Grant Thornton

The Audit Findings for Rother District Council

Year ended 31 March 2022

Rother District Council

December 2023

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 and the Audit and Standards Committee.

Name : Darren Wells
For Grant Thornton UK LLP
Date : 4 December 2023

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 2022 for those charged with governance.

Financial Statements

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

- the Council's financial statements give a true and fair view of the financial position of the Council and 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.

We reported the findings of the 2021/22 audit to members in March 2022. At that time we highlighted ongoing work in respect of the valuation of property, plant and equipment, awaiting responses from management to audit challenge.
We have also undertaken additional work in respect of the pension fund triennial valuation. The Council is a scheduled/admitted body to East Sussex Pension Fund. The latest triennial valuation for East Sussex Pension Fund at 31 March 2022 provides updated information for the net pension liability on the Council's balance sheet, particularly in respect of membership data and demographic assumptions. Having considered Section 3.8 of the CIPFA Code and IAS 10 - Events After the Reporting Period we considered that the triennial valuation would contain information that better reflects conditions that existed as at 31 March 2022. Management obtained a revised report from the actuary, detailing what impact this updated information had on its net pension liability disclosures at 31 March 2022. This revised report showed that the impact was material and so management adjusted the financial statements accordingly.

Additional audit work has been required in respect of this issue, including obtaining assurance in respect of updated membership data, considering the reasonableness of revised assumptions and estimates and checking the accuracy of management's adjustments to the financial statements.
Updates in this report to the position reported to members in March are shown in underlined text for ease of identification.

Our audit work was undertaken remotely during October-March. Our findings are summarised on pages 5 to 15. We have identified adjustments and amendments to notes to the financial statements. These are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is complete and there are no matters of which we are aware that would require modification of our audit opinion Appendix E.

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

Our audit opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are 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 completed our VFM work, which is summarised on page 17, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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 completed our audit of your financial statements and we will issue an unqualified audit opinion as detailed in Appendix E.

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.

Materiality levels remain the same as reported in our audit plan.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,189,000	This is approximately 2% of gross revenue expenditure.
Performance materiality	892,000	Calculated as 75% of headline materiality. This is a measure used in audit of testing based upon our assessment of the likelihood of a material misstatement in the financial statements.
Trivial matters	59,400	This has been calculated based upon 5% of your headline materiality.

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, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	To address the 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 - tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration - gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence - evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions Our audit work has not identified issues in respect of this risk. However we raised two control recommendations in relation to journals process. Refer to Appendix A.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of the 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 size of the numbers involved (£11.3m in the Council's balance sheet) 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.	To address the 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 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; - Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. Our audit work has not identified issues in respect of this risk other than the unadjusted overstatement of £374k in pension fund net liability. Refer to Appendix C. Further in July 2023, the Council obtained a revised IAS 19 report from the actuary following the updated triennial valuation report for 2022. This resulted in increase in net defined pension liability as at 31 March 2022 from £11.3m to £18m which have been reflected on the revised statement of accounts.
Revenue cycle includes fraudulent transactions (rebutted) Under ISA 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and nature of the revenue streams at Rother District Council, we have determined that the risk of fraud arising from revenue recognition on the remaining revenue streams can be rebutted, because: - There is little incentive to manipulate revenue recognition - Opportunities to manipulate revenue recognition are very limited - The culture and ethical frameworks of local authorities, including Rother District Council, mean that all forms of fraud are seen as unacceptable. There are no changes to the assessment reported in our Audit Plan. We have not identified any issues in this regard.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings and Investment Properties 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 the risk we: - Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; - Evaluated the competence, capabilities and objectivity of the valuation expert; - Wrote to the valuer to confirm the basis on which the valuation was carried out; - Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation; - Tested revaluations made during the year to see if they had been input correctly into your asset register; and - 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. On the initial audit findings report we reported in the July 2023 Audit and Standards Committee meeting, we noted that the review of two asset valuations was underway with outstanding audit queries. This is related to: - 5.71 ha of land in Mount View street which the Council acquired in 2021/22. A portion of this land (4.04ha) will be sold to NHS body post year end, was valued at £2.9m and the remainder (1.67ha) will be used for residential development and is valued at £2.5m as at 31 March 2022. We have now concluded on this. The portion of land valued at £2.9m was reclassified to assets held for sale and Note 27 (Events after the balance sheet) was amended to reflect the transfer of land to NHS body post year end. - The second is land in Blackfriars which is categorised as a surplus asset. This was valued at £4.5m in 2020/21 and is valued at nil in 2021/22. The valuation method remains consistent at fair value in both 2021/22 and 2020/21. This asset is currently held for future housing development and is intended to be transferred to Rother DC Housing Company Ltd. A second valuation was obtained in July 2023 but incorrect land area was used by the valuer. Third and final valuation was therefore obtained by the management in October 2023 for this property using the best use of the land with a valuation of £595k. This has been adjusted to the statement of accounts. We have also concluded on this and assessed the revised valuation to be reasonable. No issues identified on the valuation of investment properties.
Risk of fraud in expenditure recognition (rebutted) We consider 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.	Having considered the risk factors and the nature of the expenditure streams at the Council, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because: - there is little incentive to manipulate revenue recognition; - opportunities to manipulate revenue recognition are very limited; - the culture and ethical frameworks of local authorities, including the Council, mean that all forms of fraud are seen as unacceptable. There are no changes to the assessment reported in our Audit Plan. We have not identified any issues in this regard.

2. Financial Statements - Other risk

Risks identified in our Audit Plan	Commentary
Existence/accuracy of infrastructure asset balances and associated accumulated depreciation charged The CIPFA Code of Practice on Local Authority Accounting states that Infrastructure assets shall be measured at depreciated historical cost. Historical cost is deemed to be the carrying amount of an asset as at 1 April 2007 (i.e. brought forward from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment. We identified a risk that the carrying value of infrastructure assets is not appropriate given the nature of how the assets are held on the balance sheet and monitored through the asset register.	The inherent risks which we identified in relation to infrastructure assets were: • an elevated risk of the overstatement of Gross Book Value and accumulated depreciation figures, due to lack of derecognition of replaced components • a normal risk of understatement of accumulated depreciation and impairment as a result of failure to identify and account for impairment of infrastructure assets and an over or understatement of cumulative depreciation as a result of the use of inappropriate useful economic lives (UELs) in calculating depreciation charges. We have been working with CIPFA and the English Government to find both long-term and short-term solutions which recognise the information deficits and permit full compliance with the CIPFA Code. It has been recognised that longer-term solutions, by way of a Code update, will take several years to put into place and so short-term solutions are being put in place in the interim. These short-term solutions include the issue of a Statutory Instrument (SI) by government. The English SI was laid before Parliament on 30 November 2022 and came into force on 25 December 2022. CIPFA issued an update to the Code for infrastructure assets in November 2022 and has issued further guidance in January 2023 in relation to useful economic lives (UELs). We have completed the following work focusing on the Council's current year's infrastructure assets: - Updated our understanding of the processes and controls put in place by management to ensure that the useful economic lives for infrastructure are set at an appropriate length; - Updated our understanding of the processes and controls put in place by management to ensure that infrastructure assets which have been replaced are identified and written out of the fixed asset register and financial statements as replacement additions are made; and - Obtained understanding how management complies with the CIPFA Code of Practice in how it accounts for infrastructure assets. Based on our work, we are satisfied that the Council has: • appropriately removed the gross book value and accumulated depreciation from its disclosures adding a new disclosure setting out opening net book value and any in-year movements • not identified any prior period adjustments requiring disclosure in the accounts. • complied with the application of useful economic lives (UEL) of infrastructure assets in accordance with SI and the requirements in the CIPFA Code.

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 £47,418,000 PPE: Surplus assets NBV £2,260,000 Investment properties NBV £13,379,000	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 process. The Council's assets are typically fully revalued on a 5 year programme, but the Council arranged for a full revaluation of its land and property (including its investment property) as at 31 March 2022 two years after the previous full revaluation. The exercise was undertaken by external valuers Wilks Head and Eve Chartered Surveyors. Other land and buildings comprises specialised assets such as leisure 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. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The total year end valuation of land and buildings was a net increase of £5.9m from 2020/21 (£41.5m) while the investment properties was a net increase of £1.7m from 2020/21 (£11.5m).	The Council engaged Wilks Head and Eve for the valuation of land and buildings and investment properties. We considered and completed the following in the course of our audit: - assessment of management's expert; - Impact of any changes on the valuation method; - consistency of estimate against Gerald Eve report; - reasonableness of movement in estimates; - adequacy of disclosure of estimate in the financial statements; and - evaluated classification of investment properties. Based on the valuation report, the valuer has not reported material valuation uncertainty for both other land and buildings and investment properties due to quantum of market evidence that support the valuation. We have not identified issues in respect of the valuation of land and buildings and investment properties. In terms of land and building and surplus assets valuations, we noted that following: - Audit misstatements (see Appendix C) - Errors on calculation of valuation resulting in £170k understatement on two samples and £219k overstatement for one sample with a net impact on land and building of £49k. - Land in Mount View Street - £2.9m reclassifications to assets held for sale. This has been adjusted by the management. Post balance sheet event note also amended to reflect this. - Land in Blackfriars – Revaluation adjusted to £590k from nil. Management have made the adjustment in the accounts. - Control failures (see Appendix A) - Assets revalued have no identifier to easily match what's on the fixed asset register - Lack of clear dialogue and instructions to valuer to ensure valuation basis used is correct.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension liability – £18,051,000</td>
<td>The Council's net pension liability at 31 March 2022 is £18m (PY £22.6m).
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 derived from this scheme. A full actuarial valuation is required every three years.
The latest full actuarial valuation was completed in 2023 for the period as at 31 March 2022. 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.</td>
<td>We have considered and completed the following in the course of our testing:

Assessment of management's expert;
Assessment of actuary's approach taken, based on the full valuation to confirm reasonableness of approach;
Use of PwC as auditor's expert to assess actuary and assumptions made by actuary – the table compares your Actuary's assumptions

<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>2.60%</td><td>2.55% - 2.60%</td><td>●</td></tr>
<tr><td>Pension increase rate</td><td>3.20%</td><td>3.05%-3.45%</td><td>●</td></tr>
<tr><td>Salary growth</td><td>3.20%</td><td>3.05%-4.45%</td><td>●</td></tr>
<tr><td>Life expectancy – Males currently aged 45 / 65</td><td>21.1 / 22.1</td><td>20.5 - 24.4</td><td>●</td></tr>
<tr><td>Life expectancy – Females currently aged 45 / 65</td><td>24 / 25.5</td><td>23.4 - 26.4</td><td>●</td></tr>
</table>

Completeness and accuracy of the underlying information used to determine the estimate
Impact of any changes to valuation method
Reasonableness of the Council's share of LPS pension assets.
Reasonableness of increase/decrease in estimate
Adequacy of disclosure of estimate in the financial statements

</td>
<td>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</td>
</tr>
</table>

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.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit & Standards Committee. We have not been made aware of any other incidents in the period and 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 will be requested from the Council which is appended in this report.
Confirmation requests from third parties	We sought external confirmations from relevant banks and financial institutions to support our view 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 and explanations requested from management was provided.

2. Financial Statements - other communication requirements

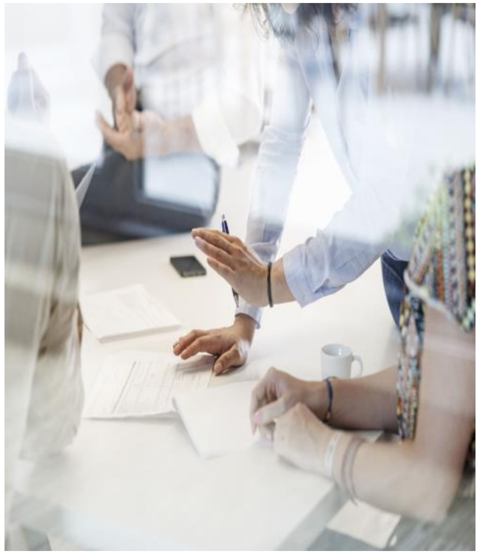
Our responsibility

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

Issue	Commentary
Going concern	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. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E.
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. Note that work is not required as the Council does not exceed the threshold.



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. 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 completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were 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 risks of significant weakness. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

4. Independence and ethics

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

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

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

Details of fees charged are detailed 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 service was identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Estimated Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	£14,663	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 £14,663 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review 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.

Appendices

A. Action plan – Audit of Financial Statements

We have made 7 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 the 2022/23 audit. The matters reported here are limited to those deficiencies we 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
●	We noted two users who posted on the accounting system that have unbalanced amounts of journals with net variance of £40. As per management this resulted from system error that wasn't investigated further on the grounds of materiality.	Whilst the difference on the unbalanced user journal transactions are clearly trivial, management should ensure that systems controls are designed effectively to avoid future errors on journals being posted. This includes a control that would prevent journals to be posted if the debits and credits don't match on each journal and by each user. **Management response** The system prevents unbalanced journals happening both when they are done manually and uploaded from a template. It would accept up to 5p difference if it was a result of calculation roundings. The controls are there in place and this particular case was an abnormal situation due to a system glitch.
●	We noted multiple journal entries in the general ledger's listing (specifically on Income SI category) that have no descriptions. As management confirmed, the system does not allow users to include journals descriptions for this type of transactions. The system only automatically post descriptions that are not clear and have no meaning.	It is fundamental that journals regardless of the amount or number of lines, should be posted with clear descriptions as this provides quick overview of what these journals are being posted for. This is designed to spot errors that can be useful in management's review process of journals before being posted. Management should consider putting a description function for all types of journals and to understand why the system is not allowing descriptions to be recorded for this type of journal. **Management response** The lack of narrative on Sundry Income Debtor invoices is a result of a system design on Accounts Receivable which does not transfer the narrative from the face of the invoice (SI Order) into the Text field on the General Ledger. This has been investigated with a Unit 4 Users group and is accepted as a system limitation. Detail on the type of transactions is already available through the use of Account, Cost Centre, Location and Product code descriptions, but we are investigating the possibility of having the narrative there as well. At the moment it is impossible without significant additional/duplicated data entry work by the Accounts Receivables officer.

Controls

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

A. Action plan – Audit of Financial Statements, cont’d

Assessment	Issue and risk	Recommendations
🟦	Based on our valuation testing, we noted two land held within fixed assets register that will either be developed, sold or transferred in the future. One relates to a land in Mount View street acquired in 2021/22 for which a portion will be sold to an NHS body while the remaining is planned to be developed for commercial use. The other land in Blackfriars is planned to be transferred to a housing company set up by the Council for local housing purposes. While we can see Cabinet minutes demonstrating the decision of the committee for the planned use of these assets, there is no documented dialogue and instructions provided to the valuer to ensure valuation basis is correct. This. should include a tracker to show different stages of the decisions held for these land. Management confirmed that the intended use of these assets specifically the land in Blackfriars has not been steady depending on the best use at a point in time and will also depend on the viability study undertaken by the housing company. It is therefore crucial that decisions on stages of the plan of the asset is maintained which should also outline the outcome of decisions, actions to be taken and timescale.	Management’s valuation team is well aware about the decisions for these assets but It is important that the concrete plan for the assets are demonstrated not just on the final stages of approval but also in the form of a tracker showing the decisions made, planned and/or alternative actions, and timescale on when will these be achieved. From the auditing perspective, this also provides an understanding on the use of the asset as it affects the assessment on the valuation method that should be applied. **Management response** These two complex projects evolved over the years and while the Council is comfortable that all the decisions taken around these schemes are accurately reflected within the reports presented and minutes provided it is acknowledged that we need to ensure continual dialogue between the finance and property teams along with the valuers so that everyone is clear on the current progress of developments to ensure valuations can be accurately reflected. We are continually improving the management, monitoring and reporting of the overall capital programme using a standardised approach to ensure all changes are captured and well documented so these improvements to communications will be included as part of this ongoing work.
🟫	NNDR Provision : Figures for the threat report were not updated for year under audit. The Council accounted for the NNDR provision on the basis of last year threat report figures for 2017 list. This resulted in provisions understated by £42k.	As part of the financial reporting process, management should ensure that up-to-date reports are being used in estimating their general provisions. **Management response** We are doing work this year to improve our working papers for the collection fund to prevent such an omission from happening in the future. We are also taking steps to communicate better with the VOA and Analyse Local and there is a project to standardize the approach to NNDR provision by BAs across the county.
🟫	On our valuation testing, we noted that there is no distinct identifier in terms of name for assets per valuation report versus what’s on the Council’s fixed asset register and to the corresponding ownership documents.	We recommend management to include identifier or references to each item on the fixed asset register and folders maintained for each individual asset where corresponding evidence can be kept in order. This will make the review process easier and in ensuring supporting evidence can be pulled out easily. As discussed with management this is being addressed for 2022/23. **Management response** We are aware of this problem and there is a reconciliation exercise ongoing to standardise the descriptions of assets between the information given out to valuers, the fixed asset register maintained by Finance and the descriptions used on the Financial system. The list of properties has already been sent to the valuers in their old format, but we will endeavour to either map those old name or translate them to the new agreed descriptions.

A. Action plan – Audit of Financial Statements, cont’d

Assessment	Issue and risk	Recommendations
	Management confirmed that all FTE quarterly reports in 2021/22 were submitted to National Statistics however we did not see evidence of FTE report submission for the quarter ended June 2021.	This document provides strong evidence to support completeness of FTE being disclosed to the financial statements and is therefore important to be kept on file. **Management response** We will stress to HR the importance of those records to be retained and passed on to Finance and ask them to diarise sharing this information with Finance either at year end or as and when it is submitted.
	During the audit, we noted that elections staff cost was inconsistently recorded in different codes. Some of which were posted using basic salary account code while others were posted in employee benefit expense codes.	We recommend that separate code be used for other employee remuneration to easily track expenditures of different nature. This would also help the Council when analysing fluctuations on account level basis. **Management response** It is true that all these costs are recorded under Basic salary costs, and are thus not easily distinguishable from other regular staff costs, but they only affect 5 distinct Elections cost centres associated with specific elections. They are not easily distinguishable on the system because a decision was made at set up stage that employee information would be restricted on the general ledger. The information can be obtained on request by authorized staff from the Payroll Module. We will, however, check with HR and payroll if for better visibility and transparency purposes the relevant PDs could be attached to a different, separate Account code set up on the system specifically to capture such elections costs which would not have been incurred if elections were not taking place in the particular year.

B. Follow up of prior year recommendations

We identified the following issues in the audit of Rother District Council's 2020/21 financial statements, which resulted in 1 recommendation being reported in our 2020/21 Audit Findings report as partially addressed. We have followed up on the implementation of our recommendation and noted this to has been addressed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Inclusion of sensitivity analyses in disclosure on estimation uncertainty Under IAS1 there is a need for the sensitivity analysis disclosures to be considered for all significant 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 other estimates referred to at Note 4. We recommended that in future years where an estimates requires a disclosure at Note 4 then this should include a sensitivity analysis on the impact of changes to assumptions.	In 2020/21, the Council partially addressed this recommendation leaving the disclosure on sensitivity analysis for asset revaluations for 2021/22. This has now been reflected in the 2021/22 statement of accounts and therefore resolved.

Assessment

✓	Action completed
X	Not yet addressed

C. Audit Adjustments

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

Impact of adjusted misstatements

We have identified the following adjusted audit misstatements which we are required to report to those charged with governance.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000
Classification error on land in Mt. View Street The land in Mt. View Street is divided into three phases. The first two phases (or portions) are intended to be transferred to an NHS body while the remainder of the site could be developed for residential and some neighbourhood retail use, in line with the outline planning consent. During 2022/23, the Council entered into an option agreement with an NHS body to transfer portions of land through sale. This is the first phase of the site which has been successfully transferred to an NHS body and consideration received by the Council in February 2023. The fair value of the land as at 31 March 2022 was £2,053k while the consideration received was £2,363k. The second phase is expected to be transferred after 12 months post year end and is valued at £877k as at 31 March 2022. The option agreement covers five periods although the transfer is expected to occur as soon as the funding is secured by the NHS body. The Council has reclassified the first phase of site as assets held for sale (current) for £2,053k while the second phase was reclassified to assets held for sale (noncurrent) for £877k.	-	Assets held for sale (current) – 2,053 Assets held for sale (noncurrent) - 877 PPE - (2,930)	-

C. Audit Adjustments, cont'd

Impact of adjusted misstatements, cont'd

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000
Valuation error on Land in Blackfriars The land in Blackfriars was initially valued at nil at 31 March 2022 (£4.5m at 31 March 2021) as a surplus asset. Based on initial valuation report, the cost to construct was more than the expected sale resulting in the nil value. The valuation was based on housing development plan for this land but this is dependent on the outcome of an ongoing viability study. At the time of our audit, the viability study has not been completed and therefore a firm finalised plan on the intended use of land has not been established. According to the Code, management should assess the highest and best use of the land. This will determine the appropriate valuation method to apply. Management discussed this with their property team and the external valuer to determine the alternative use of the land and to compare what the best use is. A revised valuation was then provided by the external valuer using the land value on its current state based on market comparison approach. For the development site, the external valuer used the suggested rates by VOA. Undeveloped land value or the development site is derived from the VOA amenity land schedule as there is very limited evidence of amenity land being sold between parties as typically it will be for redevelopment. In calculating the valuation, the external valuer, based on their judgement reduced the multiplier due to the current state of the land. This resulted in the revised valuation of the land to £559k. We have assessed inputs and assumptions used by the external valuer and have concluded these to be reasonable.	559	559	-

C. Audit Adjustments, cont’d

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	Auditor recommendations	Adjusted?
Liquidity risk disclosure amendment in financial Instruments note for inclusion of interest cost along with principal amount. The maturity analysis disclosed under liquidity risk section of financial instruments disclosure in Note 20 does not include the interest element of loans over the contractual maturities in both current year and prior year.	Amendments proposed to correct error in the contractual maturities disclosed in both current and prior year. **Management response** Agreed to adjust.	✓
Through discussions with the management, adjustments were made to the CIES however this was not reflected on the Expenditure and Funding Analysis (EFA) note. This relates to account G1206 that's normally expense and therefore mapped to expenditure lines. This has been corrected in the updated accounts to reclassify the amount to income line. There is nil impact on the net income.	Amendments proposed to correct error in EFA note. **Management response** Agreed to adjust.	✓
Error on the amount of "Change in covid grants held for Government" line for 21/22 within Statement of Cash flows which was shown as £14,774k but should have been £2,713k. This amount was incorrectly brought forward from PY comparative but overall has no impact on the net amount of cash flows.	Amendments proposed to correct statement of cash flows. **Management response** Agreed to adjust.	✓
In Note 19, the Council included narrative about the nature of S106 grants but it's not done for new grants S106 Worsham farm (£747k) which leaves the undisclosed nature of S106 grants above the materiality.	Amendments proposed to provide disclosure on the nature of capital grants received in advance. **Management response** Agreed to adjust.	✓

C. Audit Adjustments, cont’d

Misclassification and disclosure changes, cont’d

Disclosure omission	**Auditor recommendations**	**Adjusted?**
As per IAS1 there is a need for the sensitivity analysis disclosures to be considered for all significant estimates. This was not disclosed for the depreciation expenses.	Amendments proposed to comply with the requirement of the Code. **Management response** Agreed to adjust.	✓
The Council amended Note 27 Events after the balance sheet events to reflect the adjusting events related to the subsequent transfer of land in Mt. View Street to an NHS body.	Amendments proposed to comply with the requirement of the Code. **Management response** Agreed to adjust.	✓

C. Audit Adjustments, cont'd

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit & 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
Errors in land and building valuations calculations For three of the samples selected, we noted errors in the calculation of valuation by the values as follows: - Land at Mount View street, Variance noted between our recalculation and valuation provided by management. The valuer used 5.86 ha in calculating the land value as opposed to the correct land area of 5.71ha. This resulted in understatement of land valuation by £79k. - Public convenience at Dog Hill The valuer in his calculation incorrectly used the amount for "Developed Land" as a basis for calculating value per land as opposed to "Undeveloped land" which this asset falls under. This resulted in an overstatement of land valuation by £219k. - Land at Love Lane Rye The total area as per recalculation by management is 1.779 ha while the valuer has only considered an area of 1.17 ha for their calculations resulting in a net valuation gap of £91,350. The net impact of above misstatements is overstatement on the valuation of land and building by £49k and corresponding overstatement on revaluation reserve.	-	PPE - 49 Revaluation reserve - (49)	-	The Council has not adjusted as this is below materiality.

C. Audit Adjustments, cont'd

Impact of unadjusted misstatements, cont'd

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Reason for not adjusting
Understatement on the pension fund asset IAS 19 assurance letter was received from the pension fund auditors on 15 February 2023. No exceptions was noted other than the £12.9m understatement in the valuation of pooled investments, pooled property investments and pooled equity of the pension fund. We have calculated the portion of misstatement allocated to Rother DC based on its asset percentage of 2.29% over the total asset of the pension fund. The allocated variance to Rother DC is therefore £374k. In effect, the pension fund net liability is overstated by the same amount as at 31 March 2022.	374	374	(374)	The Council has not adjusted as this is below materiality.

D. Fees

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

Audit fees	Proposed fee	Final fee
Scale fee	£40,459	£40,459
Ongoing increases to scale fee first identified in 2019/20		
Increased FRC challenges	4,500	4,500
PPE		
pensions	200	200
New issues from 2020/21		
ISA 540 and journals testing	5100	5100
Value for Money audit – new NAO requirements	9,000	9,000
other	6,675	0
Issues in 2021/22		
additional work on PPE valuation due to errors noted		8,260
additional work on pension valuation including work on updated triennial valuation report		4,000
Total audit fees (excluding VAT)	£65,934	£71,519

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services Housing benefit subsidy claim	£14,663	£14,663
Total non-audit fees (excluding VAT)	£14,663	£14,663

None of the above services were provided on a contingent fee basis. This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

E. 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 2022, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 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 2021/22; 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 Finance 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 Finance 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 2021/22 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.

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 Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

E. Audit opinion, cont'd

Other information

The Chief Finance 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;
- 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 Finance 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 Finance Officer. The Chief Finance 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 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance 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 Finance 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.

E. Audit opinion, cont'd

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 adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and 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 Finance 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. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

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

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

- knowledge of the local government sector

E. Audit opinion, cont’d

- 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.

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 2022.

We have nothing to report in respect of the above matter

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 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 December 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 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 Rother District Council for the year ended 31 March 2022 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 to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

E. Audit opinion, cont'd

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

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:

F. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP

[Click here and enter office address]

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

Dear Sirs

Rother District Council

Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Rother District Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 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 for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("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 Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council 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. Such accounting estimates include the valuation of the net pension liability, the valuation of land and buildings, the valuation of investment properties and surplus assets, depreciation, provisions, fair value estimates, yearend accruals and credit loss allowances. 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 IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the Council has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

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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 Council’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. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

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. The prior period adjustment disclosed in Note 20 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xv. We have updated our going concern assessment. We continue to believe that the Council’s financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

a. the nature of the Council means that, notwithstanding any intention to cease 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 continu e 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 entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Council’s system of internal control has not identified any events or conditions relevant to going concern.

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

xvi. 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.

xvii. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council’s financial statements in the event of non-compliance.

Information Provided

xviii. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council’s financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

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.

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xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

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 Council'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 Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Audit and Standards Committee at its meeting on [ENTER DATE].

Yours faithfully

Name……………………………

Position…………………………..

Date……………………………..

Signed on behalf of the Council

Grant Thornton

grantthornton.co.uk