

The Audit Findings (ISA 260) Report for Ryedale District Council

Year ended 31 March 2022

10 November 2022

**WORKING DRAFT FOR
O&S (AUDIT) COMMITTEE**



Contents



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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 Committee.

Gareth D Mills

Name: Gareth Mills
For Grant Thornton UK LLP
Date: 10 November 2022

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 Ryedale District Council ('the Council') and the Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

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

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

At the time of writing this report, our audit work is currently in progress and is planned to take place remotely from October through to concluding in December. Our findings to date are summarised in Section Two of this report. As at the date of this report, we have not identified any audit adjustments impacting on the Council's outturn position and useable reserves.

Our work to date has identified a small number of disclosure and presentational audit adjustments which are detailed at Appendix C. We have raised one audit recommendation for management as a result of our work in the Action Plan at Appendix A. Our follow up of recommendations from the prior year are detailed at Appendix B.

Our audit work remains ongoing. At present, there are no matters of which we are aware that would require modification of our proposed audit opinion (Appendix E) or material changes to the financial statements, subject to the following outstanding matters:

- completing the remaining elements of our work on PPE, pension fund assets and liabilities, payables and receivables, journals, grant income, operating expenditure, and additional assurance from the pension fund auditor
- completion of our internal quality review processes, including final reviews of the file by both the Engagement Manager and Engagement Lead, specifically in respect of significant audit risks of PPE valuation, pension fund liability and journals testing
- reviewing the final version of the financial statements, Narrative Report and Annual Governance Statement
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

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

Our audit opinion is expected to be an unqualified 'clean' audit opinion with the inclusion of an 'emphasis of matter' paragraph drawing attention to the demise of the Council as a separate legal entity on 31 March 2023 and the transfer of the Council's services, assets and liabilities to the new unitary Council for North Yorkshire on 1 April 2023.

We will provide an updated ISA260 Report with our concluding findings at the point we issue our audit opinion – we expect this to take place by 16 December 2022.

1. Headlines

Value for Money (VFM) arrangements

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

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

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

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached at Appendix G to this report. We expect to issue our Auditor's Annual Report in time for the O&S (Audit) Committee meeting on 19 January 2023. This would be ahead of the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued within three months after the date of the opinion on the financial statements (which is expected in December, as noted on the previous page).

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. Our initial planning work identified no significant VFM weaknesses in the Authority's arrangements.

In the Council's final year, as with other local authorities, it is facing increasing costs resulting from inflation, particularly relating to energy and pay expenditure which is challenging the Council's ability to deliver to agreed budgets. It will be important for the Council to continue to maintain appropriate budgetary controls and for officers and Members to continue to exercise their fiduciary duties accordingly in the period up to 31 March 2023.

We will summarise the findings from our VFM work in our Auditor's Annual Report in January 2023.

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
- to certify the closure of the audit.

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

Subject to the completion of our work on the Council's VFM arrangements, our review of the Council's Whole of Government Accounts (WGA) submission. We expect to conclude our work in these two areas and be in a position to issue our audit certificate by the end of January 2023.

Significant Matters

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

Acknowledgements

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

We have continued to note a strong level of engagement from senior officers and the finance team during the 2021-22 audit period and we are grateful to officers for their understanding in terms of the timing and delivery of our year-end audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings (ISA260) 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 will be presented to the O&S (Audit) Committee on 24 November 2022.

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
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

As noted on page three, our audit of your financial statements is currently in progress. We will issue our audit opinion subject to the satisfactory resolution of outstanding work and queries. We anticipate issuing an unqualified ‘clean’ audit opinion, with the inclusion of an “emphasis of matter” paragraph in respect of the demise of the Council, by 16 December 2022.

These outstanding items include:

- completing the remaining elements of our work on PPE, pension fund assets and liabilities, payables and receivables, journals, grant income, operating expenditure and additional assurance from the pension fund auditor
- completion of our internal quality review processes, including final reviews of the file by both the Engagement Manager and Engagement Lead, specifically in respect of significant audit risks of PPE valuation, pension fund liability and journals testing
- reviewing the final version of the financial statements, Narrative Report and Annual Governance Statement
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

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.

On receipt of the draft financial statements for 2021-22, we reconsidered materiality but have not revised the materiality level shared in our Audit Plan dated 6 June 2022.

We detail our determination of materiality for the Council in the table.

Materiality area	Amount	Qualitative factors considered
Materiality for the financial statements	£533k	<p>We have determined materiality at 2% of gross expenditure on cost of services for the year. We consider this as the most appropriate criteria given stakeholders interest in the Council delivering its budget.</p> <p>There are no changes to this threshold or benchmark to that set out in our Audit Plan dated 6 June 2022.</p>
Performance materiality	£400k	Assessed to be 75% of financial statement materiality.
Trivial matters	£26k	This equates to 5% of materiality. This is our reporting threshold to the O&S (Audit) Committee for any errors identified.
Senior officer remuneration disclosures	£20k	<p>The senior officer remuneration disclosures in the financial statements have been identified as an area requiring specific materiality due to its sensitive nature.</p> <p>There are no changes to this threshold from our Audit Plan dated 6 June 2022.</p>



2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan

Commentary

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

As part of our ongoing audit work, we are:

- evaluating the design effectiveness of management controls over journals
- analysing the journals listing and determined the criteria for selecting high risk unusual journals
- testing unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- gaining an understanding of the accounting estimates and critical judgements applied and made by management and considered their reasonableness with regard to corroborative evidence
- evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work in this area remains ongoing, however, to date we have not identified any issues in respect of management override of controls. We will provide a verbal update to the Audit Committee on 24 November should any significant issues arise from completing our work in this area.



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Risk of fraud in revenue recognition and expenditure

Revenue

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

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

Expenditure

Whilst not a presumed significant risk we have had regard to Practice Note 10 (Audit of financial statements and regularity of public sector bodies in the United Kingdom). Having considered the nature of the expenditure streams at the Authority, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because:

- there is little incentive to manipulate expenditure for a Council where services are provided to the public through taxpayers funds
- there is no significant pressures on general fund reserves of the Council
- Covid -19 funding has been sufficiently provided for additional expenditure and loss of income during 2020-21 and into 2021-22.

As part of our final accounts audit process, we have reconsidered our rebuttal of both revenue and expenditure recognition and consider the rebuttal to still remain appropriate. Notwithstanding that we have rebutted these risks, we have undertaken a significant level of work on the Council's revenue streams, as they are material to the financial statements audit.

As part of our ongoing audit work, we are:

Accounting policies and systems

- Evaluating the Council's accounting policies for recognition of income and expenditure for its material income and expenditure streams and compliance with the CIPFA Code
- Updating our understanding of the Council's business processes associated with accounting for income and expenditure.

Fees, Charges and other service income

- Agreeing, on a sample basis, income and year end receivables from other income supporting evidence.

Taxation and non specific grant income

- Income for national non-domestic rates and council tax is predictable and therefore we will conduct substantive analytical procedures
- For other grants we sample testing items for supporting evidence and checking the appropriateness of the accounting treatment was in line with the CIPFA Code.

Expenditure

- Agreeing, on a sample basis, non pay expenditure and year end payables to supporting evidence
- Undertaking detailed substantive analytical procedures on pay expenditure.

We are also carrying out sufficient and appropriate audit procedures to ascertain that recognition of income and expenditure was in the correct accounting period using cut off testing.

From our audit work to date, there are no issues arising that require reporting to the O&S (Audit) Committee.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings

The Council re-values its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£15m) and the sensitivity of this estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used.

We therefore identified the closing valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.

As part of our ongoing audit work, we are:

- evaluating management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluating the competence, capabilities and objectivity of the valuation expert
- discussing with the valuer the basis on which the valuation was carried out
- challenging the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- testing revaluations made during the year to see if they had been input correctly into the Council's asset register
- evaluating 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
- considering, where the valuation date is not 31 March 2022 for assets valued in year, the arrangements management has used to ensure the valuation remains materially appropriate at 31 March 2022.

Our audit work to date has not identified any issues in respect of the valuation of land and buildings.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of the pension fund net liability

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

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£8.8m) and the sensitivity of the estimate to changes in key assumptions.

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

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

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

We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

As part of our ongoing audit work, we are:

- updating our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls
- evaluating the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- assessing the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation
- assessing the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability
- testing 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
- undertaking 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
- obtaining assurances from the auditor of the North Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. **[currently awaited]**

We have recently been informed by our Technical Department of some additional information required from the pension fund auditor in relation to their IAS 19 assurances. The additional information relates to the valuation of assets and the approach taken to reviewing asset prices to independent sources of evidence, including clarifying how assurance has been obtained that fund managers and / or custodians have priced investments independently.

This information should already be available to the pension fund auditor and should not require any additional work. We understand other audit firms are taking a similar approach regarding obtaining this information. We have requested this additional information from the North Yorkshire Pension Fund auditor.

As the pension fund balance is a significant audit risk, we need to be satisfied that we have sufficient and appropriate audit evidence over these material entries. As such we are currently assessing the information that we have received from the actuary.

We also need to review the contents of the assurance from the auditors of the North Yorkshire Pension Fund audit when that is received. The timing and content of the information from the Pension Fund auditors will influence the date when we will be in a position to issue our audit opinion on the Authority's accounts.

Our audit work to date has not identified any issues in respect of the valuation of the pension fund net liability.

2. Financial Statements – other issues and risks

This section provides commentary on new issues, risks which were identified during the course of the audit, and other risks that were previously communicated in the Audit Plan.

Issue	Auditor commentary and view
<p>Events after the reporting period (post balance sheet events disclosure) – demise of the Council on 31 March 2023:</p> <p>As noted in our Audit Plan in June 2022, as a result of local government reorganisation within North Yorkshire, the Council will demise as a separate legal entity on 31 March 2023.</p> <p>Following the revision to Practice Note 10 in the prior year, which made clear that continuity of services is the overarching requirement when assessing going concern in the public sector, the demise of the Council is not expected to be a going concern issue – as services will be continuing under the remit of the new unitary authority for North Yorkshire.</p> <p>However, it is expected that the Council will need to disclose its demise in the post balance sheet events disclosure in both 2021-22 and 2022-23 accounts (and make clear reference to this in the other key year-end statutory publications – the Narrative Report and Annual Governance Statement).</p> <p>Given the significance of the disclosures detailing the end of the Council, we would anticipate drawing this out via an ‘emphasis of matter’ paragraph within both our 2021-22 and 2022-23 audit opinions in December 2022 and the following year. This does not result in a modification to our opinion, rather it emphasises the importance to the reader of the accounts that the Council will cease on 31 March 2023.</p>	<p>In our review of the draft accounts and Annual Governance Statement (AGS), whilst there was appropriate commentary in the Narrative Report, we noted that there was no reference to the demise of the Council and the establishment of the new unitary authority for North Yorkshire on 1 April 2023 within Note 6 ‘events after the reporting period’ and limited reference within the Annual Governance Statement.</p> <p>We have raised a recommendation in the Action Plan at Appendix A, in order for the Council to make a clear narrative statement within Note 6 regarding local government reorganisation and to increase the references within the AGS.</p> <p>Management should update Note 6, to disclose the Council’s demise to readers and how services will be transferred and will continue under the remit of the new authority for North Yorkshire. This is considered to be a key disclosure in the 2021-22 Accounts and one that we will be drawing attention to via an ‘emphasis of matter’ paragraph within our opinion.</p> <p>A similar note should also be included in the draft 2022-23 financial statements, updated for the fact that services will have transferred and the Council ceased to exist by the time that the draft 2022-23 accounts are produced in Summer 2023.</p>
<p>IFRS 16 implementation:</p> <p>Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. If management elect to implement IFRS 16 from April 2022 (early adoption) then in the 2021-22 accounts as a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts</p>	<p>The Council has included a high level reference to IFRS16 in its accounts at Note 2, ‘Accounting Standards that have been issued but have not yet been adopted’. However, the audit team has indicated that a disclosure change is required for management to clarify in the narrative that the Council has opted to defer and therefore, the implications arising from the new standard will be dealt with and adopted by the new unitary council for North Yorkshire. We have noted this as a presentational change at Appendix C.</p>
<p>Recognition and Presentation of Grant Income:</p> <p>The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income.</p> <p>The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.</p>	<p>Note 34 to the accounts includes a detailed analysis of grant income covering grant income recognised through the Comprehensive Income and Expenditure Statement (CIES) as well as reporting grants and contributions received in advance. The note provides the accounting principles supporting grant income.</p> <p>Our audit testing of grant income relating to 2021-22 is ongoing but has not identified any non-compliance with the requirements for grant accounting as specified in the Code to date. We will provide an update on this testing once the work has been concluded.</p>

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Other Land and Buildings valuation: £15m	<p>Other land and buildings (note 14 to the financial statements) comprises a majority of specialised assets such as swimming pools, 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.</p> <p>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>The Council has engaged its in-house RICS qualified valuer to complete the valuation of assets on a five yearly cyclical basis as permitted by Code of Practice on Local Authority Accounting. Approximately 30% of total other land and buildings assets (by net value) were revalued during 2021-22 as disclosed in the revaluations table.</p> <p>Management has also considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 31 March 2022, to determine whether there has been a material change in the total value of these buildings. This assessment of assets not revalued in year has not identified a material change to these assets' current value compared with their carrying value as at 31 March 2022.</p> <p>The total year end valuation of Other land and buildings was £15m (PY £15m).</p>	<p>As part of our audit, we are in the process of performing the following procedures to ensure the estimates used and key judgements applied when valuing the land and buildings are prudent and reasonable, including:</p> <ul style="list-style-type: none"> • assessing the objectivity, competence and expertise of the Council's external valuers (RICS registered valuers) • reviewing the completeness and accuracy of the underlying information provided to the valuer used to determine the estimate • reviewing the assumptions used by the expert, including the floor areas • assessing the appropriateness of any changes to the basis of the valuation. There are no significant changes to report • considering the consistency of the estimate used • reviewing the reasonableness of the movement in the estimate • in relation to assets not revalued in the year, reviewing the Gerald Eve (valuation specialists) property valuation report and other relevant cost- and market-based indices to assess the appropriateness of management's assessment that the assets' carrying value is not materially different from their current value at the year end. 	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p> <p>(Green)</p> <p>TBC on completion of our audit work</p>

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 or cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability: £8.8m	<p>Per the draft accounts, the Council's net pension liability at 31 March 2022 is £8.8m (PY £12.4m) comprising the North Yorkshire Local Government Pension Scheme.</p> <p>The Council used Aon to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed at 31 March 2019, utilising key assumptions such as life expectancy, discount rates, salary growth and pension increase rate.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £5.9m net actuarial gain during 2021-22. The improved position is a result of a reduction in pension liabilities of £2.6m driven by a increase in the discount rate in excess of the increase in the CPI inflation assumption and salary increase assumption.</p>	<p>As part of our audit, we are in the process of performing the following procedures:</p> <ul style="list-style-type: none"> assessing the competence, capability and objectivity of the Council's actuary, Aon. performing additional tests in relation to the accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the roll forward calculation carried out by the actuary using PwC as our auditor expert to assess the actuary and assumptions made by the actuary – please see the table below for our comparison of actuarial assumptions. The PwC report has also indicated that they are comfortable with Aon's methodologies used to establish assumptions and they will produce reasonable assumptions as at 31 March 2022 for all employers. <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>2.70% p.a.</td> <td>Assumption appears reasonable.</td> <td>● Green</td> </tr> <tr> <td>Pension increase rate</td> <td>3.00% p.a.</td> <td>Assumption appears reasonable.</td> <td>● Green</td> </tr> <tr> <td>Salary growth</td> <td>4.25% p.a.</td> <td>Assumption appears reasonable.</td> <td>● Green</td> </tr> <tr> <td>Life expectancy – Males</td> <td>Pensioners: 21.8 Non-pensioners: 23.5</td> <td>Overall mortality assumptions appear reasonable.</td> <td>● Green</td> </tr> <tr> <td>Life expectancy – Females</td> <td>Pensioners: 23.8 Non-pensioners: 25.7</td> <td>Overall mortality assumptions appear reasonable.</td> <td>● Green</td> </tr> </tbody> </table> <ul style="list-style-type: none"> confirming the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate. confirming that there were no significant changes in 2021-22 to the valuation method. confirming that the valuation of assets is based on 31 March 2022 valuations. confirming the consistency of the pension fund assets and liability disclosures in the notes to the financial statements with the actuarial report from the actuary. <p>Our audit work to date has not identified any issues in respect of the valuation of the pension fund net liability. Our work in this area is still in progress, including the assurance from the Pension Fund auditor.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.70% p.a.	Assumption appears reasonable.	● Green	Pension increase rate	3.00% p.a.	Assumption appears reasonable.	● Green	Salary growth	4.25% p.a.	Assumption appears reasonable.	● Green	Life expectancy – Males	Pensioners: 21.8 Non-pensioners: 23.5	Overall mortality assumptions appear reasonable.	● Green	Life expectancy – Females	Pensioners: 23.8 Non-pensioners: 25.7	Overall mortality assumptions appear reasonable.	● Green	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious (Green) TBC on completion of our audit work</p>
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2.70% p.a.	Assumption appears reasonable.	● Green																								
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Life expectancy – Females	Pensioners: 23.8 Non-pensioners: 25.7	Overall mortality assumptions appear reasonable.	● Green																								

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income (note 34): £14.9m	<p>Management has taken into account three main considerations in accounting for grants:</p> <ol style="list-style-type: none"> whether the Council is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Management's assessment needs to consider all relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements. whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income whether the grant is a specific or non-specific grant. General un-ringfenced grants are disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts. <p>There may be judgements over the accounting treatment. Different conclusions may be reached by councils depending on how they have applied any discretion in administering the schemes and application of Code guidance.</p>	<p>The Council receives a number of grants and contributions and is required to follow the requirements set out in the Code. The main considerations are to determine whether the Council is acting as principal or agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.</p> <p>As part of our ongoing audit work, we are in the process of performing the following:</p> <ul style="list-style-type: none"> substantively testing a sample of grants across categories and reviewed management's assessment as to whether the Council is acting as the principal or agent for the samples selected, reviewing the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income assessing for the sample of grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES or not assessing the adequacy of disclosure of grants received and judgement used by management as part of our detailed testing. <p>Our work to date has not identified any matters to report.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p> <p>(Green)</p> <p>TBC on completion of our audit work</p>

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Council's O&S (Audit) Committee and the Chief Financial Officer. We have not been made aware of any material incidents in the year and no other issues have been identified during the course of our audit.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A standard letter of representation has been requested from the Council with the inclusion of a paragraph in respect of the demise of the Council and the transfer of services, assets and liabilities to the new unitary North Yorkshire Council. The proposed letter of management representation is included at Appendix F.
Confirmation requests from third parties	We requested from management permission to send a confirmation request to the Council's bankers, and entities who were involved with the Council's investments and borrowings. This permission was granted and the requests were sent and responded to with positive confirmations.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review to date has found no material omissions in the financial statements, although we have requested enhanced disclosures within Note 6 'events after the reporting period' regarding the demise of the Council and the transfer of services, assets and liabilities to the new unitary North Yorkshire Council. Our work to date identified a small number of presentational disclosure amendments which have been processed by management and these are set out at Appendix C.
Audit evidence and explanations / significant difficulties	As last year, we have experienced good, continued co-operation from the Council for all information and explanations requested. In order to finalise our audit, we expect to receive continued timely engagement and responses from management. There are no significant difficulties to report in terms of receipt of audit evidence.

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"> • the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>The Council will cease as a separate legal entity on 31 March 2023 and its services, assets and liabilities will be transferred to the new unitary North Yorkshire Council on 1 April 2023. This has provided certainty that the services provided by the Council in 2021-22 will continue to be provided within the Public Sector.</p> <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.</p> <p>The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. <p>Our audit opinion will include an ‘emphasis of matter’ to highlight to the reader Note 6 of the Accounts which explains the transfer of services to the new unitary North Yorkshire Council on 1 April 2023. This does not constitute a qualification of our audit opinion.</p>

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 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. Our work noted some presentational matters in the Annual Governance Statement. These have been adequately rectified by management. These are reported at Appendix C. We plan to issue an unmodified opinion in this respect as reported at Appendix E.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • if we have applied any of our statutory powers or duties • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness(es). <p>We have nothing to report on these matters. Our Value for Money work is underway and is expected to be completed and presented to the O&S (Audit) Committee meeting on 19 January 2023.</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>Our audit work on the Council's WGA pack is very limited as the Council does not exceed the audit threshold.</p> <p>We note that guidance for this work has not yet been issued and therefore this work has not yet commenced. The NAO requires the work to be completed once the audit opinion is provided on the financial statements and has not yet released data collection instructions.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2021-22 audit of the Council in the audit report, as detailed at Appendix G, until we have completed our work on the WGA consolidation exercise mentioned above, and completed our Value for Money responsibilities with the issue of the Auditor's Annual Report.</p> <p>This is in common with the vast majority of other local authorities given the later audit deadline for the VFM work and the current lack of instructions for WGA work.</p>



3. Value for Money arrangements

Approach to Value for Money work for 2021-22

The National Audit Office issued its guidance for auditors in April 2020. The Code 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

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached at Appendix G to this report. We expect to issue our Auditor's Annual Report by 19 January 2023 for the O&S (Audit) Committee meeting. This is ahead of the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

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. Our initial planning work identified no significant VFM weaknesses in the Authority's arrangements.

In the Council's final year, as with other local authorities, it is facing increasing costs resulting from inflation, particularly relating to energy and pay expenditure which is challenging the Council's ability to deliver to agreed budgets. It will be important for the Council to continue to maintain appropriate budgetary controls and for officers and Members to continue to exercise their fiduciary duties accordingly in the period up to 31 March 2023.

We will summarise the findings from our VFM work in our Auditor's Annual Report in January 2023.

4. Independence and ethics

Independence and ethics

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

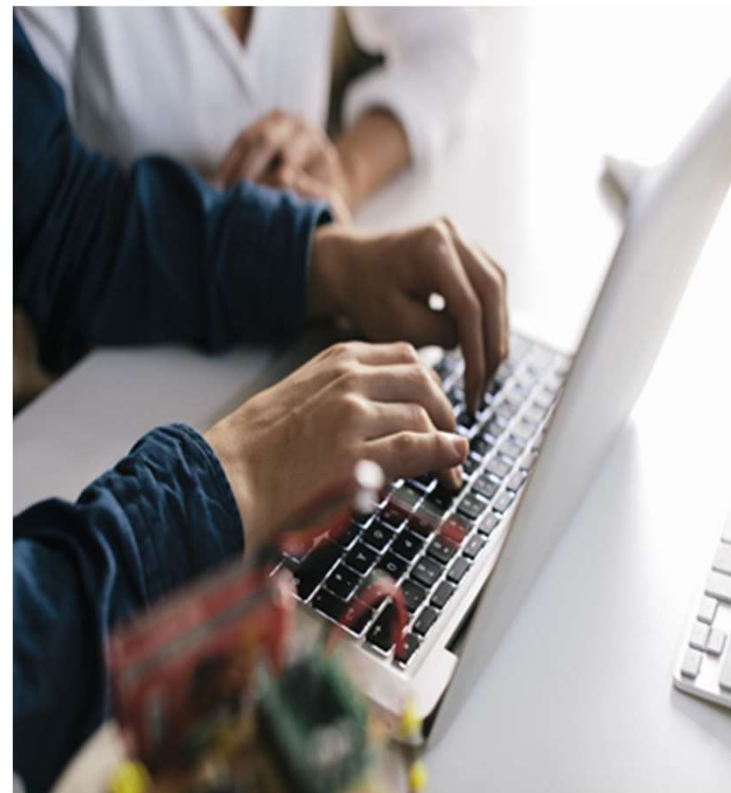
We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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

Details of fees charged are detailed at Appendix D.

Transparency

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



4. Independence and ethics

Audit and non-audit services

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

Service	Fees £	Threats identified	Safeguards
Audit related:			
Certification of Housing Benefit Claim	*13,500	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 *£13,500 in comparison to the total fee for the audit of £60,056 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. 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.
Non-audit related:			
Chief Finance Officer Insights and Place Analytics subscription	3,870	Self-Interest (because this is a recurring subscription)	This service is provided by a separate team within Grant Thornton UK LLP. There is no exchange of information relating to the audit between the two teams and therefore no impairment of auditor independence. The level of this fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,870 per annum in comparison to the total fee for the audit of £60,056 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.

Note on Housing Benefit fee:

* The £13,500 is the base fee for the 2021-22 Housing Benefit Subsidy certification. In addition, for each 40+ HB testing undertaken:

£2,600 – where the initial work is completed by the Council

£5,800 – where the work is fully undertaken by Grant Thornton

The fees reconcile to the financial statements in Note 33 - External Audit costs.

Appendices

A. Action Plan – Audit of Financial Statements

We have identified one recommendation to date for the Council as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on this recommendation during the course of the 2022-23 audit. The matter reported here is limited to those deficiencies that we have identified during the course of our audit and that we have concluded is of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p style="text-align: center;">●</p> <p style="text-align: center;">Medium</p>	<p>Events after the reporting period (post balance sheet events disclosure) – demise of the Council on 31 March 2023:</p> <p>As noted in our Audit Plan in June 2022, as a result of local government reorganisation within North Yorkshire, the Council will demise as a separate legal entity on 31 March 2023.</p> <p>Following the revision to Practice Note 10 in the prior year, which made clear that continuity of services is the overarching requirement when assessing going concern in the public sector, the demise of the Council is not expected to be a going concern issue – as services will be continuing under the remit of the new unitary authority for North Yorkshire.</p> <p>However, it is expected that the Council will need to disclose its demise in the post balance sheet events disclosure in both 2021-22 and 2022-23 accounts (and make clear reference to this in the other key year-end statutory publications – the Narrative Report and Annual Governance Statement).</p> <p>Given the significance of the disclosures detailing the end of the Council, we would anticipate drawing this out via an ‘emphasis of matter’ paragraph within both our 2021-22 and 2022-23 audit opinions in December 2022 and the following year. This does not result in a modification to our opinion, rather it emphasises the importance to the reader of the accounts that the Council will cease on 31 March 2023.</p>	<p>In our review of the draft accounts and Annual Governance Statement (AGS), whilst there was appropriate commentary in the Narrative Report, we noted that there was no reference to the demise of the Council and the establishment of the new unitary authority for North Yorkshire on 1 April 2023 within Note 6 ‘events after the reporting period’ and limited reference within the Annual Governance Statement.</p> <p>We recommend the Council includes a clear narrative statement within Note 6 regarding local government reorganisation and increases the references to LGR within the AGS.</p> <p>Management should update Note 6, to disclose the Council’s demise to readers and how services will be transferred and will continue under the remit of the new authority for North Yorkshire. This is considered to be a key disclosure in the 2021-22 Accounts and one that we will be drawing attention to via an ‘emphasis of matter’ paragraph within our opinion.</p> <p>A similar note should also be included in the draft 2022-23 financial statements, updated for the fact that services will have transferred and the Council ceased to exist by the time that the draft 2022-23 accounts are produced in Summer 2023.</p> <p>Management Response:</p> <p><i>Agreed: We will update Note 6 of the accounts to make clear reference to the end of the Council as a separate legal entity on 31 March 2023 and the transfer of its services, assets and liabilities to the new unitary North Yorkshire Council on 1 April 2023.</i></p>
<p style="text-align: center;">As at the date of this report, we have not identified any further recommendations. Should any recommendations arise up to the date of our audit opinion, we will include them here in an updated ISA260 Report.</p>		

B. Follow up of prior year recommendations

We identified the following issues in our audit of the Council's 2020-21 financial statements, which resulted in two recommendations being reported in our 2020-21 Audit Findings (ISA260) Report. We have followed up on the implementation of our recommendations and note progress alongside.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC on completion of our audit work	<p>Over disclosure of Related Party Transactions – Note 35 to the Statement of Accounts</p> <p>Our work identified that there are some over disclosures in RPTs in Note 35. Some of the disclosures made in Note 35 did not strictly satisfy IAS 24 - Related Party Disclosures criteria.</p> <p>There was one disclosure where the Council incorrectly reported that Sports and Leisure Management Limited is controlled or significantly influenced by Ryedale District Council when this is not the case. This was amended in the final audited accounts.</p> <p>In all other circumstances, the Council had over-disclosed when some of these disclosures were not required to be reported under IAS 24 as Related Party Transactions.</p>	<p>Management response</p> <p>Management believes it has actioned this recommendation in full and as auditors, we will report on this matter in the updated ISA260 report on completion of our work in December.</p>
TBC on completion of our audit work	<p>Sundry Debtors Ledger – very old debts and their continuing validity to be included in the Sundry Debtors Ledger</p> <p>Our work identified there were around c£70k of debts (below materiality) that have been correctly provided by the Council as bad debt provision in the financial statements but still not written off from the Sundry Debtors Ledger. All of these are over 12 months old and some more than two years old debts that may be unlikely to be recovered by the Council.</p> <p>Please note, the Council has already correctly provided for these debts and the net accounting impact is £nil.</p>	<p>Management response</p> <p>Management has performed some work during 2021-22 on this area and has confirmed that it will be performing further work in 2022-23 to ensure that these balances are cleansed and it is appropriate to transfer the cleansed ledger to the new unitary authority.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

C. Audit Adjustments

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the Council's level of useable reserves for the year ending 31 March 2022.

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

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves
There are no audit adjustments to date that impact on the Council's primary statements or level of useable reserves. We will update this at the date of our audit opinion.			
Overall impact	None	None	None

Impact of unadjusted misstatements

At the date of this report there are no unadjusted misstatements in 2021-22.

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in 2020-21.

C. Audit Adjustments

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

Misclassification and disclosure changes

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

Account balance / disclosure note	Description and value	Adjusted?
Note 2 - Accounting standards that have been issued but not yet been adopted	Update the disclosure note to clarify that the Council has opted to defer the adoption of IFRS16 and that this new accounting standard will now be dealt with and adopted by the new unitary council for North Yorkshire.	TBC
Annual Governance Statement	We have proposed some presentational changes to the AGS to improve the clarity of the information presented to the reader, particularly in relation to the local government reorganisation process and the demise of the Council.	TBC
Note 6 - Events after the reporting period	The narrative at Note 6 is recommended to be expanded in order to specifically draw out the demise of the Council and transition to the new unitary authority for North Yorkshire. This has been further explained in the Action Plan at Appendix A.	TBC
Accounting Policy no. 7. Capital Expenditure	It is noted that due to Local Government Reorganisation (LGR), authorisation for capital spend is also required from the County Council, the continuing authority. This means that there is dual authorisation for significant capital projects and this fact should be disclosed in the narrative at accounting policy no. 7 Capital Expenditure.	TBC
Various notes - £nil values	As part of the ongoing effort to declutter and simplify the Statement of Accounts, the auditor has encouraged the Council to remove the £nil values disclosed in the Notes to the Accounts.	TBC

This list will be updated at the time of signing of the accounts. In addition, we will confirm matters have been changed in the final version of the accounts at the point of signing our opinion.

D. Fees

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

Audit fees 2021-22	Proposed fee £	Final fee £
Council Audit	60,056	60,056
Total audit fees (excluding VAT)	60,056	60,056

Non-audit fees for other services:	Proposed fee	Final fee
Certification of Housing Benefit Claim	£13,500*	see note below
Chief Finance Officer Insights and Place Analytics subscription	3,870	3,870
Total non-audit fees (excluding VAT)	£17,370	£17,370

Note on Housing Benefit fee:

* The £13,500 is the base fee for the 2021-22 Housing Benefit Subsidy certification. In addition, for each 40+ HB testing undertaken:

£2,600 – where the initial work is completed by the Council

£5,800 – where the work is fully undertaken by Grant Thornton

The fees reconcile to the financial statements in Note 33 - External Audit costs.

E. Audit opinion (draft)

We anticipate we will provide the Council with an unmodified ‘clean’ audit opinion, with the inclusion of an ‘emphasis of matter’ paragraph in relation to the demise of the Council on 31 March 2023 and the transfer of services, assets and liabilities to the new unitary council for North Yorkshire on 1 April 2023. Our draft audit opinion is included below.

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Ryedale District Council (the ‘Authority’) for the year ended 31 March 2022, which comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and notes to the core financial statements, including the statement of accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

In our evaluation of the Chief Finance Officer’s conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority’s financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority’s disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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

Emphasis of matter – Demise of the organisation

In forming our opinion on the financial statements, which is not modified, we draw attention to Note 6 to the financial statements, which indicates that as a result of Local Government Reorganisation taking place within North Yorkshire, the Council will cease to exist as a separate legal entity on 31 March 2023. However, the Council’s statutory functions, services, assets and liabilities are due to transfer to the new unitary North Yorkshire Council on 1 April 2023.

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.

E. Audit opinion (draft)

Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities for the Statement of Accounts set out on page 10, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, Local Government Act 2003, and the Local Government Act 1972.
- We enquired of senior officers and the Overview and Scrutiny (Audit) Committee concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit, and the Overview and Scrutiny (Audit) Committee whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial

statements. This included the evaluation of the risk of management override of controls, and of fraudulent recognition of revenue and expenditure. We determined that the principal risks were in relation to:

- Material closing journals
- Journals posted by senior management
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
 - journal entry testing, with a focus on unusual and high-risk journals made at the year-end accounts production stage;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings 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.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings and defined benefit net liability valuations.
- 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
 - 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.

E. Audit opinion (draft)

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority’s arrangements in our Auditor’s Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor’s report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in 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 document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

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

We cannot formally conclude the audit and issue an audit certificate for Ryedale District Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor’s Annual Report’
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

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

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Gareth Mills, Key Audit Partner

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

Leeds

Date: XX [TBC]

F. Management Letter of Representation (draft)

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
No 1 Whitehall Riverside
Leeds LS1 4BN

24 November 2022

Dear Sirs

Ryedale District Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Ryedale District Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Authority financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

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

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

- iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and buildings and the valuation of the defined benefit net liability. 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 Authority 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.

F. Management Letter of Representation (draft)

- 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 (ISA260) Report. The Authority's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. **We have considered the unadjusted misstatements schedule included in your Audit Findings (ISA260) Report. We have not adjusted the financial statements for this misstatement brought to our attention as it is immaterial to the results of the Authority.** The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the Authority means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

- c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.

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

- xv. In forming our conclusion that that the accounts should be prepared on the going concern basis we have considered the demise of the Council as a separate legal entity on 31 March 2023. In view of the transfer of the Council's services, assets and liabilities to the new unitary North Yorkshire Council on 1 April 2023, we have made additional disclosures in the accounts explaining the basis of preparation and that we continue to adopt the going concern basis in preparing the accounts. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.
- xvi. The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority's financial statements in the event of non-compliance.

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 Authority's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Authority via remote arrangements from whom you determined it necessary to obtain audit evidence.
- 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.

F. Management Letter of Representation

- xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
- management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- xxii. 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.
- xxiii. 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.
- xxiv. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxv. 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

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted and approved by the Overview & Scrutiny (Audit) Committee on 24 November 2022.

Yours faithfully

Name.....

Position.....

Date.....

Signed on behalf of Ryedale District Council

G. Audit letter in respect of delayed VFM work

Councillor Tracie Middleton
Chair of O&S (Audit) Committee
Ryedale District Council
Ryedale House
Malton
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24 November 2022

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Dear Councillor Middleton

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government in line with the accounts' opinion. Unfortunately, as in the prior year, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected.

The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many opinions on the financial statements as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 19 January 2023 to coincide with the O&S (Audit) Committee meeting.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours sincerely

Gareth

Gareth Mills

Engagement Lead and Key Audit Partner for Ryedale District Council

