Grant Thornton

The Audit Findings for Rother District Council

Year ended 31 March 2021

April 2022

Contents

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

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

Name : Darren Wells
For Grant Thornton UK LLP
Date : April 2022

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Rother District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2021 for those charged with governance.

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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 the Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit is substantially complete although we are finalising our procedures in the following areas;

- obtaining further information from the Council's external valuer to support the valuation of Property Plant and Equipment (PPE) assets;
- assessing information provided by management on the measurement of infrastructure assets
- final review and audit quality procedures;
- obtaining and reviewing the management letter of representation;
- reviewing a final version of the financial statements and Narrative Report; and
- updating our post balance sheet events review to the date of signing our opinion.

The Council employs an external valuer to provide yearend valuations supporting the financial statements. For one asset we identified an error in the external valuer's workings which resulted in the value of PPE being understated by £1,290,000. Management has amended the accounts.

The financial statements were prepared using a report from the Council's actuary received in June 2021. An updated report from the actuary was received in November 2021. The only substantive change was an increase of £623,000 in the fair value of plan assets, reducing the Council's net pension liability by the same amount. As the change was not material and would have involved a significant number of adjustments management decided not to amend the accounts.

Our work to date has not identified any other issues requiring an amendment to the primary financial statements. However, we have agreed a number of changes to disclosure notes. Further details are included at Appendix B.

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

Subject to the completion of outstanding work we anticipate issuing an unqualified audit opinion.

1. Headlines

Value for Money (VFM) arrangements

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

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

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

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. We expect to issue our Auditor's Annual Report in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

At this stage there are no significant weaknesses in the Council's arrangements which we need to bring to your attention.

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Statutory duties

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

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

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

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Significant Matters

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

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

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

Conclusion

We have substantially completed our audit of your financial statements. Subject to the completion of outstanding work we anticipate issuing an unmodified audit report.

Acknowledgements

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

2. Financial Statements

Our approach to materiality

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

In our Audit Plan we reported a materiality level of £992,000. Based on the total expenditure reported in the draft financial statements we updated our materiality to £1,014,000.

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	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,014,000	This is approximately 2% of gross revenue expenditure.
Performance materiality	761,000	Calculated as 75% of headline materiality. This is a measure used in audit testing based upon our assessment of the likelihood of a material misstatement in the financial statements.
Trivial matters	50,700	This has been calculated based upon 5% of your headline materiality
Materiality for bank and cash balances	500,000	We design our procedures to detect errors in specific accounts at a lower level of precision. We concluded that any error relating to bank and cash balances might have added significance for the accounts as a whole. We therefore applied a lower level of materiality of £500,000 for our work in this area.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control as an area of significant risk. The related areas of risk include management estimates, use of journals and any significant transactions outside the Council's normal course of business.	To address this risk we. - evaluated the design effectiveness of management controls over journals; - analysed the journals listing and determined the criteria for selecting high risk unusual journals; - identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; and - gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. Our audit work has not identified any issues in respect of this risk.
The revenue cycle includes fraudulent transactions Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	In our Audit Plan we considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council. We determined that the risk of fraud arising from revenue recognition could be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; • the culture and ethical frameworks of local authorities, including the Council, mean that all forms of fraud are seen as unacceptable. There are no changes to the assessment reported in our Audit Plan. Our audit work has not identified any issues in respect of this risk.
Valuation of land and buildings The Council regularly revalues its land and buildings to ensure that the carrying value is not materially different from the current value at the financial statements date. Investment properties are revalued annually at fair value. These valuations represent a significant estimate by management in the financial statements.	To address this risk we. • reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to external valuers and the scope of their work; • considered the competence, expertise and objectivity of the valuation experts used.; • liaised with the Council's external valuers to confirm the basis of the valuations performed; • reviewed the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • tested that revaluations made during the year were input correctly into the Council's asset register; and

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings (cont.)	• evaluated the assumptions made by management for those land and building assets not revalued during the year and how management have satisfied themselves that the valuation for those assets is not materially different to current value. The findings from our work on the valuation of land and buildings are reported at "Financial Statements – key judgements and estimates"
Valuation of pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the values involved and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation, and have identified valuation of the Council's pension fund net liability as a significant risk.	To address this risk we : • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated, and evaluated the design of the associated controls; • evaluated the instructions issued by management to the actuary as management's expert, and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary; • assessed the accuracy and completeness of the information provided by the Council to the actuary; • tested the consistency of the pension fund disclosures in the financial statements with the actuary's report; • confirmed the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of East Sussex 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. Our audit work has not identified any issues in respect of this risk.

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2. Financial Statements - Other risks

Risks identified in our Audit Plan	Commentary
Accounting for grant revenues and expenditure correctly In common with other local authorities the Council has received significant additional grant income in 2020/21 relating to the pandemic. This includes both grant funding to support the Council and grant funding for other organisations which has been administered by the Council. For each type of grant the Council needs to decide whether it is acting as principal or agent, and depending on that decision how the grant income and the amounts paid out should be accounted for.	To address this risk we; • reviewed the different types of grant received in 2020/21 and the conditions of the grant agreements; • considered whether the Council was acting as principal or agent and assessed if grant income has been accounted for correctly. Our audit work has not identified any issues in respect of this risk.
Risk of fraud in expenditure recognition We considered the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). As most public sector bodies are net spending bodies there may be an incentive to manipulate expenditure to meet targets or budgets. The risk of material misstatement due to fraud relating to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition. In our July 2021 Audit Plan we considered the risk factors and the nature of the expenditure streams at the Council and determined that the risk of fraud arising from expenditure recognition could be rebutted, because: • opportunities to manipulate expenditure recognition are very limited; • the culture and ethical frameworks of local authorities, including the Council, mean that all forms of fraud are seen as unacceptable. However, although we rebutted the risk of fraud, as with other local authorities we have assessed that there is an increased risk of error around estimation and cut-off processes at yearend.	To address this risk we; • inspected transactions around the end of the financial year to assess whether they had been included in the correct accounting period; • tested accruals made at year end for expenditure not yet invoiced to assess whether the valuation of the accrual was consistent with the value invoiced after yearend; and • applied an elevated risk assessment for post yearend journals as part of our journal testing procedures and considered if there was evidence of fraud in expenditure recognition. Our audit work has not identified any issues in respect of this risk..

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations **PPE: Other Land & Buildings NBV £55,529,000** **PPE: Surplus assets NBV £4,924,000** **Investment Properties: NBV £11,513,000**	The Council's accounting policy for Property, Plant and Equipment (PPE) assets (including surplus assets) is at Note 1 (section 16), and for investment properties at Note 1 (section 12) Both policies cover accounting and valuation issues. The Council re-values its PPE assets using a 5-year rolling programme, but with major assets revalued annually. All investment properties are also revalued annually. All valuations are performed by an external valuer. Other land and buildings comprise specialised assets such as leisure centres which are required to be valued at depreciated replacement cost (DRC). Land and buildings which are not specialised in nature are required to be valued at existing use (EUV). For assets not revalued by the external valuer management review the carrying value included in the financial statements to ensure that this is not materially misstated. The outbreak of Covid-19 created volatility and uncertainty in property markets. In 2019/20 the Council's external valuer reported all property valuations on the basis of 'material valuation uncertainty', indicating that less certainty and a higher degree of caution should be attached to valuations than would normally be the case. For 2020/21 the Council's external valuer has reported that there continues to be an absence of relevant market evidence on which to base valuations for retail and other specific trading-related assets such as car parks. Valuations for these categories of asset have therefore again been reported on the basis of "material valuation uncertainty".	Our work in this area is still in progress. We did not identify any concerns with the competence or objectivity of the Council's external valuers. We reviewed management's approach for assets not revalued in the current year and concluded that the carrying value for these assets was not materially misstated. We agreed that the disclosure at Note 4 "Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty" would be expanded to quantify the value of those assets reported on the basis of material valuation uncertainty. **Error in external valuer's calculations** The valuations performed by the external valuer included a calculation for the value of the development land at Marley Road, Battle. In reviewing this valuation we noted that a value of £46,000 per unit used in calculations should have been £460,000 per unit. As a result the value of the asset, and of the balance for PPE in the financial statements, had been understated by £1,290,000. Management have amended the accounts.	Light purple

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Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £22,648,000	The Council's net pension liability at 31 March 2021 is £22,648,000 (PY £17,850,000). The Council is a member of the LGPS as operated through the East Sussex Pension Fund. The Council recognises and discloses the retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Employee Benefits. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities under the scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	• We assessed the Council's actuary to be competent, capable and objective; • We concluded that the information used by the actuary was complete and accurate; • We engage an auditor's actuary to assess the work of the Council's actuary and the reasonableness of the approach used. The auditor's actuary has provided us with indicative ranges for assumptions which we report below. The values used by management's actuary are consistent with the ranges specified by the auditor's expert.	Grey (Unadjusted misstatement but issue not material)

Assumption	Actuary Value	PwC range	Within range?
Discount rate	2.0%	1.95 - 2.05%	✓
Pension increase rate	2.80%	2.85 - 2.80%	✓
Salary growth	2.80%	2.5% - 4.2%	✓
Life expectancy – Males currently aged 45 aged 65	 21.9 21.1	 21.9 - 24.4 20.5 – 23.1	✓
Life expectancy – Females currently aged 45 aged 65	 25.0 23.7	 24.8 - 26.4 23.3 – 25.0	✓

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Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Audit Comments	Assessment
Net pension liability – £22,648,000	**Updated version of the actuary's report** A report received from the Council's actuary in June 2021 was used to prepare the draft financial statements published on 27 July 2021. However, an updated report from the actuary was received in November 2021. The only substantive change was an increase of £623,000 in the fair value of plan assets; this reduced the Council's net pension liability by the same amount. As these changes were not material, and would have involved a significant number of adjustments to the primary statements and disclosure notes, management decided not to amend the accounts. We concluded that there was no material issue for our opinion. However, the amount has been included as an unadjusted misstatement at Appendix B.	Grey (Unadjusted misstatement but issue not material)

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

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

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Issue	Commentary
Matters in relation to fraud	We have not been made aware of any significant incidents of fraud in the period. No other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group.
Confirmation requests from third parties	We seek external confirmations from relevant banks and financial institutions to support our review of the Council's yearend cash and investment balances. We received positive confirmation for all balances. There are no issues to report.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information requested from management was provided.

2. Financial Statements - other communication requirements

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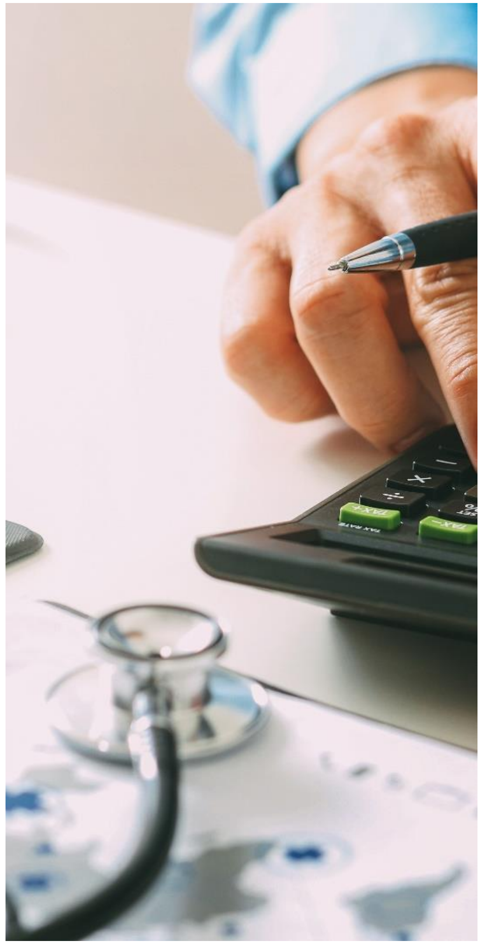
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements, including the Annual Governance Statement and the Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Our work to date has not identified any material inconsistencies. Subject to the completion of all outstanding work we plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	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. Subject to confirmation in the group audit instructions for 2020/21 we anticipate the Council will not exceed the thresholds specified by NAO and that detailed work will not be required.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2020/21 audit, as detailed in our audit report, as our VFM work is not yet complete.



3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

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- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM - our procedures and conclusions

We have not yet completed our VFM work and so are not in a position to issue our Auditor’s Annual Report. We expect to issue our Auditor’s Annual Report in line with the deadline specified in the Auditor Guidance issued by the National Audit Office, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work we will consider whether there are any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any significant weaknesses from our initial planning work as reported in our July 2021 Audit Plan.

Our detailed VFM work is now in progress. Our work to date has not identified any significant weaknesses in the Council's arrangements which we would need to bring to your attention.

5. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix D

Transparency

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

5. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	8,750 (Final fee TBC)	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 core fee for this work is £8,750 in comparison to the total fee for the audit of £60,059 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 self review threat is mitigated by the materiality of the amounts involved relative to our opinion. We also note that the Council has informed management who will decide whether to amend the claim for our findings and who will agree the accuracy of the report we issue as Reporting Accountant

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Appendices

A. Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2019/20 financial statements, which resulted in recommendations and management responses being reported in our 2019/20 Audit Findings report. We report here on the implementation of those recommendations.

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Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Impact of the Covid 19 pandemic on the assessment of debt collectability We noted that management had considered the impact of the pandemic on the collectability of debt at 31 March 2020, and had increased the impairment allowance for council tax arrears. No adjustment was made in 2019/20 for other categories of debt. We recommend that the impairment allowance for all categories is re-assessed as part of 2020/21 accounts closedown to consider any additional information on the impact of the pandemic. Management response Impairment allowances are calculated based on historical data with results providing an indication of where the new balance should be, but sometimes superseded by individual judgement for the category of debt. All allowances were looked at at the end of 2020-2021 and calculations/judgements made on them based on the most recent available data and judgement.	There is evidence that impairment allowances for all categories of debt have been reviewed at 31.3.21.
✓	Disclosure of the value of the impairment allowance for sundry debtors We noted that the accounts disclose the value of the impairment allowance for sundry debtors, but not for other categories of debt. The CIPFA Accounting code of Practice requires that impairment allowances for all categories of debtor should be disclosed. We recommend this disclosure is included in the 2020/21 financial statements. Management response The disclosure of provision levels for all categories of debt is included in Note 16 in 2020-2021.	The impairment allowances for all categories of debt have been disclosed in the 2020/21 financial statements.

Assessment

✓ Action completed

X Not yet addressed

A. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Disclosure of critical judgements Note 3 discloses a critical judgement in respect of the business rates appeals provision. However, it is unclear if the estimation process involves any critical judgment in applying the Council's standard accounting policy. We recommend that the content of Note 3 is reviewed for future years to ensure that the nature of any critical judgement is clearly identified. Management response In 2020-2021 we disclosed a judgement regarding the decision not to prepare group accounts in relation to Alliance Homes (Rother) Ltd and an explanation that it is due to very insignificant costs involved.	There is evidence the content of Note 3 "Critical judgements in applying accounting policies" has been reviewed for 2020/21. Management are no longer disclosing a critical judgement in respect of the business rates appeal provision.
Partially addressed	Inclusion of sensitivity analyses in disclosures on estimation uncertainty Under IAS1 there is a need for sensitivity disclosures to be considered for all estimates. Note 4 includes a sensitivity analysis quantifying the potential impact of changes to the assumptions used in calculating the net pension fund liability. However, there is no sensitivity analysis for the other estimates referred to at Note 4. We recommend that in future years where an estimate requires a disclosure at Note 4 then this should include a sensitivity analysis on the impact of changes to assumptions. Management response In 2020-2021 we now have the sensitivity analysis included in note 8.	A sensitivity disclosure on pensions has again been included at both Note 4 "Assumptions made about the future and other major sources of estimation uncertainty" and note 8, "Defined Benefit Pension Scheme". For 2020/21 a sensitivity analysis has also been included at Note 4 relating to the allowance for doubtful debt. Management discussed a potential sensitivity analysis for asset revaluations with the Council's external valuer but did not pursue for 2020/21 given that some assets remained subject to material valuation uncertainty. In future years we recommend that Note 4 is revisited to include a sensitivity analysis for all estimates disclosed.
✓	Disclosure of the value of income accounted for under IFRS15 The Accounting Code of Practice requires a disclosure of the amount of income accounted for under IFRS15 (revenue recognised from contracts with service recipients). The accounts include a disclosure for "Fees, charges and other service income" at Note 7, but it is not clear if this represents the value of income to be accounted for under IFRS15. We recommend that a disclosure of the amount of income accounted for under IFRS15 (revenue recognised from contracts with service recipients) is included in future years. Management response In 2020-21 accounts we now have note 7b Revenue from contracts with service recipients.	The value of income accounted for under IFRS15 has been disclosed in the 2020/21 financial statements, at Note 7b.

Assessment

✓ Action completed

X Not yet addressed

A. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Finance team member holding system administrator rights to the finance system During 2019/20 a Principal Accountant in the finance team has exercised system administrator rights for the U4BW ERP finance system. There is no indication of any issues of concern arising from these arrangements. However, where a member of the finance team also holds system administrator rights to the finance system then the control provided by segregation of duties is weakened. We recommend that arrangements for exercising the system administrator role in the absence of the main post-holder are reviewed. Management response September 2021 management update: As of June 2021 an additional system administrator is in post. Although the Principal Accountant currently continues to have system access rights it is not anticipated that these will be exercised going forward. March 2022 management update: Systems admin rights were removed completely from the Principal Accountant on 20 October 2021.	We have requested a report trail to confirm the change in system administrator rights. Subject to a review of this trail we are satisfied management has taken appropriate action to address the recommendation.

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Assessment

✓ Action completed

X Not yet addressed

B. 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.

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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 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000
Valuation of PPE understated by £1,290,000 due to error in external valuer's calculations			
PPE Revaluation Reserve		1,290 (1,290)	
Overall impact	(1,290)	0	(1,290)

B. 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.

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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.

Disclosure omission	Adjusted?
Note 3: Critical judgements It was agreed that an additional critical judgement would be added relating to the accounting arrangements for the joint waste recycling contract.	✓
Note 4: Assumptions made about the future and other major sources of estimation uncertainty Note expanded to; • include a sensitivity analysis relating to the bad debt provision • quantify the value of those assets reported on the basis of material valuation uncertainty.	✓
Note 17: Creditors The amount of Covid grant received where the Council acted as agent for the government was stated to be £16.3m but should have been £14.8m.	✓
Note 20: Financial instruments The book value of financial assets at fair value through profit and loss was stated to be £8,000,000 but should have been £7,601,000.	✓
Note 20: Financial Instruments Short term liabilities meeting the definition of financial instruments were stated to be £16,186,000 but should have been £1,397,000, as statutory creditors relating to Covid grant had been incorrectly included.	✓

B. Audit Adjustments

Misclassification and disclosure changes (continued)

Disclosure omission	Adjusted?
Note 20: Financial Instruments Total of debt past due but not impaired stated to be £700,000 but should have been £848,000.	✓
Note 22: Leases The total for future minimum lease payments receivable under non-cancellable leases in future years was stated to be £26,959,000 but should have been £30,075,000.	✓
Note 24: Officers' remuneration and exit packages For one officer an amount of £121,00 had been correctly disclosed at the table for Exit Packages. The same amount should have been disclosed as compensation for loss of office in the Senior Officer Remuneration table, but at that table the amount was £97,539.	✓
Note 25: External audit costs Total updated to reflect the audit fee as per the July 2021 Audit Plan	✓
Various minor changes to amounts and narrative at other disclosure notes.	✓

B. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
(3) Net pension liability overstated as accounts have not been adjusted for an updated actuary's report received in November 2021.				Management consider the adjustment is not material.
Net Defined Pension Liability		623		
Unusable reserves		(623)		
On the CIES the issue means that "Remeasurement of the net defined pension liability, and therefore "Other Comprehensive Income and Expenditure" are also overstated.	(623)		(623)	
Changes would also be required at Note 8 (Defined Benefit Pension Scheme).				
Overall impact	(623)	0	(623)	

Impact of prior year unadjusted misstatements

In 2019/20 the financial statements also excluded the impact of an updated actuary's report received after the financial statements had been prepared. As a result the net pension liability was understated by £369,000. However, as the net pension liability has been re-calculated at 31 March 2021 there is no brought forward impact from the 2019/20 unadjusted misstatement to consider for 2020/21 .

C. Fees

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

Audit fees	**Proposed fee**	**Final fee**
	£	£
Council audit	60,059	TBC
Total audit fees (excluding VAT)	60,059	TBC

The proposed fee for the audit reconciles to Note 25 in the financial statements.

Non-audit fees for other services	**Proposed fee**	**Final fee**
	£	£
Audit Related Services		
-Housing benefit subsidy claim (proposed fee is the core fee)	8,750	TBC
Other	0	0
Total non-audit fees (excluding VAT)	8,750	TBC

D. Audit opinion

Our audit opinion is included below.

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

Independent auditor's report to the members of Rother District Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Rother District Council (the 'Authority') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2020/21.

In our opinion, the financial statements:

• give a true and fair view of the financial position of the Authority as at 31 March 2021 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 2020/21; and

• have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

In our evaluation of the Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 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 2020) 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.

D. Audit opinion

Our audit opinion is included below.

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

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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.

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Financial Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Financial Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, 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;

D. Audit opinion

Our audit opinion is included below.

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

- 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, the Chief Financial Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities 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 Chief Financial Officer. The Chief Financial Officer 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer 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 Chief Financial Officer 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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Standards Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

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.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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 (international accounting standards as interpreted and

D. Audit opinion

Our audit opinion is included below.

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

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adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972 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 senior officers and the Audit and Standards 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 senior officers and the Audit and Standards 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 officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, fraudulent revenue recognition and fraudulent expenditure recognition.

• Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Chief Financial Officer has in place to prevent and detect fraud;

- journal entry testing, with a focus on unusual journals made during the year and the accounts production stage for appropriateness and corroboration

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations;

- 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. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from 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.

• 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

d. Audit opinion

Our audit opinion is included below.

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

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.

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 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

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, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

• Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;

• Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and

• Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

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

D. Audit opinion

Our audit opinion is included below.

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

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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 Rother District Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

• our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'

• the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

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 43 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:

Name: Darren Wells, Key Audit Partner

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

London

Date:

Grant Thornton

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