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Informing the audit risk assessment for Newcastle under Lyme Borough Council 2019/20

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Table of Contents

Section	Page
Purpose	4
General Enquiries of Management	5
Fraud	8
Fraud Risk Assessment	9
Laws and Regulations	15
Impact of Laws and Regulations	16
Going Concern	18
Going Concern Considerations	19
Related Parties	22
Accounting Estimates	24
Appendix A Accounting Estimates	25

Purpose

The purpose of this report is to contribute towards the effective two-way communication between the Council's external auditors and the Council's Audit and Standards Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Standards Committee under auditing standards.

Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit and Standards Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Audit and Standards Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Standards Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Standards Committee and supports the Audit and Standards Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Audit and Standards Committee's oversight of the following areas:

- General Enquiries of Management;
- Fraud;
- Laws and Regulations;
- Going Concern;
- Related Parties; and
- Accounting Estimates.

General Enquiries of Management

Purpose

This section includes a series of questions which we have posed and the response we have received from the Council's management.

The Audit and Standards Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

	Question	Management response
1	What do you regard as the key events or issues that will have a significant impact on the financial statements for 2019/20?	<p>The payroll function has been outsourced to Stoke-on-Trent City Council in November 2019.</p> <p>The Council is currently in the process of acquiring and installing a new Asset Management System.</p> <p>Finally the Council has employed a number of Interim Officers during the year whilst appointments have been made to the vacant posts. These interim arrangements have costs the Council around £250k.</p>
2	Have you considered the appropriateness of the accounting policies adopted by the Council?	Yes
3	Have there been any events or transactions that may cause you to change or adopt new accounting policies?	The Council is proposing to change its MRP Policy from straight line method to annuity method as it will more closely reflect the income streams generated under the Commercial and Investment Strategies. It is likely that this will take effect during 2020/21.
4	Is there any use of financial instruments, including derivatives?	No
5	Are you aware of any significant transaction outside the normal course of business?	The Council has incurred settlement payments during 2019/20 in relation to two senior officers.

General Enquiries of Management

	Question	Management response
6	Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	No
7	Are you aware of any guarantee contracts?	No
8	Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No
9	Other than in house solicitors, can you provide details of those solicitors utilised by the Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Solicitors from Stoke-on-Trent City Council and Staffordshire County Council have been utilised during 2019/20 as part of Service Level Agreements. In addition external Solicitors have been utilised on open litigation and contingencies from prior years, these include property defect issues on J2 with the developer Morgen Sindall and the Derbyshire Hospital Trust NNDR case.
10	Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No none reported.
11	Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Investigation consultants were used during the year in respect of the Executive Director of Resources. In addition advice was sort regarding disciplinary and grievance proceedings relating to this officer.



Fraud

Issue

Matters in relation to fraud

ISA(UK&I)240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Standards Committee and management. Management, with the oversight of the Audit and Standards Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Standards Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As the Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Standards Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Standards Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Standards Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Council's management.

Fraud risk assessment

	Question	Management response
1	Have the Council assessed the risk of material misstatement in the financial statements due to fraud?	Yes, there are a number of risk assessments built into the GRACE Risk Register across the Directorates within the Council, these are reviewed and updated quarterly with any changes being reported to Audit and Standards Committee. In addition a Managers Assurance Statement is completed annually which is referred to in the Annual Governance Statement. The statement is a public assurance that the Council has a sound system of internal control, designed to help manage and control business risk which could potentially lead to material misstatement.
2	How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?	There is a Fraud Awareness guide for which requires managers to complete an assessment for their service area – these are then taken into consideration when formulating the audit plan.
3	How do the Council's risk management processes link to financial reporting?	Quarterly Risk and Performance Reports are presented to Audit and Standards Committee which include reporting on finance.
4	What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	Income collection areas, Housing Benefit claims, Council Tax evasion.
5	Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Council as a whole or within specific departments since 1 April 2019?	No specific high risks have been identified, however Cyber Security Risks are constantly being monitored. Information Security briefing sessions will be presented to all staff which will cover the issue of Cyber Security to raise awareness amongst staff. Phishing emails are forwarded to Action Fraud and Sophos.



Fraud risk assessment

	Question	Management response
6	As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Risk issues are entered onto the Risk Register and discussed at Executive Management Team meetings, Senior Management Team meetings and Departmental Management Team meeting to be addressed, resolved and prevented.
7	Have you identified any specific fraud risks?	No specific fraud risks have been identified.
8	Do you have any concerns there are areas that are at risk of fraud?	No
9	Are there particular locations within the Council where fraud is more likely to occur?	No – due to the Council becoming predominately cashless this has minimised the risk of cash/income fraud. The Council now only collects small amounts of cash at the Museum and sport centre.
10	What processes do the Council have in place to identify and respond to risks of fraud?	There is a Fraud Awareness guide which requires managers to complete an assessment for their service area – these are then taken into consideration when formulating the audit plan.



Fraud risk assessment

	Question	Management response
11	<p>How would you assess the overall control environment for the Council, including:</p> <ul style="list-style-type: none"> the process for reviewing the effectiveness the system of internal control; and internal controls, including segregation of duties exist and are working effectively? <p>If not where are the risk areas and what mitigating actions have been taken?</p>	<p>The Chief Executive is ultimately responsible for preventing and detecting theft, fraud, and corruption. The Chief Executive, Executive Directors, Heads of Service and Business Managers must ensure that all staff follow this strategy, supported by the Council's Internal Audit and Human Resources functions. All managers are responsible for preventing and detecting fraud. They must, with support from Internal Audit and Human Resources, ensure that they operate effective mechanisms in their area of control to:</p> <ul style="list-style-type: none"> Prevent theft, fraud and corruption; Promote employee awareness (All staff have a responsibility to prevent, detect and report on any fraud or suspected fraud); Assess the risk of fraud; and Take prompt action in line with the Fraud Response Plan when they suspect or are alerted to possible theft, fraud or corruption.
12	<p>What other controls are in place to help prevent, deter or detect fraud?</p>	<p>The Council is part of the Staffordshire County Fraud Hub and have the following policies in place to prevent, deter and detect fraud:-</p> <p>The following policies support the Counter Fraud function;-</p> <ol style="list-style-type: none"> Anti-Fraud and Anti-Corruption Framework, Fraud Response Plan Whistleblowing Policy Anti-Money Laundering Policy
13	<p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>No areas have been identified where there is a potential override of controls or inappropriate influence over the financial reporting process.</p>
14	<p>Are there any areas where there is potential for misreporting?</p>	<p>No</p>

Fraud risk assessment

	Question	Management response
15	<p>How do the Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported?</p>	<p>CIPFA's Whistleblowing e-learning package has been delivered to all staff. Reminders are also issued through monthly Team Talks.</p> <p>A whistleblowing policy is in place, we also subscribe to Protect formerly know as Public Concern at Work.</p> <p>Theft, fraud, corruption and bribery are criminal offences. Newcastle Borough Council is committed to protect public funds and ensure that all Council activities are carried out in accordance with the principles of openness, honesty and integrity. The Council has a zero tolerance of such offences and offenders and therefore staff are expected to report any concerns they have regarding the above. There have been no significant issue reported.</p>



Fraud risk assessment

	Question	Management response
16	<p>From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Posts in respect of treasury management and procurement of contracts work are considered higher risk.</p> <p>There are a number of policies already in place within the Council for preventing, detecting, managing and reporting theft, fraud and corrupt conduct; these include but are not limited to:</p> <ul style="list-style-type: none"> • Codes of Conduct for employees and members • Contract Procedures • Financial Regulations • Registers of Interests, Gifts and Hospitality • Disciplinary Rules and Procedures • The Whistleblowing Policy • Fraud Response Plan • Procurement Strategy • Risk Management Strategy • Recruitment procedures (pre-employment vetting, references, etc) • Anti-Money Laundering Policy • Information Security Management Policies
17	<p>Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>We are not aware of any related party relationships or transactions that could give rise to instances of fraud.</p> <p>Board members are required to declare relevant interests at Board and Audit Committee meetings.</p>

Fraud risk assessment

	Question	Management response
18	<p>What arrangements are in place to report fraud issues and risks to the Audit and Standards Committee?</p> <p>How does the Audit and Standards Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>If any employee suspects that theft, fraud, corruption or bribery are happening within the Council, or in any activity where the Council has a leading role or responsibility, they should report their suspicions, either to their line manager or through the Council's Whistleblowing Procedure. Managers should report all such cases to the Internal Audit, and accept advice on the steps to take over the suspicions in accordance with the fraud response plan. Internal Audit would then report these to the Audit and Standards Committee.</p> <p>Audit and Standards Committee would then approve the actions taken or request further work/information if required.</p>
19	<p>Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>There has been two cases of whistle blowing against members of staff which have been dealt with via an investigation followed by disciplinary hearings. A number of whistle-blowing's have also been received via the whistle-blowing email, these in the main relate to Council Tax / Benefit fraud and have passed to the Corporate Fraud Officer.</p>
20	<p>Have any reports been made under the Bribery Act?</p>	<p>No known reports have been made under the Bribery Act.</p>



Law and regulations

Issue

Matters in relation to laws and regulations

ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Standards Committee, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Standards Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

	Question	Management response
1	<p>How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>Risk based audit plan</p> <p>Corporate Governance Working Group</p> <p>Annual Assurance Statements completed by Heads of Service and Executive Directors</p> <p>Statutory Officers Group – bi monthly meeting of the CEO, Section 151 Officer and Monitoring Officer</p>
2	<p>How is the Audit and Standards Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Regular audit reports.</p>
3	<p>Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2019 with an on-going impact on the 2019/2020 financial statements?</p>	<p>No, none known.</p>
4	<p>Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>No</p>

Impact of laws and regulations

	Question	Management response
5	Is there any actual or potential litigation or claims that would affect the financial statements?	The recent Derbyshire Hospital Trust NNDR case would have affected the financial statements however they have recently lost their case and therefore there will be no change to their status.
6	What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	Statutory Officers Group – bi monthly meeting of the CEO, Section 151 Officer and Monitoring Officer.
7	Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No

Going Concern

Issue

Matters in relation to going concern

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

Going concern considerations have been set out below and management has provided its response.

Going concern considerations

	Question	Management response
1	Has the management team carried out an assessment of the going concern basis for preparing the financial statements for the Council? What was the outcome of that assessment?	Assessments of the authority as a going concern is regularly review via the production of quarterly budget and performance monitoring reports which includes the use of financial and performance indicators. In addition the Medium Term Financial Strategy together with regular cash flow forecasting shows that the authority has a clear financial plan for the next 5 years.
2	Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?	Yes, all the Council's Business and Financial Plans are linked by strategic priorities.
3	Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	Yes, consideration is given to all statutory or policy changes and appropriately reflected where necessary.

Going concern considerations

	Question	Management response
4	<p>Have there been any significant issues raised with the Audit and Standards Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).</p>	No
5	<p>Does a review of available financial information identify any adverse financial indicators including negative cash flow or poor or deteriorating performance against the better payment practice code?</p> <p>If so, what action is being taken to improve financial performance?</p>	No, income fluctuations relating to the economy are closely monitored and an income reserve has been created to help smooth out these fluctuations for the forth coming year.

Going concern considerations

	Question	Management response
6	<p>Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives?</p> <p>If not, what action is being taken to obtain those skills?</p>	<p>Yes, during the year a permanent Head of Legal and Democratic Services, Executive Director of Regeneration and Commercial Services, Head of Human Resources, Head of Finance and Head of Customer and Digital Services have been appointed.</p>
7	<p>Does the Council have procedures in place to assess their ability to continue as a going concern?</p>	<p>Yes, the Medium Term Financial Strategy covers a 5 year period and is continually being reviewed and updated to ensure financial viability. In addition to this the CIPFA resilience index and financial risk assessment is carried out as part of the budget setting process.</p>
8	<p>Is management aware of the existence of events or conditions that may cast doubt on the Council's ability to continue as a going concern?</p>	<p>No</p>
9	<p>Are arrangements in place to report the going concern assessment to the Audit and Standards Committee?</p> <p>How has the Audit and Standards Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing financial statements?</p>	<p>Audit and Standards Committee receive quarterly updates on the performance and financial position of the council.</p> <p>Through challenge via the committee meeting and information provided by both Internal and External Audit.</p>

Related Parties

Issue

Matters in relation to Related Parties

Local Authorities are required to comply with IAS 24 and disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the Council (i.e. subsidiaries);
- associates;
- joint ventures;
- an entity that has an interest in the Council that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK&I) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

	Question	Management response
1	What controls does the Council have in place to identify, account for and disclose related party transactions and relationships?	<p>Monitoring of a Register of Interests for Members, a register for pecuniary interests in contracts for Officers and Senior Managers requiring disclosure of related party transactions.</p> <ul style="list-style-type: none"> • Annual return of any known related party interests completed by members and senior officers • Review if in-year income and expenditure transactions with known identified related parties from prior year of known history. • Review of the accounts payable and receivable systems and identification of amounts paid to/from assisted or voluntary organisations.
2	What are the Council's related parties, including changes from the prior period?	<p>One of the council Members is a Director on the board of the New Victoria Theatre where we made payments of circa £58k to in 2018/19. Another council Member is employed by the HM Courts & Tribunal where we made payments of circa £12k in relation to court fees.</p> <p>There are no known changes at this point.</p>
3	Has the Council entered into any transactions with these related parties during the period, and if so, what was type and the purpose of these transactions?	<p>No, only payment made for services as stated above.</p>



Accounting estimates

Issue

Matters in relation to Related Accounting estimates

Local Authorities apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.

Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Council identifies the transactions, events and conditions that may give rise to the need for an accounting estimate.

Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all estimates that the Council is using as part of its accounts preparation; these are detailed in appendix 1 to this report. The audit procedures we conduct on the accounting estimate will demonstrate that:

- the estimate is reasonable; and
- estimates have been calculated consistently with other accounting estimates within the financial statements.

We would ask the Audit and Standards Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates

	Question	Management response
1	How are transactions, events, and conditions identified that may give rise to the need for accounting estimates to be recognised or disclosed in the financial statements?	Monthly budget monitoring is completed and reported to budget holders, Executive Management Team and members at Cabinet and scrutiny committees.
2	Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	Yes through regular departmental and senior management team meeting.
3	Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes
4	How is the Audit and Standards Committee provided with assurance that the arrangements for accounting estimates are adequate?	Through the Statement of Accounts.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property plant & equipment valuations	Valuations are made by senior valuation staff (RICS Members) inline with RICS guidance on the basis of 5 year valuations with interim reviews	Capital Accountant notifies the valuer of the program of rolling valuations or of any conditions that warrant an interim re-valuation	In-house valuer RICS Member	Valuations are made in-line with RICS guidance – reliance on expert	No
Estimated remaining useful lives of PPE	Other land & buildings – 60 years, unless the valuation basis is depreciated replacement cost, where individual lives apply to each asset concerned. Vehicles, Plant, Furniture & Equipment – 5 years for most items, 15 years to wheeled bins Infrastructure – no specific life. Depreciation is based on historical composite calculation Community Assets – 20 years	Consistent asset lives applied to each asset category	In-house valuer RICS Member	This life would be recorded in accordance with the qualified RICS Member's valuation and this would be cross checked to ensure this accords with the accounting policy for the Council	No



Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation and Amortisation	<p>The following asset categories have general asset lives: Dwellings and other buildings – straight line allocation over the useful life of the property as estimated by the valuer.</p> <p>Vehicles, Plant and Equipment – straight line allocation over estimated life of asset.</p> <p>Infrastructure Assets – straight line allocation over estimated life of asset.</p>	Charged in the year that the Council becomes aware of the obligation	No	<p>The length of the life is determined at the point of acquisition or revaluation according to:</p> <p>Assets acquired in the financial year are not depreciated until the following financial year.</p> <p>Assets that are not fully constructed are not depreciated until they are brought into use.</p>	No



Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired	Use the in-house valuers, RICS Members	Valuations are made in line with RICS guidance – reliance on experts	No
Measurement of Financial Instruments	Council Values financial instruments at fair value based on the advice of their external treasury consultants and other financial professionals	Take advice from finance professionals	Yes	Take advice from finance professionals	No



Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities (including NNDR provision)	<p>Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the CI&ES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.</p> <p>The provision for NNDR appeals relating to the 2010 rating list is calculated by Inform CPI using an audit approved method.</p> <p>The provision for NNDR appeals relating to the 2017 rating list is calculated based on 4.7% of rates currently payable.</p>	Charged in the year that the Council becomes aware of the obligation	No Reference is made to the Insurance Brokers Report for Insurance Provision.	Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Council.	No



Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Bad Debt Provision	A provision is estimated using a proportion basis of an aged debt listing	Revenues provide the aged debt listing and Finance calculate the provision	No	Consistent proportion used across aged debt as per the SORP	No



Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	Finance collate accruals of expenditure and income. Activity is accounted for in the financial year that it takes place, not when money is paid or received.	Activity is accounted for in the financial year that it takes place, not when money is paid or received.	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest information has been used.	No
Non Adjusting events – events after the balance sheet date	<p>S151 Officer makes the assessment. If the event is indicative of conditions that arose after the balance sheet date then this is an un-adjusting event.</p> <p>For these events only a note to the accounts is included, identifying the nature of the event and where possible estimates of the financial effect.</p>	Heads of Service notify the S151 Officer	This would be considered in individual circumstances	This would be considered in individual circumstances	No



Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Pension liability	The Council participates in the Local Government Pension Scheme (LGPS), administered locally by Staffordshire County Council – this has a career average revalue earnings (CARE) benefit design, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Liabilities have been assessed on an actuarial basis using the projected credit method, an estimate of the pensions that will be payable in future years, salary levels etc.	Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries.	Hyman Robertson have completed an independent review.	Sensitivity analysis are completed to sure up assumptions made.	No



Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Overhead Allocation	The total absorption costing principal is used – full cost of overheads and support services are shared between users in proportion to the benefits received. With the exception of Corporate and Democratic Core and Non-Distributed Costs	All support service cost centres are allocated according to agreed allocations	No	Apportionment bases are reviewed each year to ensure equitable.	No





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