

Informing the audit risk assessment for Newcastle under Lyme Borough Council 2021/22

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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 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 your business or any 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.

Table of Contents

Section	Page
Purpose	4
General Enquiries of Management	6
Fraud	9
Fraud Risk Assessment	10
Laws and Regulations	16
Impact of Laws and Regulations	17
Related Parties	19
Going Concern	22
Accounting Estimates	24
Accounting Estimates - General Enquiries of Management	25
(Accounting Estimates will be reported to the July Committee)	

Purpose

The purpose of this report is to contribute towards the effective two-way communication between Newcastle under Lyme Borough Council's external auditors and Newcastle under Lyme Borough 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), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit and Standards Committee. ISA(UK) 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 Council's oversight of the following areas:

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

Purpose

This report includes a series of questions on each of these areas and the response we have received from Newcastle under Lyme Borough 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 2021/22?	Covid – this has resulted in the Council commencing a transformation programme called the “One Council Programme” in order to reduce revenue costs, streamline service provision and provide residents and users of the Councils services with a consistent approach.
2. Have you considered the appropriateness of the accounting policies adopted by Newcastle under Lyme Borough Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	Yes No
3. Is there any use of financial instruments, including derivatives? If so, please explain	No
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	Only transactions relating to Covid and the issuing of Grants.

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No
6. Are you aware of any guarantee contracts? If so, please provide further details	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by Newcastle under Lyme Borough 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 2021/22 as part of Service Level Agreements. External solicitors have been employed re. Walleys Quarry.

General Enquiries of Management

Question	Management response
9. Have any of the Newcastle under Lyme Borough Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No none reported.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	None.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	N/A

Fraud

Matters in relation to fraud

ISA (UK) 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 Newcastle under Lyme Borough 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 Newcastle under Lyme Borough Council's management.

Fraud risk assessment

Question	Management response
<p>1. Has Newcastle under Lyme Borough Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>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.</p> <p>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. In addition Fraud e-learning training module has been rolled out to all staff to help them identify potential fraud and how to report/respond to it.</p> <p>Quarterly Risk and Performance Reports are presented to Audit and Standards Committee which include reporting on finance.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Income collection areas, Housing Benefit claims, Council Tax evasion, Covid Grants.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Newcastle under Lyme Borough Council as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>	<p>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.</p>

Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>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.</p> <p>Fraud E-learning module has been rolled out to all staff to train them to identify potential fraud. In addition the Council is part of the Stoke Fraud Hub and all fraud issues are reported to the Statutory Officers Group which meet bi-monthly.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Newcastle under Lyme Borough Council where fraud is more likely to occur?</p>	<p>No specific fraud risks have been identified.</p> <p>The main current area at risk of fraud is the claiming of the Central Government Covid Grants which the Council passports out to local businesses.</p> <p>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.</p>
<p>6. What processes do Newcastle under Lyme Borough Council have in place to identify and respond to risks of fraud?</p>	<p>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.</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Newcastle under Lyme Borough Council, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <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)? If so, please provide details</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> <p>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</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 <p>No areas have been identified where there is a potential override of controls or inappropriate influence over the financial reporting process.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>No</p>

Fraud risk assessment

Question	Management response
<p>9. How does Newcastle under Lyme Borough 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? If so, please provide details</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.</p> <p>There have been no significant issue reported.</p>
<p>10. 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

Fraud risk assessment

Question	Management response
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</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>
<p>12. 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>

Fraud risk assessment

Question	Management response
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>The council operates a dedicated whistle blowing email address where concerns can be raised. It also operates a Member Code of Conduct email address which, whilst intended to be for receipt of Code of Conduct complaints, is sometimes used by the public to make whistle blowing type disclosures or complaints. Additionally, whistle blowing type disclosures or complaints are sometimes received through our customer contact centre or, occasionally, directly by senior officers or senior elected members. However received, they are routed through to the Council's Monitoring Officer (who accesses the afore mentioned in-boxes directly) who is trained and experienced in dealing with the same. In the case of the whistle blowing email address, that transferred to the Monitoring Officer on 1 July 2020.</p> <p>Files indicate receipt of 4 whistle blowing type disclosures in the period 1 April 2021 to 17 February 2022. 3 related to suspected revenue and benefit frauds and these were evaluated and referred to the correct local authority and/or our fraud investigation team. 1 was inconclusive as to fraud being alleged and the request for further information has not been responded to.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No known reports have been made under the Bribery Act.</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 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 Newcastle under Lyme Borough 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 body is in compliance with laws and regulations. Where we become aware 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
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Newcastle under Lyme Borough 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>Principally through the Statutory Officer Group which meets bi-monthly to receive and consider reports on a wide range of governance issues including corporate complaints, ombudsman complaints, information governance issues, member complaints, litigation as claimant or defendant, personnel/HSE/RIDDOR issues, the council's financial position, contract and procurement issues, risk and insurance issues, audit issues and investigations and a section for any other business. The Council's Executive Management Team also meets weekly and is able to receive and act on reports on this full range of issues in-between SOG meetings if needs be. There are also processes in place in terms of the evaluation of legal and financial implications on all decision reports and significant decision notices. This is supplemented by whistle blowing processes.</p> <p>The only changes to the Council regulatory environment relate to Covid-19 and the restrictions put in place by Central Government. This has reduced the Councils income streams which has subsequently been supported by Covid grants issued by Central Government.</p>
<p>2. 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>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>	<p>No, none known.</p>

Impact of laws and regulations

Question	Management response
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	There are some known ongoing litigation which include the Truck Cartels however these cases are not expected to affect the financial statements for 2021/22.
5. What arrangements does Newcastle under Lyme Borough 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. Proper risk management that is embedded in decision making, service planning and through the Statutory Officers Group processes referred to which identifies and evaluates potential litigation issues and appropriate mitigation. In addition notification to internal legal who will evaluate, drawing in external support if needs be, and deal appropriately. Thirdly, referrals through to and matters dealt with by our insurers.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No

Related Parties

Matters in relation to Related Parties

Newcastle under Lyme Borough Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Newcastle under Lyme Borough Council;
- associates;
- joint ventures;
- a body that has an interest in the authority 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 body 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's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 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
<p>1. Have there been any changes in the related parties including those disclosed in Newcastle under Lyme Borough Council's 2020/21 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> • the nature of the relationship between these related parties and Newcastle under Lyme Borough Council • whether Newcastle under Lyme Borough Council as entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	<p>No</p>
<p>2. What controls does Newcastle under Lyme Borough Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<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 of 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. • Enquiries with companies house (to be undertaken at the year end)

Related Parties

Question	Management response
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Council members are not permitted to approve payments. Approval limits and the separation of duties are in place for the approval of orders and payments to suppliers.</p> <p>Financial Regulations and Contracts rules and procedures are in place which encourage the separation of duties and detail approval processes for procurement and limits regarding quotations for tenders and orders of work and supplies.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>No, only payment made for services as stated above.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, 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 body'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.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Newcastle under Lyme Borough Council will no longer continue?</p>	<p>Production of a 5 year medium term financial strategy and a 10 year capital strategy to ensure that the implications of the authority remaining a going concern are identified and addressed in due course.</p> <p>The budget setting process which this forms part of is rigorous and involves multiple stakeholders. Regular information regarding funding is received from Central Government and from sector bodies included the LGA, LG Futures, CIPFA and West Midlands employers.</p>
<p>2. Are management aware of any factors which may mean for Newcastle under Lyme Borough Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>No</p>
<p>3. With regard to the statutory services currently provided by Newcastle under Lyme Borough Council, does the Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for the Council to cease to exist?</p>	<p>Continue to deliver them as Newcastle-under-Lyme Borough Council</p>
<p>4. Are management satisfied that the financial reporting framework permits Newcastle under Lyme Borough Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>Yes</p>

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

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

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<p>The classes of transactions include those associated with property, plant and equipment valuations, pension fund estimates and more recently estimates associated with the impact of Covid, for example the impact of Covid on NNDR and CTAX collection rates and associated impact on collection fund. At present Central Government is assisting with financial support however the true impact will not be felt until 2022/23 when lockdown restrictions and government support ends.</p>
<p>2. How does the Council's risk management process identify and address risks relating to accounting estimates?</p>	<p>The Council operates a risk register where all Council risks are identified, recorded and scored in respect of their risk factor. These risks are reviewed regularly and adjusted when needed. In addition to this the Council completes a risk assessment for reserve balance requirements which is assessed against control measures, consequences of risk happening and value associated with the risk.</p>
<p>3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>The Council's risk management process in respect of estimate risks around property, plant and equipment valuations are mitigated by the Finance Team holding regular meetings with the Property Team during the valuation and closedown process. This ensures that all potential risks with the estimates are discussed and evaluated from a finance and a property perspective, in addition to ensuring that all relevant data sources are obtained and applied to provide the most accurate estimate. In respect of the pension fund estimates, the Council requests two reports from the Pension Fund Actuary now, the first report is the estimated actuary report which provides the fund results for the year and is provided at the start of April. This allows the Finance Team to prepare the working papers and complete the pension element of the Statement of Accounts. The Pension Fund Actuary then provides a final report towards the end of May once their audit has been completed which is used to confirm the pension figures included in the Statement of Accounts. In respect of Covid, the Council closely monitors Government guidance and data provided to inform the required assumptions. Sensitivity analysis is also completed in order to ensure the Council's resources are being utilised appropriately. All of this information is detailed in the monthly Delta Returns submitted to DLUHC.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
4. How do management review the outcomes of previous accounting estimates?	Management review the outcomes via regular reviews and monitoring. These estimates are also revisited at the end of the year as part of the closedown process when considering the estimates for the current year. Should any major changes have occurred to affect these estimates they are raised and reported to the management team and scrutiny committees.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	Covid continues to impact on some of the estimates and the true impact of Covid is still unknown. The Pension Fund Actuary has identified that more challenge on their estimates will continue and they have revised how they provide their data to LA's.
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Management ensure that the accounting estimate information sort is from qualified officers who has researched data available to them together with taking into account global factors which may impact on their estimations. Meetings/seminars are attended to ensure that all information available is considered and used when working up the estimates.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>Control activities used include the following:-</p> <ul style="list-style-type: none"> - Capital Accountant notifies the valuer of the program of rolling valuations or of any conditions that warrant an interim re-valuation - Consistent asset lives applied to each asset category - Depreciation and amortisation is charged in the year that the Council becomes aware of the obligation - Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired - Take advice from finance professionals - Provisions for liabilities are charged in the year that the Council becomes aware of the obligation - In respect of bad debts, Revenues Team provide the aged debt listing and Finance calculate the provision - In respect of accruals, activity is accounted for in the financial year that it takes place, not when money is paid or received - Non-adjusting events/events after the balance sheet date - Heads of Service notify the S151 Officer - Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. - All support service cost centres are allocated according to agreed allocations
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>Management monitor the operation of control activities through regular meetings with relevant team/department, regular review of data, regular production of monitoring reports which are reviewed by service providers.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>All accounting estimates are reviewed by the Finance Team Management which get reported to the Statutory Officer Group, discussed at scrutiny committees and reported in the quarterly Finance and Performance Monitoring Report should their be any changes. Depending on the value of the estimate these are reported to the Finance Portfolio Holder, Cabinet and Full Council.</p> <p>All estimates are made in line with the Council's Financial Regulations and the S151 Officers approval.</p>
<p>10. Are management aware of any 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)? If so, what are they?</p>	<p>Yes through regular departmental and senior management team meeting.</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates are reasonable?</p>	<p>All accounting estimates are reviewed by the Finance Team Management which get reported to the Statutory Officer Group, discussed at scrutiny committees and reported in the quarterly Finance and Performance Monitoring Report should their be any changes. Depending on the value of the estimate these are reported to the Finance Portfolio Holder, Cabinet and Full Council.</p> <p>All estimates are made by qualified employees in line with the Council's Financial Regulations and the S151 Officers approval.</p>
<p>12. How is the Audit and Standards Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>Through the Statement of Accounts and regular committee meetings. In addition members training is provided in order for them to scrutinise the accounts appropriately.</p>

Appendix A Accounting Estimates

Estimate [Examples]	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					
Accruals					
Credit loss and impairment allowances					No



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