

# The Audit Findings for Rother District Council

Year ended 31 March 2023



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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 J. Wells  
For Grant Thornton UK LLP  
Date: February 2024

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

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# 1. Headlines

This 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 2023 for the attention of those charged with governance.

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## Financial Statements

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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 its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

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

Our audit work was undertaken remotely during October to February. Our findings are summarised on pages 6 to 16. We identified 3 adjustments and amendments to notes to the financial statements. These are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is largely complete and there are no matters of which we are aware that would require modification of our audit opinion (please see Appendix H) or material changes to the financial statements, subject to the following outstanding matters;

- Remaining procedures on collection fund and housing benefits;
- Procedures on net pension asset;
- Final review of audit file;
- Receipt of management representation letter (please see appendix G); and
- Review of the final set of financial statements.

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

Our anticipated audit report opinion will be unqualified. We have been able to satisfy ourselves that the Council has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources.

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# 1. Headlines

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## Value for Money (VFM) arrangements

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

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

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

We have completed our VFM work, which is summarised on page 17, and our detailed commentary is set out in the separate Auditor's Annual Report, which has previously been presented to the Audit and Standards Committee. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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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 received three objections to the 2022/23 statement of accounts. These are on the subject areas of:

- Town Hall renaissance project;
- Pension strain and exit payments
- Planning Agreement s106 and affordable housing.

Work is still ongoing to consider these. We have completed the majority of work under the Code but will not certify the completion of the audit until the formal completion of the above objections.

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## Significant matters

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

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# 1. Headlines

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## National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk)

We would like to thank everyone at the Council for their support in working with us. The audit team and the Council have worked constructively to resolve issues and challenges encountered to progress the audit by this point.

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## National context – level of borrowing

All councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on council budgets, there are concerns as councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

From our 2022/23 review of Rother's arrangements for the use of its resources, we are aware that the Council updates its Treasury Management Strategy Statement and Annual Investment Strategy annually in line with the budget setting timetable to ensure the revenue impact of borrowing and investments is considered within the budget and clear borrowing and investment limits, prudential indicators and criteria are set. The Council did not breach any of these in 2022/23, nor have we been made aware of any potential breach in 2023/24.

The Council's current MTFs quoted in our Annual Auditor's Report (AAR) covering 2023/24 to 2027/28 indicates a balance budget for 2023/24. The budget gap is greater than 5% for 2023/24 and 2024/25, individually, however there are sufficient reserves available to support the full 5 year deficit, recovery is planned in latter years and there is Service Planning Programme planned in 2023/24 to help address the medium term budget deficit.

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# 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 and the Audit and Standards Committee.

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 largely completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion as detailed in Appendix H.

### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. At the time of writing (February 2024), there are still areas to be concluded. The final audit fee will be reported to committee and is subject to approval by PSAA.



# 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.
Materiality for cash and cash equivalents	500,000	Lower materiality level as any error might have added significance for the accounts as a whole.



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## 2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Commentary
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, and in particular journals, management estimates, and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>To address the risk we:</p> <ul style="list-style-type: none"><li>• evaluated the design and implementation of management controls over journals;</li><li>• analysed the journals listing and determined the criteria for selecting high risk unusual journals;</li><li>• identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration;</li><li>• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness;</li><li>• evaluated the rationale for changes in accounting policies, estimates or significant unusual transaction.</li></ul> <p>Our audit work is to be finalised however at the time of writing, we have not identified issues in respect of this risk. Last year we highlighted control weaknesses around journals – unbalanced journals posted and journal transactions in the general ledger with no descriptions. These control recommendation remained open in 2022/23 (please see Appendix C).</p>

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# 2. Financial Statements - Significant risks

## Risks identified in our Audit Plan

## Commentary

### Valuation of the pension fund net asset

The Council's pension fund net asset as reflected in its balance sheet as the net defined benefit asset represents a significant estimate in the financial statements.

The pension fund net asset is considered a significant estimate due to the size of the numbers involved (£10.5m 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 the actuarial 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 asset/liability. We have therefore concluded 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 testing is in progress which includes:

- IAS 19 assurance letter from pension fund auditors; and
- evaluation of Council's IFRIC 14 consideration for the limit on defined benefit asset that can be recognised.

### 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. We have tested material income streams and not identified any issues.

# 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.

We obtained reasonable assurance that the valuation of land and buildings and investment properties are not materially misstated. We identified two valuation errors as set out on page 11 and Appendix D. The Council has adjusted the accounts for these. Control recommendations were also raised in Appendix B and C.

### 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 – key judgements and estimates

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

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment
<p><b>Land and Building valuations</b></p> <p><b>PPE: Other land &amp; buildings</b> NBV £55,830,000</p> <p><b>PPE: Surplus assets</b> NBV £1,512,000</p> <p><b>Investment properties</b> NBV £12,858,000</p> <p><i>Note: balances are based on published draft accounts. Revised financial statements will be obtained following adjustments agreed on Appendix D.</i></p>	<p>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.</p> <p>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 2023. The exercise was undertaken by external valuers Wilks Head and Eve Chartered Surveyors.</p> <p>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.</p> <p>Investment properties are valued at Fair Value, which is defined as the best and highest use for the asset.</p> <p>The total year end valuation of land and buildings was a net increase of £7.6m from 2021/22 (£49.7m) while the investment properties was a net decrease of £0.6m from 2021/22 (£13.4m).</p>	<p>The Council engaged Wilks Head and Eve for the valuation of land and buildings and investment properties. We assessed the Council’s valuer as competent and independent. 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. This is a reasonable position to adopt and is a common approach taken by other valuers.</p> <p>We determined a testing strategy considering any changes in the valuation methodology for assets and the reasonableness of movements in asset valuations drawing on market data. We identified some errors on calculation of valuation resulting in £1.5m increase on land and buildings. This has been corrected for in the updated accounts (see Appendix D).</p> <p>We considered the adequacy of disclosure of estimate in the financial statements and considered the disclosures to be appropriate, subject to adjustments made to correct/increase both the opening balance and closing balance of PPE by £595k and £613k, respectively. Note 13 was also adjusted to reflect these changes.</p> <p>We consider there is scope to strengthen the Council’s control system for the following issues:</p> <ul style="list-style-type: none"> <li>- Record-keeping of source inputs used for valuation such as copies of rental agreements, and land and site areas.</li> <li>- Assets revalued have no identifier to easily match what’s on the fixed asset register (from 2021/22 AFR).</li> <li>- Lack of clear dialogue and instructions to valuer to ensure valuation basis used is correct (from 2021/22 AFR).</li> <li>- These matters are set out in detail in <b>Appendices B and C</b>.</li> </ul>	<p>We consider management’s process is appropriate and key assumptions are neither optimistic or cautious</p>

# 2. Financial Statements - key judgements and estimates





Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
<p><b>Net pension asset – £10,400,000</b></p> <p><i>Note: please note that the balance may potentially change based on the updated IAS 19 report including consideration of IFRIC 14 which at the time of writing are both not available yet. On the initial IFRIC 14 assessment conducted by the Council's actuary, the net impact of asset ceiling would result in a net deficit position and thereby a net pension liability of £1.7m.</i></p>	<p>The Council's net pension asset at 31 March 2023 is £10.4m (PY – net liability £11.3m).</p> <p>The Council recognises and discloses the retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Employee Benefits'.</p> <p>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.</p> <p>The latest full actuarial valuation was completed in 31 March 2022 (representing year zero of triennial valuation). A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return.</p> <p>Given the significant value of the net pension fund asset, small changes in assumptions can result in significant valuation movements.</p>	<p>We have considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none"> <li>management's expert is competent and independent;</li> <li>the actuary's approach based on the full valuation is reasonable;</li> <li>we assessed the assumptions used by the Council's actuary and concluded they were reasonable drawing on an auditor's expert (PwC) as detailed in the table below:</li> </ul> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.80%</td> <td>4.80% - 4.85%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.95%</td> <td>2.65%- 2.95%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>2.95%</td> <td>2.65%- 3.95%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>22.1 / 21.1</td> <td>19.5 - 23.4</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>25.6 / 24.1</td> <td>22.9 - 25.9</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>we were satisfied with the completeness and accuracy of the underlying information used to determine the estimate;</li> <li>we assessed the reasonableness of the Council's share of LPS pension assets.</li> <li>We challenged the disclosure of the estimate in the financial statements. The Authority recognised a net pension asset of £10.4m. The accounting framework- IFRIC-14 guidance – places a ceiling on the recognition of a surplus. We have requested the Authority's consideration of the IFRIC 14 guidance. This requires input from its actuary. An IFRIC 14 assessment had not been considered in the preparation of the accounts. At the time of writing, an initial assessment of IFRIC 14 from the actuary indicates a deficit position and a net defined benefit pension liability position of £1.7m. The Council has requested a full IFRIC 14 assessment and a revised IAS19 report which we will evaluate once available.</li> </ul>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.80%	4.80% - 4.85%	●	Pension increase rate	2.95%	2.65%- 2.95%	●	Salary growth	2.95%	2.65%- 3.95%	●	Life expectancy – Males currently aged 45 / 65	22.1 / 21.1	19.5 - 23.4	●	Life expectancy – Females currently aged 45 / 65	25.6 / 24.1	22.9 - 25.9	●	TBC
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	4.80%	4.80% - 4.85%	●																								
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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: Information Technology

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

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Unit4 Business World Agresso	ITGC assessment (design and implementation effectiveness only)					None identified.

## Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

## 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.

<b>Issue</b>	<b>Commentary</b>
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Audit and 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.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
<b>Matters in relation to laws and regulations</b>	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.
<b>Written representations</b>	A standard letter of representation will be requested from the Council which is appended in this report.
<b>Confirmation requests from third parties</b>	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.
<b>Accounting practices</b>	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.
<b>Audit evidence and explanations/ significant difficulties</b>	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	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"><li>• 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</li><li>• 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.</li></ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"><li>• the nature of the Council and the environment in which it operates;</li><li>• the Council's financial reporting framework;</li><li>• the Council's system of internal control for identifying events or conditions relevant to going concern;</li><li>• management's going concern assessment.</li></ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"><li>• a material uncertainty related to going concern has not been identified;</li><li>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li></ul>



## 2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and the Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix H.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"><li>• 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,</li><li>• if we have applied any of our statutory powers or duties.</li><li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li></ul> <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that work is not required as the Council is not expected to exceed the threshold.</p>



# 3. Value for Money arrangements (VFM)

## Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

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



### Financial Sustainability

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



### Governance

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

## Potential types of recommendations

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



### Statutory recommendation

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



### Key recommendation

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



### Improvement recommendation

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

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# 3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary as set out in the separate Auditor's Annual Report was reported to the Audit and Standards Committee in December 2023.

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 significant weaknesses in your arrangements. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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# 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 and consider that an objective reasonable and informed third party would take the same view. 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 statement.

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 E.

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

# 4. Independence and ethics, cont'd

## 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 – core fee 2022/23	£32,400	Self-Interest (because this is a recurring fee)  Self review (because GT provides audit services)	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 low in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. These factors all mitigate the perceived self-interest threat to an acceptable level.  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. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation
- H. Audit opinion

# A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## Distribution of this Audit Findings report

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



# B. Action Plan – Audit of Financial Statements

We have identified 3 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 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
	<p><b>Lack of signed agreements</b></p> <p>During our audit, we noted that the Council does not hold a copy of the signed shared legal services agreement with Wealden District Council.</p> <p>We also noted that the Council does not have formal loan agreement in place with Rother Housing Ltd company, a subsidiary of the Council, which as confirmed by management has not been finalised at the time of audit.</p>	<p>Lack of signed agreements indicates weak record-keeping. We advise maintaining accurate records of the approved and signed agreements and should be backed up securely, well-preserved and kept in good condition.</p> <p>The Council should also ensure that loan agreement is in place that will set out terms and conditions for this type of related party transaction and whether this will result in further assessments in accordance with the Code and/or disclosure to the financial statements.</p> <p><b>Management response</b></p> <p>Copies of significant signed contracts and other agreements are kept securely and physically in the strong room and also as scanned copies by relevant officers and East Sussex Procurement Hub based at Wealden District Council when they are involved. The Legal Services contract is a shared service agreement which was long negotiated between the two councils with Wealden being the provider of the service to Rother and it has been in place from 2018 to 2023. It was an administrative error that it had never been officially signed. Negotiations are taking place regarding the future of the arrangement, and we will take steps to make sure that once the agreement has been formalised all the necessary administrative tasks are completed and held securely for future reference.</p> <p>The working Capital and loan agreement with the Rother DC Housing Company are in the process of being finalised and this work is expected to be completed and signed by the end of the current financial year.</p>
	<p><b>Record-keeping of source inputs used for valuation</b></p> <p>Throughout the audit process, we sought rental agreements pertaining to investment properties and property, plant, and equipment. It came to our attention that, following the resignation of the relevant individual, the rental agreements were not fully transferred in the financial year 2022-23. This resulted in significant delays in completing substantive work on Property, Plant and Equipment and Investment Property. Similarly, we asked management to supply evidence concerning the Gross Internal Areas for buildings (assessed using the DRC method) and site areas (for land). The documentation was not retained and transferred into the financial year 2022/23 which resulted in substantial delays in completing procedures on valuation.</p>	<p>We suggest maintaining records of rental agreements and ensuring that these agreements are kept in good condition. Keeping well-organized and updated records of rental agreements helps ensure compliance with legal and regulatory requirements.</p> <p>We also recommend establishing a robust contingency plan for key personnel transitions, provide training for critical roles, and define explicit procedures for record-keeping, utilize a centralized data archive, conduct routine assessments, and explore automated systems to prevent future technical delays.</p> <p><b>Management response</b></p> <p>The issue identified stems from the lack of records of third-party evidence regarding site areas due to historical records being kept only in Excel spreadsheet format rather than the primary records they had originated from. Rental agreements are generally kept in order, however the change of staff identified a problem that rent proposals which had not yet been accepted were not added to the relevant files but only kept within emails. We recognise the need for a robust set of records and we are in the process of commissioning an Asset Review with the aim of capturing all the measurements by a suitably qualified contractor and keeping them for the record and for use in future valuations. A current member of staff is in the process of getting their qualification with the view of taking the overall responsibility for the department's records following the retirement of their predecessor.</p>

# B. Action Plan – Audit of Financial Statements , cont'd

Assessment	Issue and risk	Recommendations
	<p>Delay in the completion of related party declarations</p> <p>We asked management to furnish declarations from councillors identified as related parties to the council. The declarations were received with considerable delay, impeding the timely completion of the audit.</p>	<p>We recommend maintaining accurate records of declarations, ensuring they are well-preserved and timely obtained from councillors.</p> <p><b>Management response</b></p> <p>The issue arose partly due to the introduction of improvements to the procedure of collating the declarations. The council has moved from paper to online forms which are a quicker and more efficient way of processing them. However, that change caused a delay in making the forms available and unfortunately with around half of the Members leaving following the May 2023 election, we were forced to take on a hybrid approach with some completing online and some paper forms. Some problems with technology and access to forms were identified as well. These contributed to the delays. We do not anticipate these to reoccur for 2023-2024.</p>

## Controls

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

# C. Follow up of prior year recommendations

We identified the following issues in the audit of Rother District Council's 2021/22 financial statements, which resulted in 7 recommendations being reported in our 2021/22 Audit Findings report. We have followed up on the implementation of our recommendations and note 4 are still to be completed. Given the timing of when the prior year AFR was finalised (December 2023), it is not unexpected that majorities of the recommendation remain in progress during the 2022/23 audit.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p><b>Unbalanced journals posted</b></p> <p>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.</p> <p>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.</p> <p>In 2022/23 audit, we noted four users with unbalanced journals with net variance of £160.</p>	<p><b>Management response, 2021/22</b></p> <p>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.</p> <p><b>Management response, 2022/23</b></p> <p>We are aware of some system glitches of that nature. The system is continually developing and we are currently in the process of testing the latest update which we hope will resolve the issue of unbalanced journals. We will be monitoring the situation. We would reiterate these abnormalities happen very rarely and with low values, but we recognise the benefit of eliminating them altogether.</p>
X	<p><b>Transactions (sundry income) in the general ledger with no descriptions</b></p> <p>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.</p> <p>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.</p>	<p><b>Management response, 2021/22</b></p> <p>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.</p> <p><b>Management response, 2022/23</b></p> <p>There have been no developments in this area, but we will revisit the issue once the new update is in place. We would reiterate that all the details for the Sundry Debtor income transactions are available on the invoice images themselves and the issue identified does not compromise the clarity of what the entries are for, but it does make looking for the detail more time consuming and less easily searchable which makes it inefficient. We will continue investigating a solution.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><b>Lack of capital project monitoring tool or template</b></p> <p>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.</p>	<p>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.</p> <p><b>Management response, 2021/22</b></p> <p>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.</p> <p><b>Management response, 2022/23</b></p> <p>Strategic Leadership Team meetings are now minuted and it has been stressed to project managers that Finance input is required for any reports and that any changes to the schemes need to be formally reported. For the more significant schemes there are new governance processes in place in the form of the Corporate Programme Board which provides high level oversight of the monitoring and progress of the capital programme. We have also strengthened and regularised the way new capital projects are entered onto the capital programme by requiring referencing to meeting minutes and capture any changes to those by updating the capital programme regularly, again, by referencing to minutes. In 2024-2025 we are planning to have two dedicated capital accountants to make sure the improved procedures around the capital programme and its governance as outlined in the Capital Strategy 2024-2025 are implemented fully.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><b>Understated provisions due to out of date supporting documentation</b></p> <p>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.</p> <p>As part of the financial reporting process, management should ensure that up-to-date reports are being used in estimating their general provisions.</p>	<p><b>Management response, 2021/22</b></p> <p>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.</p> <p><b>Management response, 2022/23</b></p> <p>From 2022-2023 we have provided Analyse Local with up-to-date information from the Valuation Office Agency monthly. We also used the services of an external consultant to make sure the NNDR appeals provision was allowed for correctly. We will work closely with Revenues and Benefits Team to ensure that judgements on estimates are made jointly between Finance and Revenues Teams.</p>
X	<p><b>Reconciliation of assets by a unique identifier between the fixed asset register, financial system and valuation report</b></p> <p>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.</p> <p>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.</p>	<p><b>Management response, 2021/22</b></p> <p>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.</p> <p><b>Management response, 2022/23</b></p> <p>This issue has only partly been addressed. For 2022-2023 new identifiers were introduced by an external consultant, but these were not then transferred to the other systems (Estates and the Unit 4 Financial system) due to different needs and requirements of these. The valuers use yet another set of identifiers and they change them every year. In preparation for 2023-2024 closedown, we have partially amended asset names on the system to match those used on the Asset Register. We are aiming to finalise this piece of work in the coming weeks.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><b>Inconsistent recording of election staff costs in the financial system</b></p> <p>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.</p>	<p>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.</p> <p><b>Management response</b></p> <p>Management have set up a dedicated account code for elections officers' payments. We have reviewed the account and are satisfied that this issue has been resolved.</p>
X	<p><b>Incomplete supporting evidence for the FTE disclosure</b></p> <p>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.</p> <p>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.</p>	<p><b>Management response, 2021/22</b></p> <p>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.</p> <p><b>Management response, 2022/23</b></p> <p>HR were reminded of the need to keep records of their submissions for future reference.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# D. Audit Adjustments

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

## Impact of adjusted misstatements

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
<b>Various adjustments on PPE valuation</b>			
- We identified that Land at mount view has been valued incorrectly and the valuation has now been revised.	Cr. Revaluation Gain - 1,099	Dr PPE – 1,536 Cr. Reserves – 1,536	(1,099)
- We identified that Garage terminus property has been valued incorrectly and the valuation has now been revised.	Dr Impairment Loss – 20.9	Dr Reserves - 41.7 Cr. PPE - 41.7	20.9
- 2021/22 error on valuation of Land in Blackfriars which have been resolved after the 2022/23 accounts were published. Adjustments made to correct/increase both the opening balance and closing balance of £595k and £613k, respectively. Note 13 was also adjusted to reflect these changes. Please note that adjustment to the right relates to 2022/23 only. The correction of 2021/22 error is merely correction of comparatives in the 2022/23 financial statements which will be validated in the 2021/22 audited financial statements.	Cr. Revaluation Gain - 613	Dr PPE – 613 Cr. Reserves – 613	(613)
<b>Reclassification of VAT liability</b>			
VAT (P1093 - VAT HMRC payments and, P1101 - Vat Payments/(Receipts)) amount is required to be moved to Creditor from Debtor as it is a VAT liability at year end and required to be paid.	-	Dr. Debtor - 157 Cr. Creditor – 157	-



# D. 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?
Note: Collection Fund Statement and Notes Council tax:	The Expenditure under the council tax amounts to £84,620k but the amount appearing in the note is £84,880k which is incorrect. This is just a casting error and should be rectified	✓
Movement in reserve statement and CIES	During the course of audit, we found differences in several elements constituting the Movement in reserve statements, These represent post year end entries which were posted in the month of November. The overall changes on reserve although has a net impact of only £17k, impacted a number of classifications within the MIRS and CIES. We have requested management to rectify the statement.	✓
Note 9: Income from grants and contributions	Totals for grants income per note 7a and note 9 do not agree. The variance of £123k was noted and management was requested to make amendments	✓
Note 12: Capital Expenditure and Financing	During the course of audit, we identified that amount provided as a loan to RDC housing, within the working paper provided, does not reconcile back to the note 12. We challenged the management on this and management has agreed to amend the statement of accounts. The correct amount to be disclosed as RDC loan is £2,345k.	✓
Note 20 Capital Grants receipts in advance	Grants for Brownfield Land Release Fund £456k and Brownfield Land Release Fund 2 of £158k were incorrectly presented as Long-term Grants Received in Advance.	✓
Collection fund statement	While performing accuracy test of collection fund statement, we found few discrepancies that also lead to casting errors as well. Following are the changes to be made in the collection fund: i) Council tax statement >> Line item >> Write offs of uncollectable income should have been £285k instead of £25k ii) NNDR statement >> line item >> Income from ratepayers should have been £16,346 instead of £16,360 as the transitional relief of £14.5k was not included in the income.	✓

# D. Audit Adjustments, cont'd

## Impact of unadjusted misstatements

The table below provides details of adjustment identified during the 2022/23 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.

<b>Detail</b>	<b>Comprehensive Income and Expenditure Statement £'000</b>	<b>Statement of Financial Position £'000</b>	<b>Impact on total net expenditure £'000</b>	<b>Reason for not adjusting</b>
Unrecorded liability We have identified an invoice relating to works completed in 22/23 that was not accrued for. The extrapolated difference exceeded our triviality and therefore reported within this report.	£265	(£265)	£265	The Council has not adjusted as this is below materiality.

# E. Fees and non-audit services

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

<b>Audit fees</b>	<b>Proposed fee</b>	<b>Final fee</b>
Scale fee	£44,559	£44,559
Additional Enhanced audit procedures on Payroll – Change of circumstance	£500	£500
ISA 540 and journals testing	£5,100	£5,100
Value for Money audit – new NAO requirements	£9,000	£9,000
Enhanced audit procedures for Collection Fund- reliefs testing	£750	£750
Increased audit requirements of revised ISAs 315/ 240	£3,000	£3,000
Additional work on PPE valuation	-	£3,500
Additional work on pension valuation including consideration of IFRIC 14	-	£2,000
<b>Total audit fees (excluding VAT)</b>	<b>£62,909</b>	<b>£68,409</b>

<b>Non-audit fees for other services</b>	<b>Proposed fee</b>	<b>Final fee</b>
<b>Audit Related Services</b>		
Housing benefit subsidy claim		
2021/22	£14,663	£14,663
2022/23	£32,400	TBC
<b>Total non-audit fees (excluding VAT)</b>	<b>£47,063</b>	<b>TBC</b>

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))

# F. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

**This impacts audits of financial statement for periods commencing on or after 15 December 2021.**

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> <li>the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures</li> <li>the identification and extent of work effort needed for indirect and direct controls in the system of internal control</li> <li>the controls for which design and implementation needs to be assess and how that impacts sampling</li> <li>the considerations for using automated tools and techniques.</li> </ul>
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>increased emphasis on the exercise of professional judgement and professional scepticism</li> <li>an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence</li> <li>increased guidance on management and auditor bias</li> <li>additional focus on the authenticity of information used as audit evidence</li> <li>a focus on response to inquiries that appear implausible</li> </ul>
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> <li>Consideration is also being given to the potential impacts on confidentiality and independence.</li> </ul>
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>clarification of the requirements relating to understanding fraud risk factors</li> <li>additional communications with management or those charged with governance</li> </ul>
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

# G. 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 2023

This representation letter is provided in connection with the audit of the financial statements of Rother District Council for the year ended 31 March 2023 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 2022/23 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 2022/23 ("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, year-end 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.

# G. Management Letter of Representation, cont'd

- 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.

RAAC - we have considered the impact of reinforced autoclaved aerated concrete (RAAC) on our financial statements. We have no knowledge of any material events or circumstances that would require adjustments to be made to our financial statements.

Equal Pay - we have considered the impact of equal pay claims on our financial statements. We have no knowledge of any material events or circumstances that would require additional disclosures or adjustments to be made to our financial statements related to equal pay

- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the 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 continue to be delivered by related public authorities and

preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

- b. the financial reporting framework permits the 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

xv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

xvi. The 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

xvii. 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.

# G. Management Letter of Representation, cont'd

- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the 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



# H. 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 2023, 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 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 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 2022/23; 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 2022/23 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.

# H. 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 2022/23, 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.

# H. 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](http://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 2022/23, 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

# H. 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 2023.

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 to Audit certificate**

We cannot certify we have completed the audit of Rother District Council for the year ended 31 March 2023 until the consideration of objections raised against the 2022/23 statement of accounts.

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# H. Audit opinion, cont'd

## 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:

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

London

Date:

