



# **Final Audit Findings (ISA 260) Report for Rother District Council**

Year ended 31 March 2025

17 February 2026

**Rother District Council**

Town Hall  
London Rd  
Bexhill on Sea  
TN39 3JX

17 February 2026

Dear Members of the Audit Committee

**Audit Findings for Rother District Council for the 31 March 2025**

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

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2024-.pdf \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2024-).

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

**Ade Oyerinde**

Director  
For Grant Thornton UK LLP

**Chartered Accountants**

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# **01 Headlines and status of the audit**

# Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Rother District Council (the 'Authority') and the preparation of the group and Authority's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

## Financial statements

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

- the group and Authority's financial statements give a true and fair view of the financial position of the group and Authority and the group and Authority's 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), Narrative Report, is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed during September and December and extended into January 2026 to accommodate the late receipt of IFRS 16 working papers and responses to group consolidation queries. Our findings are summarised in section 7 of this report. We identified adjustments to the financial statements that have resulted in adjustment to the Authority's Comprehensive Income and Expenditure Statement. Audit adjustments and unadjusted items are detailed in section 7.

We have also raised and agreed recommendations with management to further strengthen your accounts preparation. These are also set out in section 7. Our follow up of recommendations from the prior year's audit are detailed in section 7.

Our work is complete and the items outstanding in relation to group consolidation and group disclosure are now complete. We further identified some minor adjustments to both CIL, interest income and staff recharges on pages 33 and 34.

There are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements.

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

Our financial statements audit report opinion will be unmodified.

# Headlines

## Value for money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to consider whether the Authority 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 Authority'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 Authority'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 in section 8 and our detailed commentary in our Auditor's Annual Report which was presented to the Audit Committee on 1 December 2025. Our review did not identify any significant VFM weakness and we made two Improvement Recommendations in our report. We are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

# Headlines

## Statutory duties

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

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

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

We have completed the majority of work required under the Code. However we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until:

- Confirmation has not been received from the NAO that the group audit( Department of Health & Social Care for NHS and Whole of Government Accounts for non-NHS) has been certified by the C&AG and therefore no further work is required to be undertaken in order to discharge the auditor's duties in relation to consolidation returns under paragraph 2.11 of the Code;

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

## Significant matters

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

# Headlines

## National context – audit backlog

### Government proposals around the backstop

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

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

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

# Headlines

## Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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

### Introduction

IFRS 16 updates the definition of a lease to:

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

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

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

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

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

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

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

### Impact on the Authority

At the commencement of the audit, it was noted that the Council had not recognised any Right of Use Assets or corresponding lease liabilities under IFRS 16 within the financial statements. Management concluded that the total value of the identified IFRS 16 leases of £310k was not material to the 24/25 statement of accounts and elected to not disclose this within the financial statements on this basis. We are not proposing to challenge management’s assumption.

# 02 Group audit

# Group audit

In accordance with ISA (UK) 600 Revised, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

The table below summarises our final group scoping, as well as the status of work on each component.

Component	Risk of material misstatement to the group	Scope	Auditor	Key Audit Partner / Responsible Individual	Status	Comments
Rother District Council	Yes	Scope 1	Grant Thornton UK	Ade Oyerinde RI	●	Our audit is complete, refer to pages 16 to 26.
Rother Housing Company	Yes	Scope 2	Grant Thornton UK	Ade Oyerinde RI	●	Our audit is complete, refer to pages 16 to 26 The audited accounts for Rother Housing Company was filed with Companies House on 4 December 2025. The opinion issued by the auditor was unqualified.

## Key

**Scope 1** Audit of entire financial information of the component, either by the group audit team or by component auditors (full-scope)

**Scope 2** Specific audit procedures designed by the group auditor (specific scope)

- Planned procedures are substantially complete with no significant issues outstanding.
- Planned procedures are ongoing/subject to review with no known significant issues.
- Planned procedures are incomplete and/or significant issues have been identified that require resolution.

# 03 Materiality

# Our approach to materiality

As communicated in our Audit Plan in June 2025, we determined materiality at the planning stage as £1.56m for the Group and £1.48m for the Council based on 2.5% of prior year gross expenditure for the group. At year-end, we have reconsidered planning materiality based on the draft consolidated financial statements and have not made a change even though the total expenditure increased by £31m from the 2023/24 position as the increase in total expenditure was due to a one-off loss on disposal of assets during 2024/25. A recap of our approach to determining materiality is set out below.

## Basis for our determination of materiality

- We have determined materiality at £1.56m for the Group and £1.48m for the Council based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as the key users of the financial statements and which performance measures key stakeholders for the Council are interested in, the business environment the Council operates in and consideration of the benchmarks that are relevant to the Council. We have used 2.5% of gross expenditure and 2.41% for the Group and for the Council respectively as the basis for determining materiality.

## Performance materiality

- We have determined performance materiality at £1.17m for the Group and £1.11m for the Council, this is based on 75% of headline materiality. We have considered factors such as the business risks of the Council and Group, the risk of material misstatement due to fraud, any prior identified misstatements, the Council's control environment and information systems.

## Component Materiality

As we have also performed work on the components of the Group, we have set specific component materiality and performance materiality as follows:

- Rother Housing Company headline materiality is set at £1.17m and performance materiality £0.88m reflecting the relative risk and size of the component to the group.

## Reporting threshold

- We will report to you all misstatements identified in excess of £78k and £74k for the Group and Council respectively, in addition to any matters considered to be qualitatively material.

	Group (£)	Authority (£)	Component (£)
Materiality for the financial statements	1,560,000	1,480,000	-
Performance materiality	1,170,000	1,110,000	880,000
Reporting threshold	78,000	74,000	-

# **04 Overview of significant risks identified**

# Overview of audit risks

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

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

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

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✘	Low	●
Valuation of land and buildings and Investment Property	Significant	↔	✘	High	●
Valuation of Pension Liability	Significant	↔	✘	High	●
Fraud in revenue recognition	Significant	↔	Risk Rebutted	N/A	●
Fraud in expenditure recognition	Significant	↔	Risk Rebutted	N/A	●

- ↑ Assessed risk increase since Audit Plan
- ↔ Assessed risk consistent with Audit Plan
- ↓ Assessed risk decrease since Audit Plan

- Not likely to result in material adjustment or change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Likely to result in material adjustment or significant change to disclosures within the financial statements

# Significant risks

## Risk identified

### Management override of controls

Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.

## Audit procedures performed

To address the risk we:

- evaluated the design and implementation of management controls over journals;
- analysed the journals listing and determined the criteria for selecting high risk unusual journals;
- identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration;
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness;
- evaluated the rationale for changes in accounting policies, estimates or significant unusual transaction.

## Key observations

Our audit work has not identified any instances of management override of controls.

As part of our audit work, we note two systems administrators have full access rights to amend standing data and post journals. We have raised a recommendation in relation to this in section 7 of this report.

# Significant risks

## Risk identified

### Valuation of land and buildings and Investment Property

The Council has changed its valuer from Wilks Head Eve to Bruton Knowles for the period ended 31/03/2025.

The valuer has revalued all land and buildings and investment property in the Council's portfolio during 2024/25 to ensure that the carrying value is not materially different from the current value or fair value (Investment properties) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£67m for Land and Buildings and £13.2m for Investment Properties) and the sensitivity of this estimate to changes in key assumptions.

## Audit procedures performed

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;
- obtained confirmation from the valuer on the basis on which the valuation was carried out to ensure that the requirements of the Code are met;
- challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations;
- Completed analytical procedures on the valuation report, with reference to external market data, to identify those assets at greater risk of material misstatement, tested, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's 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 from current value and fair value (for investment properties) at year end.

## Key observations

Our work on valuations identified the following:

### Land and Buildings valuation

We have not identified any issues in relation to the valuation of land and buildings

### Investment Property valuation

Our review of a sample of Investment Property valuations identified two errors:

- incorrect rental income used by the valuer in calculating the value of the asset resulting in the value being understated; and
- an investment property was incorrectly classified and valued on fair value basis rather than as land and buildings under existing use value (EUV) basis.

The errors individually and in aggregate were not material. We undertook additional audit procedures to assure ourselves that the valuation of Investment Properties was not materially misstated. Details of these adjustments are set out in Section 7.

# Significant risks

Risk identified	Audit procedures performed	Key observations
<p><b>Valuation of net pension liability</b></p> <p>The Authority's share of the pension fund net liability, as reflected in its Balance Sheet as the net defined benefit pension liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£1.052m) in the Authority's Balance Sheet at 31 March 2025) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk.</p>	<p>To address the risk we:</p> <ul style="list-style-type: none"><li>• 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;</li><li>• evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li><li>• assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;</li><li>• assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li><li>• 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;</li><li>• 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.</li><li>• Obtained assurances from the auditor of East Sussex Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li></ul>	<p>Our audit work is complete. We have not identified any material issues in respect of valuation of the pension fund net liability.</p> <p>However, the auditor of East Sussex Pension Fund identified two differences which were not material to the East Sussex Pension Fund and the actuary has not updated the IAS 19 report in respect of these issues.</p> <p>The differences were:</p> <ul style="list-style-type: none"><li>• a variation between pension fund investments amounts recorded in the pension fund statement of accounts and amounts confirmed by investment managers arising due to timing difference. The impact was an understatement of £8.18 million on total scheme assets. Rother District Council's share of the pension assets understatement of £173k.</li><li>• a projected error of £3.11 million in benefits payable. Rother District Council's share of the project error on pension payable is £80k.</li></ul> <p>The differences individually and in aggregate were not material and management has not adjusted the accounts on this basis.</p>

# Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Audit procedures performed
The revenue cycle includes fraudulent transactions	Group and Council	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. We have considered all revenue streams of the Council, and we have rebutted this risk for all revenue streams.</p> <p>For revenue streams that are derived from Council Tax, Business Rates and Grants we have rebutted this risk on the basis that they are income streams primarily derived from grants or formula-based income from central government and taxpayers and that opportunities to manipulate the recognition of these income streams is very limited.</p> <p>For other revenue streams, we have identified from our experiences as your auditor and through our understanding of your business processed around revenue recognition that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"> <li>- There is little incentive to manipulate revenue recognition;</li> <li>- Opportunities to manipulate revenue recognition are very limited;</li> <li>- The culture and ethical frameworks of local authorities, including Rother District Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>We do not consider this to be a significant risk for the Group and Council.</p>	Our work is complete and there are no material issues to bring to the attention of those charged with governance.

# Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Audit procedures performed
The expenditure cycle includes fraudulent transactions	Group and Council	<p>Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.</p> <p>We have completed a risk assessment of all expenditure streams for the Group. We have considered each material expenditure area, and the control environment. We have concluded that there is no significant risk as:</p> <ul style="list-style-type: none"><li>• The control environment around expenditure recognition (understood through our documented risk assessment and understanding of your business processes) is considered to be strong; and</li><li>• We have not found significant issues, errors or fraud in expenditure recognition in the prior year audits.</li></ul> <p>We do not consider this to be a significant risk for the Group and Council.</p>	Our work is complete and there are no material issues to bring to the attention of those charged with governance.

# 05 Other findings

# Other areas impacting the audit

Issue	Commentary	
<p><b>Loan to Housing Company</b></p> <p>We note the Council has provided a loan to Rother Housing Company for a total of £9m with interest accrued on the loan being £726k as at year end. We note that since then no payment from the housing company has been made to the Council with respects to the loan amount or the accrued interest.</p>	<p>We have challenged the validity of the debtor at year end (£9.7m) as no amounts have yet been repaid and if the Council had carried out an expected credit loss against the debtor and assess recoverability. We note the Housing Company has also losses in the last two years (£1.14m 2024 and £0.4m 2025). The Council prepared an assessment for expected credit loss in response to our challenge and the amount of £38k is immaterial in 2024/25. The Council assumptions concluded that the probability of default was 1% within the next 12 months. Loan repayments are not contractually scheduled until more than a year after year-end, and construction progress is currently on track with no indicators of financial difficulty or default. The subsidiary continues to progress the development in line with expectations, and the security and forward sales mitigate default risk.</p>	<p><b>Auditor view</b></p> <p>We have reviewed management’s assessment and have identified no grounds to challenge the assumptions used. We recommend that the Council continues to perform the expected credit loss assessment on an annual basis, particularly as several key assumptions are likely to crystallise over the next one to two years</p>
<p><b>IFRS 16 Leases</b></p> <p>The Council’s IFRS 16 assessment and supporting evidence was provided to auditors after the agreed timeline for fieldwork. The supporting records was provided in January 2026.</p>	<p>Management concluded that the total value of the identified IFRS 16 leases of £310k was not material to the 24/25 statement of accounts and elected to not disclose this within the financial statements on this basis.</p>	<p><b>Auditor view</b></p> <p>We are not proposing to challenge management’s assumption.</p>

# Other findings – key judgements and estimates

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

## Assessment:

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] 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
- [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
<b>Valuation of land and buildings</b> £67m for Land and Buildings and £13.2m for Investment Properties at 31 March 2025	Other land and buildings comprises of specialised assets such as public toilets, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The investment properties are required to be valued at fair value.  The Authority has engaged Bruton Knowles to complete the valuation of properties as at 31/03/2025. 100% of total assets were revalued during 2024/25.	<ul style="list-style-type: none"> <li>• We assessed management’s valuation expert, Bruton Knowles and found them to be competent, capable and independent;</li> <li>• 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;</li> <li>• We considered the adequacy of disclosure of estimate in the financial statements and considered the disclosures to be appropriate.</li> </ul>	● <b>Green</b>  We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

# Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment																								
<p><b>Valuation of net pension liability</b> £1.052m at 31 March 2025</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 for 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 liability, small changes in assumptions can result in significant valuation movements.</p>	<p>We have considered and concluded the following in the course of our testing:</p> <ul style="list-style-type: none"> <li>management's expert is competent, capable and independent;</li> <li>the actuary's approach based on the full valuation is reasonable;</li> <li>assessed the assumptions used by the Council's actuary were reasonable drawing on an auditor's expert (PwC) as detailed in the table below:</li> </ul> <table border="1" data-bbox="963 625 2015 972"> <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>5.8%</td> <td>5.6% - 5.95%</td> <td>Reasonable</td> </tr> <tr> <td>Pension increase rate</td> <td>2.9%</td> <td>2.85%-2.95%</td> <td>Reasonable</td> </tr> <tr> <td>Salary growth</td> <td>2.9%</td> <td>0.5% - 2.5% above p.a</td> <td>Reasonable</td> </tr> <tr> <td>Life expectancy – Males currently aged 65/45</td> <td>20.9/21.9</td> <td>19.2 - 21.8/ 20.6-23.1</td> <td>Reasonable</td> </tr> <tr> <td>Life expectancy – Females currently aged 65/45</td> <td>23.9/25.4</td> <td>22.7-24.3/ 24.1-25.7</td> <td>Reasonable</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 the pension assets.</li> <li>An IFRIC 14 assessment had been considered in the preparation of the accounts. The Council obtained a full IFRIC 14 assessment which was considered in the IAS19 report from the Council's actuary. We have completed our assessment and did not identify any issues.</li> <li>We note immaterial differences arising from East Sussex Pension Fund Auditor report. Details are set out on page 19.</li> </ul>	Assumption	Actuary value	PwC range	Assessment	Discount rate	5.8%	5.6% - 5.95%	Reasonable	Pension increase rate	2.9%	2.85%-2.95%	Reasonable	Salary growth	2.9%	0.5% - 2.5% above p.a	Reasonable	Life expectancy – Males currently aged 65/45	20.9/21.9	19.2 - 21.8/ 20.6-23.1	Reasonable	Life expectancy – Females currently aged 65/45	23.9/25.4	22.7-24.3/ 24.1-25.7	Reasonable	<p><b>Green</b></p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>
Assumption	Actuary value	PwC range	Assessment																								
Discount rate	5.8%	5.6% - 5.95%	Reasonable																								
Pension increase rate	2.9%	2.85%-2.95%	Reasonable																								
Salary growth	2.9%	0.5% - 2.5% above p.a	Reasonable																								
Life expectancy – Males currently aged 65/45	20.9/21.9	19.2 - 21.8/ 20.6-23.1	Reasonable																								
Life expectancy – Females currently aged 65/45	23.9/25.4	22.7-24.3/ 24.1-25.7	Reasonable																								

# Other findings – Information Technology

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

IT 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	ITGC assessment (design and implementation)	●	●	●	●	None identified.
Academy	ITGC assessment (design and implementation)	●	●	●	●	None identified.
Xero (Accounting software for Rother Housing Company)	ITGC assessment (design and implementation)	●	●	●	●	None identified.

## Assessment:

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

# **06 Communication requirements and other responsibilities**

# Other communication requirements

Issue	Commentary
Matters in relation to fraud	<ul style="list-style-type: none"><li>• 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.</li></ul>
Matters in relation to related parties	<ul style="list-style-type: none"><li>• We are not aware of any related parties or related party transactions which have not been disclosed.</li></ul>
Matters in relation to laws and regulations	<ul style="list-style-type: none"><li>• We are not aware of any significant incidences of non-compliance.</li></ul>
Written representations	<ul style="list-style-type: none"><li>• We draw your attention to the draft group Letter of Representation which is presented alongside this report.</li></ul>
Confirmation requests from third parties	<ul style="list-style-type: none"><li>• We requested from management permission to send confirmation requests to the Authority's banking and treasury partners. This permission was granted and the requests were sent and all responses received.</li></ul>
Disclosures	<ul style="list-style-type: none"><li>• Our review found no material omissions in the financial statements</li></ul>
Audit evidence and explanations	<ul style="list-style-type: none"><li>• All information and explanations requested from management was provided though IFRS 16 disclosure and supporting records was only provided in January 2026.</li></ul>
Significant difficulties	<ul style="list-style-type: none"><li>• There were no significant difficulties experienced during the course of the audit.</li></ul>
Other matters	<ul style="list-style-type: none"><li>• No other matters identified.</li></ul>

# Other responsibilities

Issue	Commentary
Going concern	<p data-bbox="267 268 2390 411">In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p data-bbox="267 432 1905 461">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="267 482 2390 746" style="list-style-type: none"><li data-bbox="267 482 2321 625">• 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 data-bbox="267 646 2390 746">• 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 Authority’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li></ul> <p data-bbox="267 768 2390 911">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 Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul data-bbox="267 932 1740 1103" style="list-style-type: none"><li data-bbox="267 932 1256 961">• the nature of the Authority and the environment in which it operates</li><li data-bbox="267 982 937 1011">• the Authority’s financial reporting framework</li><li data-bbox="267 1032 1740 1061">• the Authority’s system of internal control for identifying events or conditions relevant to going concern</li><li data-bbox="267 1082 899 1110">• management’s going concern assessment.</li></ul> <p data-bbox="267 1132 1842 1160">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="267 1182 2402 1253" style="list-style-type: none"><li data-bbox="267 1182 1370 1210">• a material uncertainty related to going concern has not been identified; and</li><li data-bbox="267 1232 2402 1253">• management’s use of the going concern basis of accounting in the preparation of the financial statements for the Council and Group is appropriate.</li></ul>

# Other responsibilities

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report ), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"><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.</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.</p> <p>Note that work is not required as the Authority does not exceed the threshold. We will complete the Assurance Statement and submit to the NAO following the conclusion of our audit.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2024/25 audit of Rother District Council in the audit report until National Audit Office has concluded their work in respect of WGA for the year ended 31 March 2025.</p>

# 07 Audit adjustments

# Audit adjustments

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

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below, along with the impact on the key statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on general fund £'000
<p><b>Revenue Grants Received in Advance</b></p> <p>Reclassification of revenue grants received in advance included within creditors should have been disclosed separately per the Code.</p>	0	Dr Creditors 688 Cr Revenue Grant Receipt in Advance 688	0
<p><b>Investment Property (IP)</b></p> <p>Errors in investment property due to error in rental income used in valuation calculation</p>	Cr Changes in FV IP 500	Dr IP 500	Cr CAA 500 Dr MIRS 500
<p>Incorrect valuation basis for Investment Property which should be OLB.</p>	Cr Revaluation gain 254	Dr OLB 347 Cr IP 93	Cr MIRS 254
<p><b>Disposals</b></p> <p>Two prior year disposals incorrectly coded to gain and loss on disposal instead of REFCUS</p>	Dr REFCUS 756 Cr Gain/loss on disposal of NCA 756	0	0

# Audit adjustments

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

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below, along with the impact on the key statements.

Detail	Group Comprehensive Income and Expenditure Statement £'000	Group Balance Sheet £'000	Group Impact on general fund £'000
<p><b>CIL Related invoice</b></p> <p>Errors to correct for inconsistency between records held by the Council and the Housing company in respect of CIL, staff recharges and interest income pending.</p>	Cr Short term debtors 1,131	Dr Capital Grants and contributions 1,131	
<p><b>Parliamentary Election Expenditure and Income</b></p> <p>Based on the review exercise carried out by management at Fieldwork, the £331k relating to Parliamentary Election Expenditure and Income need to be corrected as it is required for an agency arrangement.</p>	Dr Parliamentary Election Income 331 Cr Parliamentary Election Expenditure 331		
<b>Overall impact of current year adjusted misstatements</b>	<b>(1,885)</b>	<b>1,885</b>	<b>0</b>

# Audit adjustments

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

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below, along with the impact on the key statements.

Detail	Group Comprehensive Income and Expenditure Statement £'000	Group Balance Sheet £'000	Group Impact on general fund £'000
<p><b>Group – Staff Recharges</b></p> <p>The Council has incorrectly recognised the staff recharge invoice with invoice periods relating to 2022/23 and 2023/24 as income in the current year accounts which needs to be corrected.</p>	<p>Dr Income (Recharges) 230</p> <p style="padding-left: 40px;">Cr Admin Expense 1</p> <p style="padding-left: 40px;">Cr Staff costs 229</p>	<p>Dr Short-term Creditors 276</p> <p style="padding-left: 40px;">Cr Short-term Debtors 276</p>	
<p><b>Group - Interest income</b></p> <p>Given the nature of the loan financing, in the Group's context, this does not meet the criteria for it to be capitalised as Inventories under IAS 23 and therefore it should've been recognised as interest expense in the P&amp;L to have alignment on the group accounting policy.</p>	<p>Dr Interest expense 259</p> <p style="padding-left: 40px;">Dr Interest Income 387</p> <p style="padding-left: 40px;">Cr Interest Expenditure</p>	<p style="padding-left: 40px;">Cr Inventory 259</p>	
<b>Overall impact of current year adjusted misstatements (Group)</b>	<b>259</b>	<b>(259)</b>	<b>259</b>

# Audit adjustments

## Misclassification and disclosure changes

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

Disclosure	Misclassification or change identified	Adjusted?
Group CIES and Group Mirs	The Council's Group comprehensive income and expenditure, Group MIRS, Group Balance Sheet and Group Cash Flow statement should be disclosed in a manner consistent with the Code and not as a note to the accounts.	✓
Narrative Report	The narratives around 'cash flows during the year and the factors that may affect future cash flows' was missing in the draft accounts.	✓
Note 4 - Estimation Uncertainty	The carrying amount of the pension liability has not been disclosed. Additionally, estimation uncertainty for Provisions is not a material and should be deleted to declutter the accounts.	✓
Group Accounting policies	The Council's draft financial statements should include group accounting policies.	✓
Group Cash flow	The line disclosure for 'cash supplied to Rother Housing Company' was incorrectly disclosed as operating activities rather than within investing activities.	✓
Note 9 - Fair Value Hierarchy	The disclosure for surplus assets are measured at level 3 fair valuer hierarchy does not include the relevant additional disclosures per the Code	✓
Note 10 - Financial Instruments	The disclosure note for cash carrying amount and fair value were inconsistent.	✓
Note 13 - Capital Commitments	The capital commitments disclosure was inconsistent with your supporting records	✓
Note 17 – Long Term Debtors	The disclosure should include the loan term, amount and interest payments which the Council as well as the working capital agreement signed in March 2025.	✓

# Audit adjustments

## Misclassification and disclosure changes

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

Disclosure	Misclassification or change identified	Adjusted?
Note 17 Contingent Liability	The disclosure should consider disclosing the contingent liability in respect of Virgin Media case if applicable	✓
Note 26 Officers Remuneration	The Acting head of planning was missing from the disclosure and the employees over £50k was inconsistent with your supporting payroll records	✓

# Audit adjustments

## Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on general fund £'000
<p><b>Pensions</b></p> <p>The pension Fund Auditor identified an error in testing the level 3 investments of the pension fund. This was as a result an understatement of scheme assets for the Councils share.</p>	CR Gain on actuarial valuation 172	DR Pension Liability 172	Nil
<p><b>Refcus</b></p> <p>REFCUS testing noted an item relating to 2023/24 was recorded in 2024/25. The error rate has been projected.</p>	Cr REFCUS 415	Dr Accrued Expenses (Creditors) – 415	415
<b>Overall impact of current year unadjusted misstatements</b>	<b>(587)</b>	<b>587</b>	<b>415</b>

# Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our 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>● High</p>	<p><b>Administration Access</b></p> <p>System Administrator can post journals as well as carrying out system administration which presents an issue of segregation of duties.</p> <p><b>Risk</b></p> <p>There is a risk that inappropriate and unauthorised journals are posted leading to inaccurate financial statements</p>	<p>We recommend that the Council establish a segregation of duties between system administrators and journal posters.</p> <p><b>Management response</b></p> <p>We will explore the feasibility of the proposed segregation of duties, the RDC Finance team has a very limited number of officers and therefore we have to balance operational feasibility with the optimum control environment, but we accept the recommendation made.</p> <p><b>Responsible Officer:</b> Director of Resources</p>
<p>● Medium</p>	<p><b>Short term creditors opening balances</b></p> <p>Year end ST creditors included £151k of brought forward creditors which have been outstanding for more than a year.</p> <p><b>Risk</b></p> <p>That the Council continues to account for creditors that are invalid.</p>	<p>The Council should review the validity of the brought forward creditor to ensure it continues to meet the recognition criteria or write them off..</p> <p><b>Management response</b></p> <p>The Council have confirmed that they will investigate these balances within the 25/26 FY.</p> <p><b>Responsible Officer:</b> Principal Accountant.</p>

## Key

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

# Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our 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>● Medium</p>	<p><b>Revenue Receipt from Housing Company</b></p> <p>Our review identified some inconsistency between records held by the Council and the Housing company in respect of CIL, staff recharges and interest income.</p> <p><b>Risk</b></p> <p>There is a risk of inaccurate financial reporting.</p>	<p>Recommend management include in their closedown timetable checks to ensure the accuracy of data used within consolidation of Group accounts prior to publication</p> <p><b>Management response</b></p> <p>We will include further checks within our closedown timetable for 2025/26 on transactions which will affect the group accounts and associated consolidation, including the data and evidence used by both parties to substantiate these transactions.</p> <p><b>Responsible Officer:</b> Principal Accountant</p>
<p>● Medium</p>	<p><b>Related Party Disclosure</b></p> <p>The Council's related party note discloses more than the Code requirement. There is an opportunity to declutter the account disclosure.</p> <p><b>Risk</b></p> <p>There is a risk that the appropriate related parties are not disclosed leading to inaccurate reporting.</p>	<p>Management should ensure a process to identify and disclose related parties to ensure compliance with the Code.</p> <p><b>Management response</b></p> <p>We will review the Code and ensure the related party note is updated within the SOA template used for the 2025/26 year end process.</p> <p><b>Responsible Officer:</b> Director of Resources &amp; Principal Accountant</p>

# Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our 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>● Medium</p>	<p><b>Reconciling Balance</b></p> <p>Reconciling items within Benefits Lloyds bank account remains uncleared for over 12 months.</p> <p><b>Risk</b></p> <p>There is a risk that historic balances lead to inaccurate financial reporting.</p>	<p>The balance needs to be investigated and subsequently written off.</p> <p><b>Management response</b></p> <p>We will seek to investigate these balances and write off where appropriate ahead of the 2025/26 SoA being prepared</p> <p><b>Responsible Officer:</b> Principal Accountant</p>
<p>● Medium</p>	<p><b>Loan to Housing Company</b></p> <p>The Council's loan and interest as at 31 March 2025 to Rother Housing Company for a total of £9.7m. To date, the Council has received no repayment of the capital and interest and we note the Company has reported a loss in the last two financial years to March 2025.</p> <p><b>Risk</b></p> <p>There is a risk that the Council may not be able to fully recover the investment in the housing company.</p>	<p>We recommend that the Council continues to perform the expected credit loss assessment on an annual basis, particularly as several key assumptions are likely to crystallise over the next one to two years.</p> <p><b>Management response</b></p> <p>We will continue to perform an ECL assessment annually whilst the loans are in place.</p> <p><b>Responsible Officer:</b> Director of Resources</p>

# Action plan

We identified the following issues in the audit of the Authority's 2023/24 financial statements, which resulted in 3 recommendations being reported in our 2023/24, 2 in 2022/23 and 1 in 2021/22 Audit Findings Report

Assessment	Issue and risk	Recommendations
✓	<p><b>2023/24 - Monitoring of capital commitments</b></p> <p>There is no designated individual to review the capital commitments report to support the disclosure at year end. As a result, disclosure may not accurately reflect the position at year end. As a minimum, this should be maintained and updated at year end as part of preparation of the group accounts.</p>	<p>We recommend that as part of the accounts close down, there is liaison with the Capital Development Team to ensure all commitments resulting from capital contracts are reflected through relevant Purchase orders and thus captured within the Commitments report. This should include strict monitoring of all contracts in place to support completeness of disclosure.</p> <p><b>Auditor update</b></p> <p>The Council produces a report at year end to identify outstanding capital commitments therefore we consider this recommendation as closed.</p>
Partially	<p><b>2023/24 - Investment property valuation – review of source documents</b></p> <p>For two of our selected samples on investment properties, we could not agree some of the rental agreements used in the valuation report. We challenged this with management who confirmed that the record keeping within the estates team is poor due to staff turnover. The consequence was the most up to date information was not provided to the valuer.</p>	<p>We recommend the Council revisit its arrangements to ensure a thorough check is made before sending information to the valuer. This should also involve a thorough review of underlying information used by the valuer versus the actual information from the Council.</p> <p><b>Auditor update</b></p> <p>We note there was only one sample where the Council was unable to provide historical records to substantiate the original rental income applied by the Valuer.</p>

## Assessment

✓ Action completed

X Not yet addressed

# Action plan

Assessment	Issue and risk	Recommendations
✓	<p><b>2023/24 The Council did not opt to adopt IFRS 16 early and will implement for 2024/25 financial year.</b></p> <p>As at 31 March 2024, the Council had not made an assessment of the estimated impact of IFRS 16 on the 2024/25 accounts. The Council is in the process of identifying those leases where the Council is acting as lessee that will be accounted for under IFRS 16 and are also considering their approach to applying recognition exemptions on short-term and low value leases. As they are still ensuring the completeness of their records and lease document, they are unable to reasonably estimate the impact of IFRS 16.</p> <p>The Council are confident that they have adequate solutions in place to meet the Code requirements in terms of IFRS 16 adoption in 2024/25 accounts.</p>	<p>We recommend that the Council ensure they progress their preparations as early as possible to meet the requirements of CIPFA Code for accounts preparation.</p> <p><b>Auditor update</b></p> <p>The Council provided their assessment to the Audit Team, and it was deemed immaterial so this recommendation has been superseded.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# Action plan

Assessment	Issue and risk	Recommendations
✓	<p><b>2021/22- 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>While working on the journals, we observed numerous journal entries in the general ledger's listing (specifically in the Income SI category) that lack descriptions. This has led to delays in completing the journal work as we are investigating the entries without descriptions.</p> <p><b>Auditor update</b></p> <p>As part of our work we have not identified any transactions with missing descriptions therefore we deem this recommendation as closed.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# Action plan

Assessment	Issue and risk	Recommendations
✓	<p><b>2022/23 - 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>In our review of Property, Plant, and Equipment (PPE) and Investment Properties, we attempted to obtain rental agreements related to investment properties and PPE. However, we encountered difficulty in obtaining the rental agreements or other source documents, such as Gross Internal Area documents, to support the valuation work for many of properties selected for testing.</p> <p><b>Auditor update</b></p> <p>We did not encounter these issues in 2024/25 and therefore deem this recommendation as closed.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# Action plan

Assessment	Issue and risk	Recommendations
X	<p><b>Lack of signed agreements (2022/23)</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>In the course of our work, management confirmed that the loan agreement between the Council and the Housing had been finalised. We note the Development Facility Agreement between both parties was signed in July 2025.</p> <p>Based on our testing, we also noted that interest on loan from the Council of £215k was not recognised in RDC Housing Company's (the "Subsidiary") books hence interest payable and corresponding expenditure are both understated by this amount on the Subsidiary's accounts. This was however correctly eliminated at the group level and therefore not reported as uncorrected misstatement at the group level.</p> <p><b>Auditor update</b></p> <p>Following the appointment of the new Monitoring Officer significant work has been undertaken on the updated legal agreement between the Councils, including updated service expectations. This work is nearing conclusion, however there is no signed agreement yet.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# 08 Value for Money arrangements

# Value for Money arrangements

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

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30 November each year from 2024-25. We shared the interim AAR with you during November 2025 and presented the report to the Audit Committee on 1 December 2025.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



### Improving economy, efficiency and effectiveness

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



### Financial sustainability

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



### Governance

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

In undertaking this work we have not identified any significant weaknesses in arrangements. We identified one improvement recommendations in relation to financial sustainability, one improvement recommendations in relation to governance and no improvement recommendations in relation to improving economy, efficiency and effectiveness.

# 09 Independence considerations

# Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms. In this context, there are no independence matters that we would like to report to you.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

# Independence considerations

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

<b>Matter</b>	<b>Conclusions</b>
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority or group that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority or group or investments in the group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority or group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority or group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Authority/group, senior management or staff (that would exceed the threshold set in the Ethical Standard).

# Fees and non-audit services

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

The below non-audit services are consistent with the Authority's policy on the allotment of non-audit work to your auditor.

None of the below services were provided on a contingent fee basis.

For the purposes of our audit we have made enquiries of all Grant Thornton teams providing services to Rother District Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

## Audit-related non-audit services

Service	2024/25 £	Threats Identified	Safeguards applied
Certification of Housing Benefits Subsidy claim	45,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £45,000 in comparison to the total fee for the audit of £166,904 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
<b>Total</b>	<b>45,000</b>		

# Fees and non-audit services

Total audit and non-audit fee	£	
	Audit Fees	Non-audit fee
Rother District Council and Group Audit	166,904	
Fee variation for 3 objections associated with 2022/23 financial year *	15,076	
IFRS 16 *	4,500	
Group audit preparation issues *	6,378	
Certification of Housing Benefits Subsidy claim		45,000
<b>Total</b>	<b>192,858</b>	<b>45,000</b>

The above fees are exclusive of VAT.

\*Fees are subject to PSAA approval

The external audit costs Note 27 states a fee of £215k however total fee for 2024/25 is £212k. This is the £166,904 scale fee and the £45,000 certification fee. The difference is due to roundings and fee variations above.

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

# 10 Appendices

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

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Planned use of internal audit	●	
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 matters in relation to going concern	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

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

## Our communication plan

	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
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, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

# Our team and communications

## Grant Thornton core team

### Ade Oyerinde

Engagement Lead

- Key contact for senior management and Audit Committee
- Overall quality assurance

Ade will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice. Ade will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit work. Ade will sign your audit opinion

### Anam Shahzad

Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Anam is responsible for overall audit management, quality assurance of audit work and output, and liaison with finance team. Anam will undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable

### Amber Mackenzie-Bannister

VFM Lead

- Key meetings with Officers to discuss Value for Money work.

### Fenglin (Jessica) Wu

Assistant Manager

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

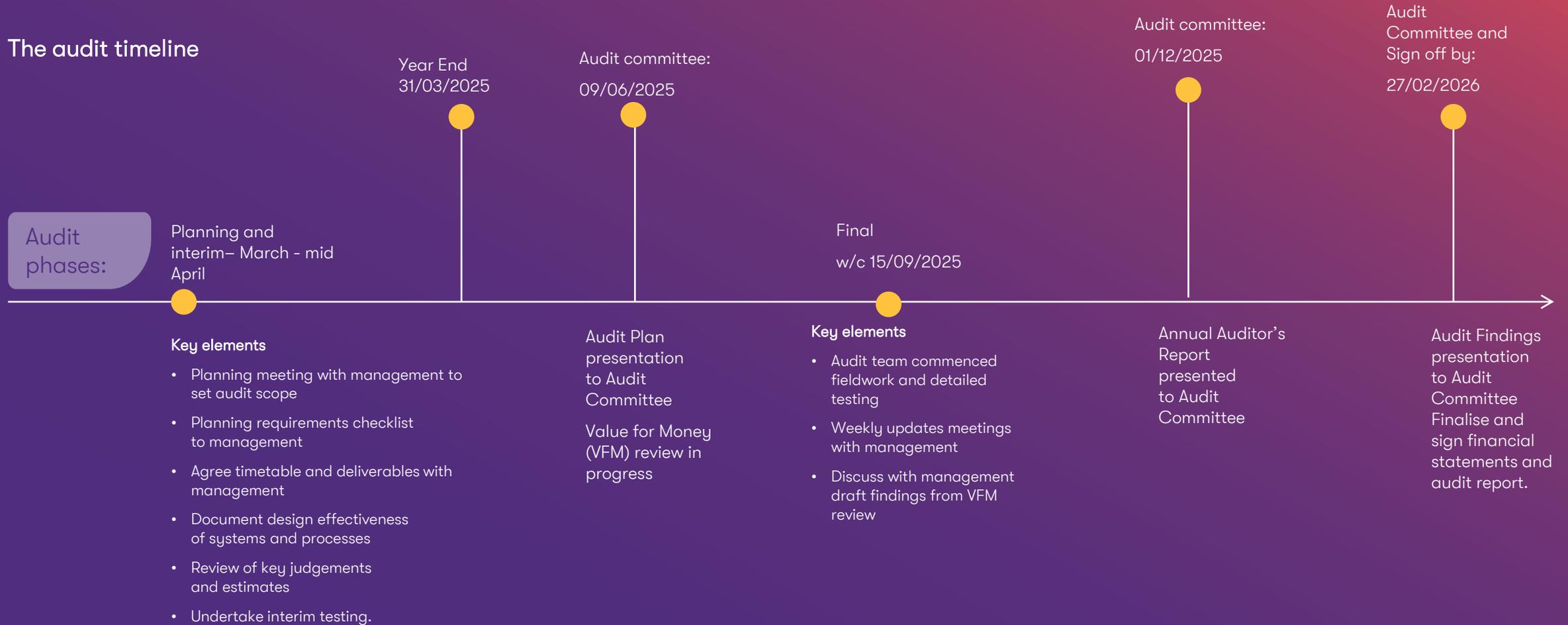
	Service delivery	Audit reporting	Audit progress	Technical support
<b>Formal communications</b>	<ul style="list-style-type: none"> <li>• Annual client service review</li> </ul>	<ul style="list-style-type: none"> <li>• The Audit Plan</li> <li>• Audit Progress and Sector Update Reports</li> <li>• The Audit Findings</li> </ul>	<ul style="list-style-type: none"> <li>• Audit planning meetings</li> <li>• Audit clearance meetings</li> <li>• Communication of issues log</li> <li>• Auditor's Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>• Technical updates</li> </ul>
<b>Informal communications</b>	<ul style="list-style-type: none"> <li>• Open channel for discussion</li> </ul>		<ul style="list-style-type: none"> <li>• Communication of audit issues as they arise</li> </ul>	<ul style="list-style-type: none"> <li>• Notification of up-coming issues</li> </ul>

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

# Logistics

## Key Dates

### The audit timeline





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