

Informing the audit risk assessment for Cannock Chase District Council 2020/21

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between the Authority's external auditors and the Authority's Audit and Governance 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 Governance Committee under auditing standards.

Background

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

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

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Audit and Governance Committee'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 Cannock Chase District Council's management. The Audit, Risk and Assurance 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>Covid 19 represented a major issue for 2020/21 .</p> <p>The Council in adopting a Response /Recovery and Reform strategy have had to assist the vulnerable , businesses and the community during this period. In particular this involved the payment of grants to businesses and the accounting for business rates holidays for the Leisure, Recreation and Hospitality .</p> <p>The Council have received additional government grants in relation to the above and un ring fenced grants to support the councils additional expenditure and loss of income from fees and charges .</p> <p>The pandemic will also impact on the various accounting estimates of the Council including land and property valuations and investments including both the pension fund and the councils own investments</p> <p>It was envisaged that MCC business rates appeal provisions would also impact the accounts but due to government legislation this has not yet materialised.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Cannock Chase District Council?</p> <p>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. The Councils policy in relation to the treatment of Government Grants, reflecting agent or principal considerations of COVID related business grants, has been amended.</p> <p>There are no other events or transactions that will require us to change or adopt new policies</p>
<p>3. Is there any use of financial instruments, including derivatives?</p>	<p>Financial instruments used are only in relation to</p> <ul style="list-style-type: none"> Money Market Funds Fixed term deposits Certificates of deposit
<p>4. Are you aware of any significant transaction outside the normal course of business?</p>	<p>In addition to Business Support grants transactions have taken place with Biffa as a result of COVID 19.</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?	Not aware of any changes
6. Are you aware of any guarantee contracts?	Cannock is acting as a guarantor for the finance agreement between Inspiring Healthy lifestyles and the finance provider. They are paying an amount as an equipment bond to cover.
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 Cannock Chase District Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Solicitors used on insurance claims, appointed by insurance agents. Agency solicitors used in legal to cover vacancies Solicitors used on licensing issues

General Enquiries of Management

Question	Management response
9. Have any of the authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<p>Link asset services – Treasury</p> <p>Lambert Smith Hampton – Fixed asset valuations</p> <p>Other advisors used for land valuations and professional advice on regeneration</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 Risk & Assurance Committee and management. Management, with the oversight of the Audit Risk & Assurance 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 Risk & Assurance Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Cannock Chase District 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 Risk & Assurance 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 Risk & Assurance Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Risk & Assurance 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 Cannock Chase District Council's management.

Fraud risk assessment

Question	Management response
<p>1. Have Cannock Chase District 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 Authority's risk management processes link to financial reporting?</p>	<p>Although there is an on-going risk of fraud being committed against the Council arrangements are in place to both prevent and detect fraud. The S151 Officer has the overall responsibility for assessing the risk of material misstatement in the financial statements and is supported by management who provide the appropriate evidence for this assessment. In addition, work is carried out by Internal Audit on overall fraud risk areas and specifically on Council Tax, Housing Benefit and Social housing fraud. All work undertaken by Internal Audit has fraud considerations built into it. The risk of material misstatement of the accounts due to undetected fraud is low. Investigation into Revenues & Housing fraud is the responsibility of the compliance team within Revenues and benefits.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The classes of transactions most at risk, relate to accounts payable, council tax and housing benefit. However the payment of COVID Business Support grants represented an additional risk in 2020/21.</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 Cannock Chase District Council 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>None Risk issues are communicated as part of internal audit reporting on a quarterly basis to audit and accounts and also via the Annual Governance statement</p>
<p>4. Have you identified any specific fraud risks? Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within Cannock Chase District Council where fraud is more likely to occur?</p>	<p>No specific fraud risks have been identified in the year. The potential for fraud exists in the application for financial benefits or assistance or in the handling of financial transactions. Fraud generally is likely to occur in the Revenues and Benefits function and the payment of creditors function.</p>
<p>5. What processes do Cannock Chase District Council have in place to identify and respond to risks of fraud?</p>	<p>The Council have in place the following frameworks Anti Fraud and Bribery ; Confidential Reporting and Money Laundering. Internal Audit to review internal control procedures on a regular basis.</p>

Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for Cannock Chase District 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)?</p>	<p>Internal controls, including whether segregation of duties exist, are reviewed by Internal Audit as part of their routine and investigative work; exceptions are reported to managers and inform the Internal audit opinion.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>Misreporting could occur whereby management overrides controls however internal control and internal audit reviews are in place to mitigate this potential</p>

Fraud risk assessment

Question	Management response
<p>8. How do Cannock Chase District 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?</p> <p>Have any significant issues been reported?</p>	<p>The Council has a staff code of conduct, Confidential Reporting Framework and Financial regulations in place. All staff are regularly reminded of these. In respect of contractors ethical considerations are built into all contracts.</p> <p>There is an Anti Fraud and corruption framework and a Confidential reporting framework in place which explain the procedures to follow. Staff are expected to report suspicious or fraudulent behaviour. No significant issues have been reported and no issues have been reported under the bribery act.</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>The posts involved in the functions as identified in question 4 are potentially high risk posts together with Treasury Management . Internal control; Procedure notes; Separation of duties and management review exist to assess and manage this situation</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>2018/19 financial statement disclosure of related party transactions did not identify any potential fraud risks. Members and officers are required to make full disclosure of any relationships that impact on their roles. Members are required to declare any relevant interests at Council and Committee meetings.</p>

Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit Risk & Assurance Committee?</p> <p>How does the Audit Risk & Assurance 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>The Internal Audit Risk Based Plan is approved by the Audit and Governance Committee before commencement each year. Internal Audit complete a robust review of internal controls on a risk basis and report regularly to Audit and Governance Committee. The Audit and Governance Committee are informed of the audit opinions and seek management reassurance on the improvement of controls where the consequences are considered high risk. At each meeting, Audit and Governance Committee members receive an update on instances of actual, suspected or alleged fraud investigations that have occurred since the last meeting and their outcomes.</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>None</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>None</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 Risk & Assurance Committee, is responsible for ensuring that Cannock Chase District 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 Risk & Assurance 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 Cannock Chase District Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the authority's regulatory environment that may have a significant impact on the authority's financial statements?</p>	<p>The Monitoring Officer, Heads of Service and Management are responsible for ensuring the Council is compliant with laws and regulations. The Constitution notes that the Monitoring Officers responsibilities cover:</p> <ul style="list-style-type: none"> ■ complying with the law of the land (including any relevant Codes of Conduct); ■ complying with any General Guidance issued, from time to time, by the Standards Committee and / or advice of the Monitoring Officer; ■ making lawful and proportionate decisions; and ■ generally, not taking action that would bring the Council, their offices or professions into disrepute. <p>The Monitoring Officer has access to all Council committee reports and raises awareness on legal requirements at meetings where needed. In addition in terms of any specific legal issues the Monitoring Officer would get involved at an early stage.</p> <p>Further information on how the Monitoring Officer carries out these responsibilities are detailed in the Constitution.</p> <p>The S151 officer is responsible for preparing the accounting statements in accordance with relevant legal and regulatory requirements.</p> <p>Work undertaken by Internal Audit ensures compliance with the relevant laws and regulations</p>
<p>2. How is the Audit Risk & Assurance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>All committee papers (with the exception of the Audit and Governance Committee) are required to include an assessment of potential legal implications.</p> <p>Assurance is also provided through the Internal Audit Annual Report and opinion and the Annual Governance Statement.</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>Management are not aware of any</p>

Impact of laws and regulations

Question	Management response
4. Is there any actual or potential litigation or claims that would affect the financial statements?	No
5. What arrangements does Cannock Chase District Council have in place to identify, evaluate and account for litigation or claims?	The Monitoring Officer and the Section 151 Officer identify and evaluate the impact of litigation and claims which are then recorded as expenditure, as a provision or disclosed as a contingent liability in the accounts. This impact is mitigated in some cases by appropriate insurance cover.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No

Related Parties

Issue

Matters in relation to Related Parties

Cannock Chase District Council 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 Cannock Chase District Council;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Authority;
- 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 Authority, or of any entity that is a related party of the Authority.

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 Authority 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 Cannock Chase District Council's 2019/20 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Cannock Chase District Council whether Cannock Chase District Council has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	None
<p>2. What controls does Cannock Chase District Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none"> ■ Maintenance 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. ■ Annual return from senior managers/officers requiring confirmation that read and understood the declaration requirements and stating details of any known related party interests. ■ Review of in-year income and expenditure transactions with known identified related parties from prior year or known history. ■ Review of the accounts payable system and identification of amounts paid to assisted or voluntary organisations.
<p>3. What controls are in place to authorise and approve significant transactions and arrangements</p>	<p>Staff have different authorisation levels within the authority so related party transactions of a significant value could only be signed off by Heads of Service, the Chief Executive and the Section 151 Officer. Any</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 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 most significant transactions relate to Pensions, PPE, Sundry Debts, Council , business Rates, Financial Instruments and Provisions as outlined in Appendix A.</p> <p>COVID 19 will have a potential impact on all such classes .</p> <p>For Pensions Cannock Chase Council is part of the Staffordshire County Council Pension. Each year the appointed actuaries make key financial assumptions regarding the Pension Increase Rate, the Salary Increase Rate and the Discount Rate alongside changes in retirement ages, mortality rates and expected returns on pension fund investments. Depending on these assumptions, changes to estimates within the Statement of Accounts may be required.</p> <p>For transactions relating to PPE, an appointed external valuer for Lambert Smith Hampton provides estimates based on the condition, maintenance and repairs of the Council's individual assets. The economic climate and any change in funding can reduce the resources available to fund repairs thereby potentially leading to a change in estimates and related disclosure notes not just in terms of value but in terms of the estimated UEL which also impacts depreciation and impairment. Furthermore, any changes in accounting standards could also impact estimates and the related disclosures.</p> <p>Sundry Debt, Council Tax and Business Rate estimates are based on a review of significant balances and collection rates within the current economic climate. However, any economic climate volatility can lead to a change in collection rates which in turn could lead to a change in debtor estimates.</p> <p>Business Rates appeals are based on current rates. Any change in economic conditions could cause appeal numbers to increase therefore leading to a change in estimates. Subject to a decision on the current legislation going through government, MCC business rates appeal provisions which have currently been halted, could still potentially impact the accounts leading to change in potential estimates.</p> <p>For financial instruments, estimates are based on fair value and are based on the advice provided by the Treasury function and other finance professionals. Should market conditions change this could give rise to the need for changes in financial estimates.</p> <p>Provision estimates are measured at a best estimate of the expenditure required to settle an obligation taking into account relevant risks and uncertainties. Should any of these assumptions change, there may</p>

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>Where management recognizes it is not an expert and where it is best practice to do so, the Authority will bring in external expertise with the relevant skills and knowledge to provide robust and informed accounting estimates. Where the skills exist in-house, management identify the appropriate finance/technical staff to undertake this function.</p>
<p>7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>The Authority uses best practice to determine the control activities required to deliver accounting estimates. For asset valuations, accounting standards specify that formal revaluations need to be sufficiently regular to ensure the carrying amount does not differ materially from fair value at the year end. As the authority does not retain an internal valuer with the necessary skills to undertake this work, the Authority has a contract in place with an external provider to deliver this service. The contract outlines the skills and expertise required to deliver robust accounting estimates as determined by Accounting Standards.</p> <p>For Council Tax and Business Rates, the Authority uses best practice to deliver accounting estimates with working papers to support the estimates and the basis for the estimate calculation. Specific staff with the relevant skills and experience are tasked with producing these estimates. The Council also utilises Analyse Local information to validate Business Rates Accounting Estimates</p> <p>For Pensions, the Authority has a contract in place with a registered Actuary and relies on the technical standards set by regulations to deliver the robust estimates required.</p> <p>For financial instruments the Authority recognises the requirement of external expertise and as such uses external finance professionals to inform the estimates.</p> <p>For Provisions, again the Authority recognises through best practice the need for external expertise and as such utilises the knowledge of third parties such as insurers and solicitors to inform the estimate calculations.</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>For estimates produced in-house, there is a process of management review whereby the S151 Officer and other senior staff check the working papers produced by the relevant officers before the estimates are approved and the necessary figures are inserted into the Statement of Accounts.</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)?	None identified.
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Assurance is given by the use of expert advisers in relation to fixed assets and pensions, also via the statement of accounts which highlight the major areas of estimates.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property plant & equipment valuations	Valuations are made by the in-house valuer for Council dwellings and an external valuer (Lambert Smith Hampton) for all other assets. Valuations are in line with RICS guidance on the basis of 5 year rolling valuations based on classes of asset with an interim desk top review to compare the carrying values and fair values.	Accounting standards require formal revaluations sufficiently regular to ensure the carrying amount does not differ materially from fair value at the year end. In addition valuations must be carried out simultaneously for each class of asset.	In – house and external Valuer	Valuations are made in line with guidance-reliance on an expert. Valuations now undertaken for each class of asset simultaneously.	No
Estimated remaining useful lives of PPE	The following asset categories have general asset lives: <ul style="list-style-type: none"> ■ Council Dwelling – 75 years ■ Other land and buildings – 65 years ■ Equipment/vehicles 5 years ■ Infrastructure 25 years These are based on information from the valuer.	Consistent asset lives applied to each asset category	Use both in-house And external Valuer	The method makes some generalisations. For example, a new building can have a life as short as 15 years or as long as 70 years depending on the construction materials used. This life would be recorded in accordance with the local qualified RICS or CIB Member. The valuer is appropriately qualified.	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation and Amortisation	Depreciation is provided for on all fixed assets with a finite useful life on a straight-line basis. Asset Lives and values are obtained from the valuer	Consistent application of depreciation method across all assets.	No	The length of the life is determined at the point of acquisition or revaluation according to: ■ Depreciation is not applied in the year of Addition ■ Assets that are not fully constructed are not depreciated until they are brought into use	No.
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.	Use of external valuer.	Valuations are made in-line with RICS guidance - reliance on expert.	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities	Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made. Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.	Calculations by Head of Finance based on information from third parties e.g. insurers and solicitors.	No	Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the service if it is virtually certain that reimbursement will be received by the Council.	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?
Measurement of Financial Instruments	Council values financial instruments at fair value based on the advice of their internal treasury consultants and other finance professionals.	Take advice from finance professionals	Yes Link Asset Services	Take advice from finance professionals, if required.	No
Bad Debt Provision	A provision is estimated using a proportion basis of an aged debt listing	Members of the Finance team calculate the provision from the aged debt listing based on prior experience.	No	Consistent proportion used across aged debt as per the Code. This is based on type of debt and historic payment pattern.	No
Accruals	Finance team collate accruals of Expenditure and Income from purchase ledger and budget information. Activity is accounted for in the financial year that it takes place, not when money is paid or Received.	Purchase ledger and management accounts information assessed by Finance team.	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest available information has been used.	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Non Adjusting events – events after the balance sheet date	S 151 Officer makes the assessment. If the event is indicative of conditions that arose after the balance sheet date then this is an adjusting event. For these events only a note to the accounts is included, identifying the nature of the event and where possible estimates of the financial effect.	Heads of service notify S151 Officer.	This would be considered on individual circumstances.	This would be considered on individual circumstances	No
Pension Fund (LGPS) Actuarial gains/losses	The Council is an admitted body to the Local Government Pension scheme.	Rely on the calculations made by the actuary, based on information provided by the Authority. The Actuary's report is reviewed for reasonableness by senior staff.	Yes - Actuary for the pension schemes	Reliance on expertise of the actuaries of the pension Scheme	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Finance Leases	Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.	Finance review contracts and payments to ensure the lease is categorised correctly as a finance lease or an operating lease	No	Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).	No

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