or its officers.

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 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.

Fees and non-audit services

The following tables below and overleaf set out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to the date of this report as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with Public Sector Audit Appointments’ policy on the allotment of non-audit work to the external auditor. None of the below services were provided on a contingent fee basis.

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to Rotherham Metropolitan Borough Council. The table summarises all non-audit services which were identified.

Audit fees	£
Audit of Financial Statements - Rotherham Metropolitan Borough Council	417,703
IFRS 16 implementation review	5,057
Non-audit fees (audit related) – Housing Benefit Assurance Process (HBAP) (2024-25)	42,935 (estimated)
Total	465,695

The above fees are exclusive of VAT.
The core fee above agrees to the financial statements.

This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

Additional fee analysis – fee variation for in year work

The following table sets out further information on additional fees.

Grade	Rate (Determined by PSAA)	Hours	Fee variation for Audit 2024/25
Director	£428	1.5	£642
Senior Manager	£236	2.5	£590
Senior Auditor	£153	25	£3,825
Other staff	£117		
Total		29	£5,057

The above is subject to review by PSAA who will make a final determination.

Fees and non-audit services

Audit-related non-audit services

Service	2023/24 £	2024/25 £	Threats Identified	Safeguards applied
Certification of Housing Benefits Subsidy claim (fees disclosed represent baseline fee – where additional testing is required this will be chargeable at £1,500 daily rate.)	£41,945	£42,935 (estimated)	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 £42,935 in comparison to the total fee for the audit of £417,703 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)	The external auditor has not prepared any elements of the form MPF720A submission and are carrying out work on the information submitted to the Department for Work and Pensions (DWP) by the Council. We do not expect material misstatements to the financial statements to arise from this service. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
			Management (because our report will inform the findings presented by management to DWP)	We will perform the proposed service in line with the instructions and reporting framework issued by DWP and will report to DWP, with a copy of our report being provided to the local authority at the same time. If any amendments need to be made to form MPF720A as a result of the reporting accountant's work, these will be discussed and agreed with the member of informed management who is authorised by the Assistant Director of Financial Services to make these amendments. Amendments to the form can only be made by local authority staff and are initialled by the authorised signatory (Assistant Director of Financial Services). We agree the factual accuracy of our findings with a member of informed management before issuing it to the DWP. We are satisfied from previous experience that the purpose of our testing and the potential impact of our findings on the form is understood by a member of informed management.

9. Appendices

A. Communication of audit matters with 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, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Council's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
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		●
Communication of adjusted and unadjusted misstatements and amendments to disclosures		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		<div></div>
Non-compliance with laws and regulations		<div></div>
Communication of adjusted and unadjusted misstatements and amendments to disclosures		<div></div>
Expected modifications to the auditor's report, or emphasis of matter		<div></div>

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, as a minimum a requirement exists for our findings to be distributed to all the company directors and 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 those charged with governance.

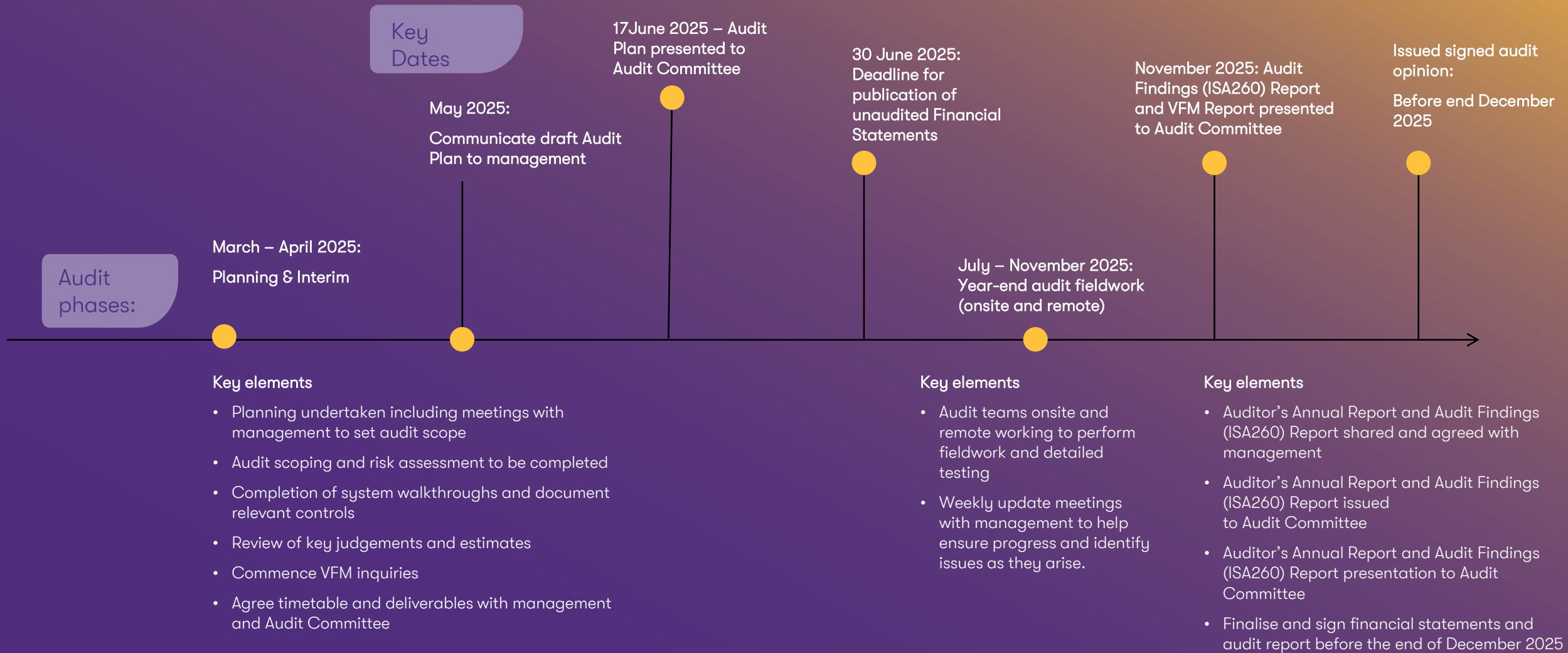
B. Our team and communications

Grant Thornton core team

<div>Michael Green Engagement Lead & Key Audit Partner</div> <div><ul style="list-style-type: none">• Key contact for senior management and Audit Committee• Overall quality assurance<p>Pool of specialists and other technical specialists:</p><ul style="list-style-type: none">• Internal IT audit team• Internal property valuations team• Internal actuarial valuation experts.</div>	<div>Greg Charnley Audit Senior Manager</div> <div><ul style="list-style-type: none">• Key point of contact for the finance team• Audit planning• Resource management• Performance management reporting.</div>	<div>Andy Nicholls Value for Money Senior Manager</div> <div><ul style="list-style-type: none">• Value for Money planning and risk assessment• Main contact for review of VFM arrangements• Preparation of the VFM commentary in the Auditor’s Annual Report.</div>	<div>Sam Danielli Audit Assistant Manager</div> <div><ul style="list-style-type: none">• On-site and remote audit team management• Day-to-day point of contact• Audit fieldwork lead contact.</div>
Service delivery	Audit reporting	Audit progress	Technical support
<div>Formal communications<ul style="list-style-type: none">• Annual client service review</div>	<div><ul style="list-style-type: none">• The Audit Plan• Audit Progress and Sector Update Reports• The Audit Findings (ISA260) Report• Auditor’s Annual Report on VFM arrangements</div>	<div><ul style="list-style-type: none">• Audit planning meetings• Audit clearance meetings• Communication of issues log• Quarterly liaison meetings with the three statutory officers</div>	<div><ul style="list-style-type: none">• Technical updates</div>
<div>Informal communications<ul style="list-style-type: none">• Open channel for discussion</div>		<div><ul style="list-style-type: none">• Communication of audit issues as they arise</div>	<div><ul style="list-style-type: none">• Notification of up-coming issues</div>

As part of our overall service delivery, we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

C. Logistics



D. Management letter of representation (draft)

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
11th Floor
Landmark St. Peter's Square
1 Oxford St
Manchester
M1 4PB

[Date]

Dear Grant Thornton UK LLP

Rotherham Metropolitan Borough Council Financial Statements for the year ended 31 March 2025

This representation letter is provided in connection with the audit of the financial statements of Rotherham Metropolitan Borough Council ("the Authority") for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the Authority financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 and applicable law.

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

Financial Statements

- i. We have fulfilled our responsibilities, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Authority's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has

been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for International Accounting Standard 19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the Authority has been assigned, pledged or mortgaged; and
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Authority's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached to this letter at Appendix A. We have not adjusted the financial statements for these misstatements brought to our attention as they are

D. Management letter of representation (draft)

immaterial to the results of the Authority and its financial position at the 31 March 2025. The financial statements are free of material misstatements, including omissions.

- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the Authority means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;
 - b. the financial reporting framework permits the Authority to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements.

- xv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
- xvi. The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority's financial statements in the event of non-compliance.
- xvii. We have considered how potential liabilities arising from equal pay claims should be reflected in the financial statements. Having considered the accounting principles as set out in IAS37, we consider it appropriate for these to be disclosed as a contingent liability in the notes to the financial statements.

Information Provided

- xviii. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and

- c. access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

- xix. We have communicated to you all deficiencies in internal control of which management is aware.
- xx. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xxi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxiii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxv. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxvii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxviii. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 25 November 2025.

E. Audit opinion (draft)

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 2025, 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 Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Statement of accounting concepts and policies, 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 2024/25.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2025 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 2024/25; 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 Services' 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 Services' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 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 2024) 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 Services' 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.

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 2024/25, 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.

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

E. Audit opinion (draft)

2024/25, 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 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2024, the Local Government Act 2003, the Local Government Act 1972, the Local Government and Housing Act 1989 and 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 also considered the risk of fraudulent revenue and expenditure recognition, however these risks were rebutted.
- 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 focus on large and unusual items and journals falling within identified risk criteria including:
 - o journals posted by senior management;
 - o year-end and post year-end journals;
 - o material journals across the year;
 - o journals crediting expenditure around the year end; and
 - o journals posted by Financial Systems Support users with administrator level access.

challenging assumptions and judgements made by management in its significant accounting estimates in respect of balances where a risk of material misstatement arising from the risk of error had been identified

- including the valuation of land and buildings and council dwellings, and the valuation of the defined benefit net pension balance (including asset and liability balances); 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 communicated relevant laws and regulations and potential fraud risks to all engagement team members including risks relating to management override of controls. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We have nothing to report in respect of the above matter except for the following:

On 14 January 2025 we identified two significant weaknesses in the Authority's arrangements for improving economy, efficiency and effectiveness.

These were in relation to:

- Housing Revenue Account (HRA) health and safety compliance arrangements. We recommended that the Authority improves arrangements for Housing Revenue Account health and safety compliance by:

E. Audit opinion (draft)

- continuing to improve HRA compliance data robustness and validity; ◦ ensuring contract management arrangements are put in place with housing contractors;
- improving compliance with decent homes standards; ◦ working to address the lack of understanding concerning category 1 hazards in housing stock;
- continuing to improve vulnerability policies for the HRA in line with emerging best practice from the regulators; and
- using the stock condition data to inform asset management and capital investment plans.
- Asset management and building compliance arrangements. We recommended that the Authority improves arrangements for asset management and building compliance by:
 - undertaking stock condition surveys to develop an understanding of its assets, their state and their level of health and safety compliance;
 - putting in place management plans and landlord inspections where required and ensuring it is getting value for money for its assets;
 - ensuring it has an asset management system for its properties and other assets and that data in the system is accurate, enabling management of health and safety compliance; and
 - ensuring contract management and regular performance monitoring is put in place.

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 the Authority's 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 have undertaken 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 have documented 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 have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

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

We cannot formally conclude the audit and issue an audit certificate for Rotherham Metropolitan Borough Council for the year ended 31 March 2025 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 the Authority's consolidation returns including Whole of Government Accounts (WGA) return and we have received confirmation from the National Audit Office that their audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

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 INSERT**

Michael Green, Key Audit Partner

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

Manchester

[Date**] TO INSERT**



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