Ryedale District Council 2022-23 Audit Plan

Year ending 31 March 2023

31 May 2023

Contents

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

1. Key matters

National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures like increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

In a report published in January 2023 the NAO have highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers.

Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Chief Financial Officer (S151) of Ryedale (now a member of the senior finance team of the unitary authority for North Yorkshire).
- We will consider the arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider the arrangements relating to governance and improving economy, efficiency and effectiveness up to the date of the Council's demise on 31 March 2023.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

Key matters

Local context

In advance of vesting day on 1 April 2023, many of the Council's resources and activities during 2022-23 have focussed on delivering Local Government Reorganisation (LGR) in North Yorkshire. Except for temporary appointments during the second half of the year to the Chief Executive and Monitoring Officer posts, the Council's workforce has remained stable throughout the year with officers demonstrating engagement to delivering on the LGR workstreams alongside the 'day job' of Ryedale activities.

In the prior period, we raised a recommendation around providing clear disclosures in the financial statements and narrative report highlighting LGR and the demise of Ryedale as a standalone body on 31 March 2023 and this will be a key matter for officers to again consider when producing the 2022-23 draft accounts, Narrative Report and Annual Governance Statement.

Throughout 2022-23, the Council has continued to monitor the revenue position and forecasts have been reported to P&R Committee on a quarterly basis. Whilst the pay award, increasing utility costs and general inflation have created budgetary pressures, increased investment income and rising income from materials to be recycled has gone some way to shield the Council from these pressures. At Quarter 3, the Council was forecasting a deficit of £169k, after taking an additional £350k from reserves to cover the unplanned cost of the national pay award. There is expected to be £100k of under-utilisation of the £500k Local Government Reorganisation allocation and therefore, this may be utilised to support the overall outturn position of the Council for 2022-23.

The level of usable reserves to be bequeathed to the North Yorkshire Council is forecast to be c£10m at 31 March 2023, which is higher than initially forecast in the MTFS. This is principally due to higher reserves balances at the beginning of the year than initially forecasted and slippage in the capital programme. There has been an increased draw on reserves during 2022-23 on the prior year comprising the original expected draw on reserves of £1.9m, which increased following the unplanned pay award (additional draw of £350k) and also Members' budget decision to both freeze council tax (additional draw of £108k) and allocate £150k of community grants.

The Council budgeted to spend £10m on capital projects during 2022-23, however, at Quarter 3 it is forecasting to spend just £4m following slippage of £6m. This is in common with many local government and NHS bodies, for whom obtaining materials and appointing contractors with capacity to deliver the work has continued to be challenging. Some £2.6m of the £6m slippage is attributable to schemes comprising the construction of affordable housing and industrial units. Dealing with this slippage and a potential reprofiling of the capital programme will be a matter for the new North Yorkshire Council to consider.

A key governance matter for the Council during its final year of operation was to ensure that proper governance procedures continued to be followed and Members continued to exercise their fiduciary duty to taxpayers and safeguarding public monies up to 31 March 2023. We understand that senior officers have worked with Members throughout the financial year to ensure proper procedures were followed and that the senior officers continued to carry out the statutory duties up to the Council's demise. We noted that the Council acted to ensure two of its main statutory positions were appropriately filled when the Chief Executive had an extended period of leave due to ill health and when the Monitoring Officer left in early March.

The requirement for secondary authorisation by North Yorkshire County Council of new spend to be committed under Section 24 has been a key control operating at the Council during the financial year and this has enabled North Yorkshire Council to scrutinise funding committed during the year to provide an additional check on the value for money nature of any significant areas of spend during Ryedale's final year.

As part of the Council's demise and transfer of services to North Yorkshire Council, we understand that understand that the Council's substantive Chief Executive was made redundant by the Council on 30 March 2023. The redundancy package paid by the Council will represent an area of audit focus for 2022-23 with specific focus placed on any non-contractual discretionary elements paid. This has been highlighted as an 'other risk' on page 8.

2. Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Ryedale District Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body.

Our respective responsibilities are also set out in the agreed engagement letter. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (Overview and Scrutiny (Audit) Committee up until the Council's demise); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Overview and Scrutiny Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of net pension balance
- Closing valuation of buildings.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report in November.

Other risks

Other risks are not significant risks. However, they form an area of audit focus as part of our overall audit strategy and response. We have identified the exit package paid to the Council's Chief Executive as an other risk.

Materiality

We have determined planning materiality to be £533k (PY £533k) for the Council, which equates to 2% (PY 2%) of gross expenditure on cost of services for the prior year. Performance materiality has been determined as £400k (PY £400k). We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £26k (PY £26k).

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have not identified any risks of significant weaknesses at the planning stage, however, we will continue to review this as we perform our work on the VFM arrangements. This is in common with our prior year assessment for 2021-22.

We are targeting completion of our VFM work by the end of the 2023 calendar year culminating in summarising our VFM findings in the Auditor's Annual Report.

Audit logistics and independence

Our planning and interim audit work took place in February and March and our final accounts audit work will take place between late September and December. Our key deliverables are this Audit Plan, our Audit Findings (ISA260) Report (due in December) and the Auditor's Annual Report on VFM findings (targeted for December 2023).

Our fee for the audit of the Council is set out in Section 11, page 18. Our audit fees are £59,807 and are subject to the Council delivering a good set of financial statements and working papers. We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

3. Significant risks identified

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.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 revenue risk – risk of fraud in revenue recognition	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 Council, 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 the Council, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for the Council.
Risk of fraud related to expenditure recognition PAF Practice Note 10	In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period)	We have rebutted this presumed risk for the Council because: • expenditure is well controlled and the Council has a strong control environment • 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 • the Council has clear and transparent reporting of its financial plans and financial position to the Council. We therefore do not consider this to be a significant risk for the Council.
Management over-ride of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	We will: • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Closing 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 (some £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.	We will: • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • discuss with the valuer the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • test revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluate 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 • consider, where the valuation date is not 31 March 2023 for assets valued in year, the arrangements management has used to ensure the valuation remains materially appropriate at 31 March 2023.
Valuation of the pension fund balance	The Council's pension fund net balance, as reflected in its balance sheet as the net defined benefit pension balance, represents a significant estimate in the financial statements. The pension fund net balance is considered a significant estimate due to the size of the numbers involved (£8m in the 2021-22 balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund balance as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net balance is not materially misstated and evaluate the design of the associated controls • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • test 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 • undertake 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 • obtain assurances from the auditor of 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.

4. Other risks identified

Other risks are not significant risks. However, they form an area of audit focus as part of our overall audit strategy and response.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Chief Executive's Redundancy Package	We have been informed that the Council's substantive Chief Executive was made redundant by the Council on 30 March 2023 and awarded a total package of £72k, comprising redundancy of £15k and a payment in lieu of notice of £57k. This follows discussions with the Monitoring Officer during 2022-23 advising that this was a course of action that the Council was considering. The audit team met with the Council's Monitoring Officer and subsequently the Monitoring Officers from all of the district councils, alongside their external legal advisor, to understand the consultations held with North Yorkshire County Council and the draft business case for the Chief Executives' settlements across the region. We understand that the draft settlement discussed in Autumn 2023 included an element of payment in lieu of notice (PILON) which is within the scope of HM Treasury's guidance on Special Severance Payments. The Special Severance guidance acknowledges that in some circumstances discretionary settlements may be appropriate, however, it states that it is vital that settlements represent value for money and are fair to the taxpayer who fund them.	In response to this risk we will: • Review the Full Council approval of the Chief Executive's exit package. • Obtain a copy of the Chief Executive's contact of employment and check that the non-discretionary elements of the total exit package are consistent with the provisions set out in the employment contract. • Review the Council's business case for payment of any discretionary elements and the governance and scrutiny carried out thereon, including any legal advice that the Council has taken. • Carry out work to satisfy ourselves around the completeness and accuracy of the exit package disclosure in the financial statements and ensure that appropriate references have also been included in the Narrative Report and Annual Governance Statement.

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

We will communicate significant findings on this area as well as any other significant matters arising from the audit to you in our Audit Findings (ISA260) Report in December 2023.

5. Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Events after the reporting period (post balance sheet events disclosure) – demise of the Council on 31 March 2023

As we noted earlier, the Council demised as a separate legal entity on 31 March 2023. This is an issue impacting all local authorities subject to local government reorganisation.

Following the revision to Practice Note 10, which made clear that continuity of services is the overarching requirement when assessing going concern in the public sector, the demise of Council is not a going concern issue – as services will be continuing under the remit of the new unitary authority for North Yorkshire.

However, as in the prior year, it is expected that the Council will need to disclose its demise in the post balance sheet events disclosure in the 2022-23 accounts (and make clear reference to this in the other key year-end statutory publications – the Narrative Report and the Annual Governance Statement).

Given the significance of this disclosure detailing the end of the Council, we would once again anticipate drawing this out via an ‘emphasis of matter’ paragraph within our 2022-23 audit opinions in December 2023. This does not result in a modification to our opinion, rather it emphasises the importance to the reader of the accounts that the Council ceased on 31 March 2023.

6. Progress against prior year audit recommendations

We identified the following issues in our 2021-22 audit of the Council's financial statements, which resulted in two recommendations being reported in our 2021-22 Audit Findings (ISA260) Report. Management has noted progress against these recommendations below and we will formally report of these recommendations in our 2022-23 ISA260 Report targeted for November 2023.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue per management
TBC in 2022-23 Audit Findings (ISA260) report	**Events after the reporting period (post balance sheet events disclosure) – demise of the Council on 31 March 2023:** 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, which has now occurred. 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. In our review of the 2021-22 draft accounts and Annual Governance Statement (AGS), we identified that 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. In the 2021-22 published accounts, management updated 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. It is expected that the Council will need to disclose its demise in the post balance sheet events disclosure again in the 2022-23 accounts (and make clear reference to this in the other key year-end statutory publications – the Narrative Report and Annual Governance Statement). 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 our 2022-23 audit opinions as we did in 2021-22. This does not result in a modification to our opinion, rather it emphasises the importance to the reader of the accounts that the Council ceased to exist on 31 March 2023.	Management has confirmed that appropriate reference to local government reorganisation has been included in the Narrative Report and Post balance sheet events disclosure.
TBC in 2022-23 Audit Findings (ISA260) report	**Vehicles, plant and equipment with a £nil net book value** Our work on Property, Plant and Equipment in 2021-22 identified that there was a significant amount of £nil net book value assets under Vehicles, Plant and Equipment (VPE). This has no impact on the overall net book values of VPE, hence the balance is materially stated, however, in gross terms it is significant (£4m) and results in the gross cost of VPE assets and accumulated depreciation figures included in the financial statements presenting an over-inflated picture of the assets controlled by the Council for delivering services. If these assets are no longer in use or held by the Authority, they should be removed from the fixed asset register and taken out of the gross value and accumulated depreciation balances reported in the accounts. The timeliness of the exercise is an important factor due to the transition to the new North Yorkshire Council taking place in April 2023.	Management has communicated that significant work has been undertaken by the capital accounting team to tidy up the fixed asset register and write out any assets as required, due to assets no longer being in use, nil values or other factors.

7. 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.

Matter	Description	Planned audit procedures
1	**Determination** We have determined financial statement materiality based on a proportion of the gross operating costs of the Council for the prior year. Materiality at the planning stage of our audit is £533k (PY £533k) for the Council, which equates to 2% of your gross expenditure on cost of services for the 2021-22 period. Performance materiality has remained in line with the prior year at 75% of headline materiality .	We determine planning materiality in order to: – Establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. – Assist in establishing the scope of our audit engagement and audit tests; – Determine sample sizes. – Assist in evaluating the effect of known and likely misstatements in the financial statements.
2	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature where it may affect instances when greater precision is required. At the Council we have identified the following: – senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £20,000.
3	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality. We will review our calculation upon receipt of the Council's draft 2022-23 accounts.
4	**Matters we will report to the Audit Committee (of North Yorkshire Council)** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We will report to the Audit Committee of North Yorkshire Council any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £26k (PY £26k). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Our approach to materiality

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

Materiality area	Amount £	Qualitative factors considered
Materiality for the financial statements	533k	This equates to 2% of the Council's Gross Expenditure on Cost of Services for 2021-22.
Performance materiality	400k	This has been set at 75% of headline materiality, which is in line with the prior year. This reflects the fact that the Council has a stable financial reporting team with a track record of preparing good quality financial statements, supporting working papers and engaging well throughout the audit process.
Trivial matters	26k	This equates to 5% of headline materiality and represents our threshold for reporting corrected and uncorrected misstatements to the Audit Committee.
Materiality for specific transactions, balances or disclosures - senior officer remuneration.	20k	This reflects heightened interest in this sensitive area, including the exit package made to the Chief Executive referred to earlier in this Plan.

8. IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on page 16.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Spend/Income	Planned level IT audit assessment
Civica	Financial reporting	£27m (estimated 2022-23)	• Detailed ITGC assessment (design effectiveness)

9. Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our Auditor's Annual Report targeted for the end of this year.

10. Audit logistics and team

** We anticipate our key reports will be included on the agenda of the audit committee of the new unitary North Yorkshire Council. This Committee will take the role of those charged with governance in respect of the 2022-23 accounts and audit process for Ryedale.*

- Planning and risk assessment
- Planning and Interim audit: March – April 2023
- Audit Committee*: 26 June 2023 – Audit Plan
- Year end audit: Late September to December 2023
- Audit Committee*: 27 November 2023 – Audit Findings Report (ISA260) to be presented
- Target date to sign 2022-23 accounts: 15 December 2023 – Issue Audit Opinion
- Target date to complete VFM: December 2023 – Auditor's Annual Report on VFM

Gareth Mills, Key Audit Partner and Engagement Lead

Provides oversight of the delivery of the audit including regular engagement the Audit Committee and senior management.

Greg Charnley, Engagement Manager

Plans and manages the delivery of the audit including regular contact with senior management. The key point of contact for the Council.

Haz Anjum, Engagement Assistant Manager

Haz is the key audit contact responsible for the day to day management and delivery of the audit work.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to:

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available throughout the planned period of the audit
- respond promptly and adequately to audit queries.
- provide all documents requested as part of our VFM audit and ensure members of Council's Senior Management team are available to respond to our inquiries.

11. Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for the Council to begin with effect from 2018-19. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022-23 audit. For details of the changes which impacted on years up to 2021-22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022-23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for a council of your size, we estimate an initial increase of £3k on this matter. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing.

The other major change to Auditing Standards in 2022-23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022-23, is detailed overleaf and has been agreed with the Chief Finance Officer.

Audit fees

	Actual Fee 2020-21	Actual Fee 2021-22	Proposed fee 2022-23
Ryedale District Council audit	£57,206	£60,056	£59,807
Total audit fees (excluding VAT)	**£57,206**	**£60,056**	**£59,807**

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

PSAA Scale fee for 2022-23	**£38,457**
The revised Value for Money (VfM) approach, introduced under the new NAO Code in 2020-21 (after the 2017 PSAA tender)	£9,000
Increased audit requirements relating to ISA 540 Revised - Auditing Accounting Estimates and Related Disclosures	£2,100
Enhanced audit procedures for journals and grants testing, given the risk of management override of controls	£3,000
Enhanced audit procedures for Payroll – Change of circumstances	£500
Enhanced audit procedures for Collection Fund – Reliefs testing	£750
Increased audit requirements of ISA 315 Revised - Identifying and assessing the Risks of Material Misstatement	£3,000
Accounting for and disclosing the demise of the Council – to reflect the additional work performed on the impact of the increased disclosures and the need for the 'emphasis of matter' paragraph within our proposed 2022-23 accounts opinion	£3,000
Total audit fees 2022-23 (excluding VAT)	**£59,807**

All variations to the scale fee will need to be approved by PSAA

12. Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 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.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related:			
Certification of Housing Benefits claim	20,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £20,000 in comparison to the total fee for the audit of £59,807 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.
Non-audit related:			
None	-	-	-

13. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management / those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud (deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter	•	•

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

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

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

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

Grant Thornton

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