

Informing the audit risk assessment for Royal Borough of Kingston upon Thames 2020/21



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 Royal Borough of Kingston upon Thames' external auditors and Royal Borough of Kingston upon Thames' Audit, Governance 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, Governance and Standards Committee under auditing standards.

Background

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

This two-way communication assists both the auditor and the Audit, Governance 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, Governance and Standards Committee and supports the Audit, Governance 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, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Royal Borough of Kingston upon Thames' management. The Audit, Governance 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
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?</p>	<p>The impact of Covid-19 on revenue expenditure and income, and the associated uncertainty on estimates. Uncertainty around the future impact of the pandemic on business rates losses. Potential that reliance placed on professional valuation advice is lessened with respect of property, plant and equipment, and pension liabilities.</p> <p>Set against this is the strong budget management performance in year that is forecasting a balanced general fund position, without needing to draw on Council reserves.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Royal Borough of Kingston upon Thames? Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>Accounting policies have been reviewed, and remain appropriate for the Council and in line with CIPFA's code of practice. Additional disclosure will be added concerning the principal / agent consideration of some covid funding streams.</p> <p>No transactions have caused the council to change or adopt accounting policies, but in the case of inventory, it was judged that the values are not material enough to justify the need to recognise purchases as inventory. These will be charged as an expense where it does not create material misstatement.</p>
<p>3. Is there any use of financial instruments, including derivatives?</p>	<p>The Council uses a range of financial instruments, but no derivatives.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business?</p>	<p>The Council's response to the covid pandemic has resulted in a large amount of government funded support provided to residents and businesses, as well as service delivery that is beyond what was previously considered as normal.</p>

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?	The Council is not aware of any at this point, although the property, plant and equipment valuation process has not yet been completed.
6. Are you aware of any guarantee contracts?	The council has not entered into any guarantee contracts.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Royal Borough of Kingston upon Thames during the year. Please indicate where they are working on open litigation or contingencies from prior years?	The Council's Legal Services are externally provided by the South London Legal Partnership shared service. They will provide details of solicitors working on current open litigation or contingencies from prior years.

General Enquiries of Management

Question	Management response
<p>9. Have any of the Royal Borough of Kingston upon Thames' service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?</p>	<p>No reports have been made by service providers in 2020/21 in respect of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements.</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>The Council has used the following advisors during the year:</p> <p>PeopleToo Ltd - consultancy support with the Better Contracting Project Enlightened Services Ltd - Housing Strategy Development Ova Arup & Partners Ltd - Kingston Town Centre Vision 2035 31Ten Ltd - Project management and transformation support Savills Commercial Ltd - Cambridge Road Estate regeneration</p> <p>For the purpose of forming accounting estimates, the Council engages:</p> <p>Montagu Evans LLP - valuer Hymans Robertson LLP - pension fund actuaries Link Asset Services - treasury advisors</p>

Fraud

Issue

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

As Royal Borough of Kingston upon Thames' 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, Governance 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, Governance and Standards Committee oversees the above processes. We are also required to make inquiries of both management and the Audit, Governance 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 Royal Borough of

Fraud risk assessment

Question	Management response
<p>1. Have Royal Borough of Kingston upon Thames 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 Royal Borough of Kingston upon Thames' risk management processes link to financial reporting?</p>	<p>The report of the Internal Auditor is used to assess whether material misstatement is likely as a result of fraud. This risk is assessed as low.</p> <p>The Council employs an anti fraud service provided by the South West London Fraud Partnership who are responsible for reviewing fraud risks and providing regular fraud update reports to the Audit, Governance and Standards Committee. Fraud risks are considered as part of each internal audit review. Areas of known high risk to fraud as including in the audit planning cycle as well as other proactive fraud work undertaken by the fraud partnership (SWLFP).</p> <p>Financial reporting (such as budget monitoring and budget setting) will include reference to material risks that are financial in nature. The financial impact will only be reported where the risk can be accurately measured, and is assessed as more likely than not to occur.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The Council has a robust framework of internal controls and effective processes and policies to prevent; fraud, bribery, money laundering etc. Nevertheless there are always areas within any organisation that are at risk of fraud. As part of the preparation of the annual audit plan, a fraud risk assessment is carried out to ensure that those areas of high risk are included. These areas include procurement, employee fraud, and personal budgets. Others areas of high risk to fraud are Council Tax (discounts) and parking permits, all of which are subject to audit reviews as well as work undertaken by the fraud partnership on data matching.</p>

Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Royal Borough of Kingston upon Thames as a whole or within specific departments since 1 April 2020? As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Management is not aware of any instances of fraud.</p> <p>Regular reports are presented to the Audit, Governance and Standards committee including risk and fraud.</p>
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Royal Borough of Kingston upon Thames where fraud is more likely to occur?</p>	<p>The work of the South West London Fraud Partnership (SWLFP) reports on its investigation caseload, of which tenancy fraud, permit fraud and council tax reduction / single person discount make up the majority of open cases.</p> <p>Additionally in 2020-21 will be protecting against fraud in relation to business grants and other financial support being offered as part of the response to the covid-19 pandemic.</p> <p>There is no specific location viewed to me more at risk of fraud than any other.</p>
<p>5. What processes do Royal Borough of Kingston upon Thames have in place to identify and respond to risks of fraud?</p>	<p>The Council has an Anti-fraud and Anti Corruption Strategy. Supporting this, are the whistleblowing policy and anti-money laundering policy.</p> <p>The anti-fraud and anti corruption strategy identifies the responsibilities across the organisation for protecting the council against fraud and responding to the risks.</p> <p>The whistleblowing policy was reviewed and updated in 2020 and is available for all members of staff and contractors to use and any issues raised are dealt with either by management action or investigation.</p>

Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for Royal Borough of Kingston upon Thames, 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)?</p>	<p>A risk based audit plan is established to ensure that audit resources are targeted at the areas of highest risk to the Council.</p> <p>This is subject to regular review through quarterly attendance at Departmental Management Team meetings (DMTs).</p> <p>For the internal audit work undertaken in 2020/21, the Head of Internal Audit is satisfied that in general, internal control processes are sufficiently robust however this caveated against the audits given Limited assurance and/or where Priority 1 recommendations have been made.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>Fraud risk is not viewed as sufficient to cause mis-reporting</p>

Fraud risk assessment

Question	Management response
<p>8. How do Royal Borough of Kingston upon Thames 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?</p> <p>Have any significant issues been reported?</p>	<p>The Council has a number of policies in place, the staff Code of Conduct, Anti fraud and Anti Corruption Policy and the Whistleblowing policy. The Councils Website and intranet provide details on how to report fraud concerns.</p> <p>The Council has details on its website and on the intranet on how to report fraud concerns with contact details. The whistleblowing policy is reviewed regularly and published. It is available for all members of staff and contractors to use and any issues raised are dealt with either by management action, Internal Audit or the South West London Fraud Partnership. Online fraud awareness training is available for all staff. This is due to be rolled out again in April 2021.</p> <p>Any concerns: examples are provided in the whistleblowing policy</p> <p>No significant issues have been reported.</p>
<p>9. 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>There are always areas within any organisation that are at risk of fraud. Areas identified as high risk include procurement, any areas of large transactions, cyber fraud, areas of cash.</p> <p>The internal audit will assess the fraud risks for inclusion in the audit plan. The fraud partnership also carries out a fraud risk assessment to identify areas for proactive fraud work.</p>
<p>10. 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>No</p> <p>Details of related party relationships are set out below, financial risks are managed through the controls in the Councils financial system, including appropriate levels of authorisation, details of the arrangement in place for the areas listed below all included in the Councils accounts with notes and any significant transactions or matters during the year. Governance arrangements are set up to provide oversight. Internal audit reviews are undertaken periodically on these to provide additional assurance.</p> <p>(continued)</p>

Fraud risk assessment

Question	Management response
<p>10. 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>(continued)</p>	<p>Members- have direct control over the financial and operating decisions of the Council. Members complete a Register of Members interests and, in addition are required to declare any financial transactions they have had during the year with related parties</p> <p>Senior Officers-because they have direct control over the financial and operating decisions of the Council. Officers are required to declare any interests and, in addition are required to declare any financial transactions they have had during the year with related parties.</p> <p>Voluntary bodies- The Council may make grants and awards to voluntary and other organisations whose senior management included members of the Council (or their immediate family or household). Where such payments are made, proper consideration is given to declarations of interest and payments are listed by name in the accounts.</p> <p>Pension Fund. This is a separate entity to the Council and has its own set of accounts. Payments are made to the Fund for the Defined Benefit Pension scheme for employees and details of these transactions are included in the accounts. The Council also has transactions with the Teachers and NHS Pension Schemes. These transactions are significant and details are provided in the accounts.</p> <p>(continued)</p>

Fraud risk assessment

Question	Management response
<p>10. 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>(continued)</p>	<p>Pooled Budgets with Kingston Clinical Commissioning Group. This is an agreement under s75 of the National Health Service Act. The significant financial transactions under this pooled budget are detailed in the accounts. An internal audit review was undertaken in 2020/21 and provided a substantial assurance.</p> <p>Jointly Controlled Operations. The Council has entered into a range of jointly controlled operations with other local authorities and government bodies to facilitate the delivery of services. Governance arrangements have been established. The financial transactions with the Council and the joint operations are included in the accounts. These cover HR, Pension Admin, ICT, Internal Audit & Fraud Legal, Environmental Services, Finance and customer contact centre. The Council is also part of the South West London Waste Partnership, Kingston is the lead borough for procurement.</p>

Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit, Governance and Standards Committee?</p> <p>How does the Audit, Governance 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>Regular fraud and risk update reports are presented to the Audit, Governance and Standards Committee.</p> <p>The Committee consider their content and have opportunity to question further or otherwise request additional information.</p> <p>So far this year the Committee have been satisfied with the arrangements for risk and fraud management.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>Management is not aware of any whistleblowing complaints.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>No.</p>

Law and regulations

Issue

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, Governance and Standards Committee, is responsible for ensuring that Royal Borough of Kingston upon Thames' 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, Governance 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
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Royal Borough of Kingston upon Thames 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>The primary method is via the completion of the Annual Governance Statement, which is a process of review and reporting that the Council is governed effectively.</p> <p>These measures include management ensures key decisions and reports are reviewed by the Council's legal provider before they are made. It also ensures staff have relevant professional expertise and knowledge to comply with appropriate regulations, as well as the use of external advisors where relevant.</p> <p>Internal control processes such as internal audit also in place to detect non compliance.</p>
<p>2. How is the Audit, Governance and Standards Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Annual Governance Statement is presented annually to the Audit, Governance & Standards Committee, and gives this assurance.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?</p>	<p>No.</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>Management is not aware of any such claims.</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does Royal Borough of Kingston upon Thames have in place to identify, evaluate and account for litigation or claims?	Regular discussion between the Council and it's legal advisors to identify potential claims. These would be evaluated on a case by case basis, (drawing on external advise where required) and reported in line with the Accounting Code of Practice, based on likelihood, certainty and materiality.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	The council worked with HM Revenue and Customs to disclose underpaid Stamp Duty Land Tax (SDLT), which was the result of the SDLT calculator containing incorrect relief calculations. HM Revenues and Customs acknowledged this error and issued a suspended penalty.

Related Parties

Issue

Matters in relation to Related Parties

Royal Borough of Kingston upon Thames are required to 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 Royal Borough of Kingston upon Thames;
- associates;
- joint ventures;
- an entity 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 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 [type of body]'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 Royal Borough of Kingston upon Thames' 2019/20 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 Royal Borough of Kingston upon Thames • whether Royal Borough of Kingston upon Thames has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	<p>There is no material change expected in the Council's related parties for 2020/21.</p>
<p>2. What controls does Royal Borough of Kingston upon Thames have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Disclosure forms will again be sent to all Members and Senior offices to identify any control or influence over parties we transact with, and the same process to identify transactions with parties such as the Pension Fund will be carried out.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Financial risks are managed through the controls in the Councils financial system, including appropriate levels of authorisation, details of the arrangement in place for the areas listed below all included in the Councils accounts with notes and any significant transactions or matters during the year. Governance arrangements are set up to provide oversight. Internal audit reviews are undertaken periodically on these to provide additional assurance.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>The council would apply it's scheme of delegation to all transactions - so all transactions would be reviewed and authorised by a relevant member of Management whether or not in the normal course of business.</p>

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity'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 entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity'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, Governance and Standards 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, Governance and Standards 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?	There are a number of areas in which estimates require significant judgement; depreciation, valuation of assets, Business Rate appeals, the recoverability of debtors, provisions for non-recovery, pension liabilities, and pension asset values.
2. How does the Council's risk management process identify and addresses risks relating to accounting estimates?	<p>Many of the estimates significant to the financial statements do not have a direct impact on the council's financial position directly (e.g IAS 19 valuation of pension liability , property, plant and equipment (PPE) valuation).</p> <p>Risks surrounding accounting estimates are treated as part of the overall risk: e.g. the risk surrounding business rates income itself includes the accounting estimates of appeal losses.</p>
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Amounts included within the financial statements which are based on estimates are calculated using recognised methodologies or best practice. Historical and current data is used to make projections to give an evidential basis. These are tested against prior year estimates and where uncertain, an allowance for risk is made.
4. How do management review the outcomes of previous accounting estimates?	Estimates from previous years are compared with actual experience in the following year to test the validity and accuracy of the estimation methodology.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	Estimation processes will be unchanged, although the results arising from those processes might be different, depending on the available information.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Management would identify this need for specialist skills or knowledge based on the skills available in house and the complexities of the issue in hand.</p> <p>Industry best practice is also used, as well as the expectations within the CIPFA code of practice.</p>
<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>The control activities would be relevant to the scale and nature of the accounting estimate, and the nature of data being used to form the estimates.</p>
<p>8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>Operation of control activities would be part of the business as usual management of the function to which the estimate relates.</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>Financial reporting presents the broad nature of the risks and the resultant accounting estimates, especially where the estimates have a direct impact on the Council's financial position (such as NNDR appeals).</p> <p>But it does not cover in depth the process, methods or models used to form accounting estimates. This is a level of detail that might detract from the reader's ability to summarise and understand the information being presented.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
10. 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)?	Appendix A covers all the material accounting estimates.
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Management views these arrangements as reasonable.
12. How is the Audit, Governance and Standards Committee provided with assurance that the arrangements for accounting estimates are adequate ?	This is provided through the overarching level of assurance given by the Section 151 officer to the Audit, Governance & Standards Committee, in ensuring adequate arrangements are in place.

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	Valuer uses industry appropriate methodology	Controls around property numbers and changes in use	External expert appointed	Properties not valued are reviewed to ensure material misstatement does not occur	No
Council dwelling valuations	EUV-SH is used in conjunction with the Beacon method to value council housing stock	Controls around property numbers	External expert appointed	The assumption of existing use valuation for social housing is recognised as proper accounting practice, and includes an assumption that existing use affects value.	No
Investment property valuations	Industry appropriate methodology is used	Controls around property numbers and change in use	External expert appointed	The degree of uncertainty will be greater than typical due to the Covid-19 pandemic. This will be set out by the valuer	No
Depreciation	The useful life of the value is assessed and used as the basis to depreciate	Discussion with the services using the assets	Useful life of assets is a management decision	There is some uncertainty whether estimated and actual useful lives match, but no impact is caused to the Council's financial performance	No

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?
Valuation of defined benefit net pension fund liabilities	The actuaries follow an industry appropriate methodology	There are controls around the pension data provided to actuary to form their valuation	An external expert is used	The actuary sets out the nature and degree of uncertainty in their actuarial report.	No
Fair value of Loans and Borrowings	Fair value will be determined by calculating the discounted value of future cash flows	Management provide information on loans, borrowings as well as the borrowing rate	An external expert is used	The rate of discount used influences the fair value, as do estimates of cash flows	No.
Impairment of Receivables	An analysis of collection rates and debt levels is used to predict potential non collection	Controls exist around debt raised and cash collected	Carried out in-house by suitably experienced staff	There is a level of uncertainty. Alternative estimates have been considered as part of in-year financial review	Partial - historic collection rates are subject to review using 2020/21 data
Provisions	Insurance - use of actuary NNDR appeals - use of expert	Management ensure that accurate data is provided to experts. Re: nndr -discussion with peer authorities	An external expert is used	Insurance - the actuary explains their approach in their report NNDR appeals - there is more uncertainty here given the impact of Covid-19 is not yet known.	Insurance - no NNDR - tbc, potential for future appeals still under review

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?
Accruals	Budget holders use their knowledge of activity to estimate accruals, subject to a de-minimis limit	There is a review of financial performance against budget, as well as experience against prior year estimates	Carried out in house by suitably experienced staff	The degree of uncertainty is low given that planned and delivered activity is generally well understood	no



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