

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS & AUDIT COMMITTEE

DECISION

meeting date: 12 APRIL 2023
title: INFORMING THE AUDIT RISK ASSESSMENT
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

1.1. To ask members to ratify the responses made by management in response to a number of questions raised by Grant Thornton. These questions cover some important areas of the auditor risk assessment where there is a requirement to make inquiries of the Accounts and Audit Committee under auditing standards.

1.2. Relevance to the Council's ambitions and priorities:

- Community Objectives – none identified.
- Corporate Priorities – assessing the Council's system of internal control contributes to the achievement of the corporate priority of being a well-managed Council.
- Other Considerations – none identified.

2 BACKGROUND

2.1. The document attached at Annex 1 details the management responses to a series of questions asked by Grant Thornton in assessing the audit risk. Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Accounts and Audit Committee. ISA(UK) emphasises the importance of two-way communication between the auditor and the Accounts and Audit Committee and specify matters that should be communicated.

2.2. This two-way communication assists both the auditor and the Accounts and Audit 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 Accounts and Audit Committee and supports the Accounts and Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

2.3. The document has a series of questions to management of the council, covering:

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

2.4. Accounts and Audit Committee should consider whether these responses are consistent with its undertaking and whether there are further comments it wishes to make.

3 RISK ASSESSMENT

3.1 The approval of this report may have the following implications:

- Resources – there are no resources issues as a direct result of approving this report.
- Technical, Environmental and Legal – None identified as a direct result of approving the recommendations this report
- Political – None identified
- Reputation – None identified
- Equality & Diversity – None identified as a direct result of approving the recommendations of this report

4 RECOMMENDED THAT COMMITTEE

4.1 Ratify the responses made to the Grant Thornton document '*Informing the audit risk assessment for Ribble Valley Borough Council 2022/23*' as attached at Annex 1.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA8-23/LO/AC
29 March 2023

BACKGROUND PAPERS

None

For further information please ask for Lawson Oddie



Informing the audit risk assessment for Ribble Valley Borough Council 2022/23

Georgia Jones
Director
T 0161 214 6383
E Georgia.S.Jones@uk.gt.com



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.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Ribble Valley Borough Council's external auditors and Ribble Valley Borough Council's Accounts and Audit 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 Accounts and Audit Committee under auditing standards.

Background

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

This two-way communication assists both the auditor and the Accounts and Audit 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 Accounts and Audit Committee and supports the Accounts and Audit 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 Local Governments'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 Ribble Valley Borough Council's management. The Accounts and Audit 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 2022/23?	In the last nine months there have been significant changes as staff have retired or left the council. This includes 6 out of 12 senior officers having left the council's employment, largely through retirement.
2. Have you considered the appropriateness of the accounting policies adopted by Ribble Valley 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?	A review has been undertaken of the accounting policies and we are happy that these will fulfil requirements without further additions
3. Is there any use of financial instruments, including derivatives? If so, please explain	<p>The only financial instruments are in respect of:</p> <ul style="list-style-type: none"> • Cash held by the Council, bank accounts, short term investments and subscribed for shares in the UK Municipal Bonds Agency plc (Local Capital Finance Company). • Long-Term Debtors, consisting of car loans and a loan to Roefield Leisure Centre. • Short-Term Debtors, representing net operational (sundry) debtors. • Long-Term and Short-Term borrowings, being loans with the Public Works Loan Board. • Short-Term Creditors, being the Council's operational creditors. <p>There is no use of derivatives</p>
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	None

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?	We are not aware of any changes in circumstances that would lead to an impairment of non-current assets. All service assets continue to be in use.
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 Ribble Valley Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	

General Enquiries of Management

Question	Management response
9. Have any of the Ribble Valley 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
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Various advisors will have been engaged during the year across a wide range of council services eg valuation office, agents, consultants, archaeological advisors.
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	Credit loss provisions will be allowed for on the council's sundry debt balance, overpaid housing benefit balances being recovered from ongoing benefit, rent arrears, arrears on council tax and arrears on business rates.

Fraud

Commercial in confidence

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 Accounts and Audit Committee and management. Management, with the oversight of the Accounts and Audit 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 Accounts and Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Ribble Valley 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 Accounts and Audit 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 Accounts and Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Accounts and Audit 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 Ribble Valley Borough Council's management.

Fraud risk assessment

Question	Management response
<p>1. Has Ribble Valley 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 Ribble Valley Borough Council's risk management processes link to financial reporting?</p>	<p>Yes</p> <p>The Internal Audit Manager undertakes a formal risk assessment annually to determine the risk-based Internal Audit Plan. However, the identification of emerging risks continues daily. This also takes into consideration the risk of fraud to the Council, focusing on core systems and mandated requirements. The Plan and subsequent Progress Reports are reported to AAC regularly throughout the year.</p> <p>The Council has reviewed and implemented their Strategic Risk Register which is reviewed regularly by HoS and CMT; and subsequently reported to AAC bi-annually. The Risk Management Policy has been reviewed in year to reflect the current arrangements in place.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>We assess the risk based priority of an audit area for inclusion in our Internal Audit Plan</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Ribble Valley Borough Council as a whole, or within specific departments since 1 April 2022? If so, please provide details</p>	<p>No</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 and assurance opinions are provided independently to all meetings of the AAC through the IA Manager's Progress Report and annual Head of Audit Opinion. In relation specifically to fraud, Members would be provided with the necessary information if this arose. This may be from either IA Manager or other investigating officer. Processes for reporting are outlined in the Whistleblowing Policy, Counter Fraud, Bribery and Corruption Policy Statement and Strategy and Anti-Money Laundering Policy.</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 Ribble Valley Borough Council where fraud is more likely to occur?</p>	<p>Although no specific risks of fraud have been identified throughout the year, the CMT identified the overall risk of fraud as a strategic risk on the SRR (003), and the necessary controls in place to mitigate/ identify them.</p>
<p>6. What processes do Ribble Valley Borough Council have in place to identify and respond to risks of fraud?</p>	<p>Control environment, Internal Audit Plan, Whistleblowing and Counter Fraud, Bribery and Corruption Policy Statement and Strategy</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Ribble Valley 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 Internal Audit Manager undertakes an independent risk assessment to develop the risk-based Internal Audit Plan and considers the risk of fraud through review of controls. If recommendations are made on specific assignments to improve the control environment, these are monitored though the follow up process to ensure implemented by senior management.</p> <p>In addition to the Whistleblowing and counter Fraud, Bribery and Corruption Policies, the Council also have an Anti-Money Laundering Policy in place and take part in the NFI as required.</p> <p>Continued staff shortages may impact the control environment</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>Not aware of any</p>

Fraud risk assessment

Question	Management response
<p>9. How does Ribble Valley 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>Via our Procurement arrangements, induction process, staff meetings, press releases, training and various policies. The council operate Codes of Conduct for both Members and Staff in addition to robust business and personal interest declarations.</p> <p>Financial regulations state staff should be alert to the possibility of fraud and to report any concerns. Reporting suspected irregularities is essential to the Counter Fraud, Bribery and Corruption Policy Statement and Strategy. The Council's Whistleblowing Procedure provides a clear path for individuals to raise concerns of malpractice in any aspects of the Council's work, without the fear of recrimination or victimisation</p> <p>Our policies provide examples. None 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>All posts with potential to override controls, However particularly those who have influence over any decision-making processes</p> <p>Via the control environment. Eg separation of duties, documentation of decisions, necessary authorisations, limitations on access to system permissions.</p>
<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>Each year, Members declare interests by completing a 'Disclosable Pecuniary Interests' form and a 'Related Party Relationships' form. These forms list any relationships and interests and are reviewed by management.</p> <p>Managed in part through the declarations of business and personal interests process.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Accounts and Audit Committee?</p> <p>How does the Accounts and Audit 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>Internal staff can submit reports directly to the Audit Committee. The Head of Internal Audit role regularly provides a monitoring report which updates members regarding recent audits and assurance levels.</p> <p>The Audit Committee approves the annual Internal Audit Plan. They also receive regular updates on progress and in cases of breaches would receive detailed reports.</p> <p>Worked well</p>
<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>No</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</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 Accounts and Audit Committee, is responsible for ensuring that Ribble Valley 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 Accounts and Audit 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 Ribble Valley 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 Local Government's regulatory environment that may have a significant impact on the Local Government's financial statements?</p>	<ul style="list-style-type: none"> • Code of Corporate Governance • Systems of internal control • Annual Governance Review • Monitoring Officer role • Codes of Conduct • Financial Regulations • Contract Procedure Rules • Counter Fraud, Bribery and Corruption Policy Statement and Strategy • Whistleblowing Policy
<p>2. How is the Accounts and Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Assurance given as part of the Annual Governance Review, where such issues are reviewed under Core Principle A – Behaving with integrity, demonstrating commitment to ethical values and respecting the rule of law.</p> <p>Where relevant, breaches would be reported to members</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial statements? If so, please provide details</p>	<p>None that are known of</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>Not aware of any current or potential litigation which could affect the financial statements</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does Ribble Valley Borough Council have in place to identify, evaluate and account for litigation or claims?	<p>Claims are identified either by receipt of a claim form or legal letter. All claims are referred to the legal section who evaluate and put in place arrangements to deal with those claims.</p> <p>Subrogated claims are referred through the internal audit team (who deal with the council's insurance) to the insurers.</p> <p>Should the need arise we would put a contingent liability or a provision in the accounts dependant on the nature/certainty/materiality of the item</p>
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

Ribble Valley 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 Ribble Valley Borough Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Local Government;
- 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 Local Government, or of any body that is a related party of the Local Government.

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 Local Government's perspective but material from a related party viewpoint then the Local Government 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 Ribble Valley Borough Council's 2021/22 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> • the nature of the relationship between these related parties and Ribble Valley Borough Council • whether Ribble Valley Borough Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	<p>None identified at this stage of the closedown process. Once the financial year has been closed a thorough review of transactions against declarations will be undertaken to confirm that this is the case</p>
<p>2. What controls does Ribble Valley Borough Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Officer and Member disclosure forms completed annually. These are reviewed against in year transactions.</p> <p>Declarations of interest are also sought from members at meetings and this is minuted.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Steps are taken to ensure that any transactions where an interest had been declared did not involve the relevant officer or member.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Any significant transactions outside of the normal course of business would be considered initially by the Council's Corporate Management Team and then by relevant service committees and if there were financial implications outside that already allowed for within the budget, such items would also be considered by the Policy and Finance Committee</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
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 Ribble Valley Borough Council will no longer continue?	The council have a sound system of financial management in place, which includes work through the Budget Working Group and regular reporting to service committees. All committee decisions include risk assessments which include financial and legal considerations.
2. Are management aware of any factors which may mean for Ribble Valley 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?	No
3. With regard to the statutory services currently provided by Ribble Valley Borough Council, does Ribble Valley Borough 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 Ribble Valley Borough Council to cease to exist?	Ribble Valley Borough Council expect to continue to deliver them for the foreseeable future
4. Are management satisfied that the financial reporting framework permits Ribble Valley 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?	Yes Yes

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
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?	<ul style="list-style-type: none"> • Pensions Liability • Property, Plant and Equipment Valuations
2. How does the Local Government's risk management process identify and address risks relating to accounting estimates?	Material items of income and expenditure are initially flagged for consideration to assess if there have been, or needs to be, any element of estimation. The materiality of this is then assessed against the likelihood of valuation fluctuation.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Latest best practice is followed where relevant when making any estimation. In a number of areas guidance is sought from external advisors and their expertise is followed – subject to any challenge we may make on assumptions that they may make.
4. How do management review the outcomes of previous accounting estimates?	Where a clear fixed outcome is possible to be identified, the estimation and outturn position are compared and used to help assist in any future estimations
5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	The accounts closedown process is not yet at a stage to adequately answer this question

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>If the necessary in-house skills are not held by the council, external specialists would be sought.</p>
<p>7. How does the Local Government determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>The reasonableness of any estimations provided is always checked and challenged with the provider where relevant.</p> <p>Relevant qualifications are sought to ensure that the person or persons are able to provide what is requested.</p>
<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>Reference made to the organisation and their ability to provide what is required.</p>
<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>Discussion with the S151 officer, for all material items, particularly in areas where there is a high level of uncertainty.</p> <p>Best fit estimation techniques are discussed and agreed.</p> <p>External advice sought where needed – ie asset and pension valuations</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
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?	No
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Assurances from suitably qualified and experienced staff and confidence in the skills of external experts following any relevant challenge and queries.
12. How is the Accounts and Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Details are provided within the statement of accounts and clearly identified to members prior to approval.

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?
Land and buildings valuations	Use of external valuer	Direct involvement in revaluation process and engagement of experts by Head of Financial Services	External Valuer Lea Hough and Co Chartered Surveyors	Valuations are compiled by a professional external valuer using professionally recognised basis	None planned
Depreciation	Based on previously identified asset lives from the prior year valuations	Set Policy		The main assumption in the depreciation is the useful life of the asset. Property assets have their useful life estimated by our expert valuer	None planned
Valuation of defined benefit net pension fund liabilities	Use of external actuary		External Actuary Mercers	Detailed information to support calculations and assumptions used is provided by the actuary based on data submitted by the employer. The only cause of uncertainty is the impact of the current economic climate on financial markets	None planned
Fair value estimates	For Debtors and Creditors, fair value is taken to be the invoiced amount			There are no borrowings	None planned

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?
Provisions – NDR Appeals	Calculated based on VO data and past experience, where this is available		No – other than VO for appeals data	Uncertainty due to variance in appeal decisions and significant backdating	None Planned
Accruals (if any are material)	N/a at this stage				None Planned
Credit loss and impairment allowances	Past experienced losses/impairments Also, stepped impairment rates based on debt age			Impact of the current economic climate on financial markets	None Planned



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