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Informing the audit risk assessment for South Somerset District Council 2019/20

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Grant Thornton's external auditors and South Somerset District Council 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 Audit Committee under auditing standards.

Background

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

This two-way communication assists both the auditor and the 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 Audit Committee and supports the 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 Audit Committee's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Going Concern,
- 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 South Somerset's management. The 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 2019/20?	<p>Further investment property acquisitions have been completed during 19/20.</p> <p>Contingent liability ref NHS Foundation Trust appeal. If successful, the cost would be significant. However, the NHS Foundation Trusts have failed in their claim for the refunding of business rates back to 2012, their argument being that they should have qualified for a discounted rate on the basis of charitable status. The appellants notice of application for leave to appeal was filed and served on Monday 24.2.2020. The court will decide when the application will be considered.</p> <p>Preparation for IFRS16 implementation in 2020/21 will also feature.</p> <p>Disclosures in respect of the Business Rates Pool to be considered - a significant pool/pilot surplus distribution was achieved which, in line with previous years, has been appropriated to the BRR earmarked reserve/Regeneration reserve.</p> <p>Once off funding for transition posts linked to transformation will be reflected in the CIES.</p>
2. Have you considered the appropriateness of the accounting policies adopted by South Somerset? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	<p>There are no material changes to the accounting policies in 2019/20. However, the accounting policies have been updated for changes in accordance with IFRS16.</p> <p>Policies are also assessed to reflect accounting standards updates.</p> <p>An assessment will be made during the preparation of the 2019/20 statement of accounts as to whether there are any material contracts to be disclosed.</p>
3. Is there any use of financial instruments, including derivatives?	SSDC use financial instruments but not derivatives, in line with its agreed Treasury Management Strategy and policies.
4. Are you aware of any significant transaction outside the normal course of business?	No

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?	No. The Council carries out a sound process to assess any need for impairment of assets for the annual accounts.
6. Are you aware of any guarantee contracts?	No (assuming this relates to guarantees in respect of third party liabilities / obligations)
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 South Somerset District Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	The council uses a mix of in-house and external solicitors for its legal advice. During 2019/20 external legal advice (largely in relation to commercial investment purchases) has also been obtained from: Tozers, Shape Legal Partnership, Burges Salmon, Veale Wasborough Vizards, Bevan Brittan, Hoey Ainscough, Anthony Collins, Shoosmiths, Stephens Scown, Womble Bond Dickinson, Pardoes, TLT, Ashfords, Trethowans, Moore Blatch, Steele Raymond and Thring.
9. Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	The Council has used a range of advisors during 2019/20 including: <ul style="list-style-type: none"> • Arlingclose: treasury advisor • PSTAX: VAT and other taxation advice • Luciel Ltd: Council Plan, FOLGIS • Alliance Leisure Services Limited – Chard Leisure Centre • Element Urbanism LLP – Chard Regeneration Scheme • Bloom Procurement Services Ltd – Yeovil Refresh • Mott MacDonald Ltd – Yeovil Crematorium • RPT Consulting Ltd – Leisure contract procurement

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

As South Somerset'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 Committee oversees the above processes. We are also required to make inquiries of both management and the 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 South Somerset District Council's management.

Fraud risk assessment

Question	Management response
<p>1. Have South Somerset District Council assessed the risk of material misstatement in the financial statements due to fraud? How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>Yes. Budget holders monitor spend and income. These budgets are also reviewed by the Council's finance specialists as part of budget monitoring which includes looking for any possible fraudulent activity.</p> <p>Fraud is also assessed as part of the Internal Audit Plan. The Audit Committee approves the risk-based annual audit plan (constructed by SWAP, SLT & S151) and prepares audits to consider possible areas where fraud may be a risk.</p> <p>The authority has an approved Fraud Strategy that is approved, monitored and reported through the Audit Committee. The Council also participates in the NFI scheme. Resources to investigate fraud are reduced following the transfer of staff to SFIS and a Lead Specialist post currently vacant. Future options are currently being explored. The Council also employs an Enforcement Officer within the various service areas who undertake work to tackle abuse of public funds.</p> <p>All reports to District Executive include a double "risk matrix" to ensure that members are aware of the financial risks of making a decision. All capital bids outline risks and how those risks can be mitigated.</p> <p>The annual budget is risk assessed and reported, and then monitored as part of the revenue and capital budget monitoring process. Key projects such as the refurbishment of Yeovil Crematorium have individual risk registers which will include financial risks as appropriate.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>It is considered that cash, contracts and benefits / tax reliefs are most likely areas of risk.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Council as a whole or within specific departments since 1 April 2019?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>No. SLT is responsible for leading on Corporate Governance. SLT comprises the CEO, Directors, S151 Officer and Monitoring Officer. All audit reports are taken to SLT for discussion when they are received by the Manager & Director. The SWAP Assistant Director is invited to SLT on a quarterly basis to discuss and report on governance and risk issues including audit plan progress. All audit reports are taken to SLT for discussion. The CEO, S151 and MO also meet regularly with Grant Thornton. The Annual Governance Statement is reported to SLT and Audit Committee outlining any serious breaches. The S151 Officer oversees the support to Audit Committee undertaken by one of the Council's Finance Specialists. A regular Risk Management update is provided to Audit Committee.</p>

Fraud risk assessment

Question	Management response
<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 the Council where fraud is more likely to occur?</p>	<p>No</p> <p>No</p> <p>Westlands and the Octagon where there are high volumes of cash transactions could be deemed to be higher risk but controls are in place to manage this.</p>
<p>5. What processes do the Council have in place to identify and respond to risks of fraud?</p>	<p>SSDC is committed to operating in ways which make fraud more difficult to commit, more likely to be detected, and more certain to be punished. Accordingly, the Fraud and Data team work to solidify the Council's counter fraud culture through preventative initiatives, such as organising counter fraud audits, and installing documents designed to reduce exposure to fraud. One such document is the recently approved 'SSDC Counter Fraud, Theft and Bribery Strategy'. It is the centre piece of the Council's counter fraud framework, and explicitly sets out the arrangements that are in place for deterring, preventing, detecting and punishing all forms of fraud which could affect the Council's finances and assets.</p>
<p>6. How would you assess the overall control environment for the Council, including: the process for reviewing the effectiveness the system of internal control; internal controls, including segregation of duties; exist and work effectively? If not where are the risk areas and what mitigating actions have been taken? 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>As part of the revised operating model, in many cases there are now further officers involved in the budget monitoring process. Budgets that are delegated from Directors, are the responsibility of Service Managers. Lead Specialists or Specialists do not have budget responsibility but in most cases contribute to budget monitoring by attending regular budget meetings with the Service Manager and Finance Specialists. The Finance Specialists work closely with the budget holders analysing large value transactions. Managers are responsible of signing off individuals travel etc.</p> <p>There remains a separation of duty between the Specialists and Case Officer posts which are monitored as part of the controls audited by SWAP. Many of the processes are system controlled, particularly in relation to the financial processes.</p> <p>Key areas of risks are covered by internal audit. Any serious findings are reported to the Audit Committee. Reliance on audit reports and the Annual Governance Statement which includes officer annual declarations which cover internal control. Internal Audit provides a cyclical effectiveness review which will be reported to the Audit Committee.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>No. Finance Specialists work closely with budget holders on analysing financial transactions within the financial statements. All Finance Specialists behave with integrity, demonstrate strong commitment to ethical values and respecting the rule of law.</p>

Fraud risk assessment

Question	Management response
<p>8. How does the Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>SSDC Code of Conduct and other policies are all held on the staff portal for all staff to view. An essential part of an effective counter fraud culture is ensuring that all personnel affiliated with the work of the Council abide by the Counter Fraud policies in place. As part of this, it is vital that all personnel know the appropriate way to disclose a suspicion of misconduct, whether it involves staff, members, contractors or third parties. For this reason, the Council's former Counter Fraud Policy and Whistleblowing Policy are currently undergoing extensive revision. This will ensure that both the appropriate reporting channels and the authorities involved in dealing with the allegations are known to all.</p> <p>Each member and officer of the Council is responsible for countering fraud to safeguard corporate standards, meaning that everyone affiliated with SSDC has a duty to ensure:</p> <ul style="list-style-type: none"> • their own behaviour is beyond reproach and in accordance with best practice • they follow all policies, procedures and controls laid down to prevent, detect, investigate and punish fraud, according to the Council's Constitution • they report to the appropriate officer any instance where they suspect, or are aware of any person(s) behaving improperly, as well as communicating any reasonable suspicions they may have that the Council's systems may be open to fraud or abuse of another kind. <p>As part of this, it is vital that all personnel know the appropriate way to disclose a suspicion of misconduct, whether it involves staff, members, contractors or third parties. All employees are periodically reminded of the whistleblowing policy and all staff are expected to sign related party transaction declarations on an annual basis.</p> <p>No</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>SLT and LMT are the higher risk posts as they have a high level of control at this level. All employees are accessed through the A&A framework, with open and honest, and trust being key components, which are measured at assessment, considered at PDP stage and even are the pillars of our recognition scheme.</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? How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No – but the Council's constitution requires members to declare any such interests and where appropriate withdraw. Senior decision making officers are also required to declare any related party transactions. Segregation of duties involved in transactions, and line management reporting to ensure no collusion between those people who are personally connected.</p>
<p>11. What arrangements are in place to report fraud issues and risks to the Audit Committee? How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?</p>	<p>The responsibility for the investigation of actual or suspected fraud now lies with the Section 151 Officer, Monitoring Officer, and SWAP which can be reported via the Council's Whistleblowing policy.</p> <p>The council has a robust risk management process which requires managers to manage all risks within projects and services with escalation to the strategic risk register (where appropriate) which is reviewed regularly by SLT. All reports to committees require financial and legal implications to be identified and include a template for financial and legal implications and risks to be identified.</p> <p>The Audit Committee receives regular reports from internal audit, external audit and the CFU and the responsibility for reviewing the Code of Corporate Governance, Counter Fraud and Anti-Corruption policies sits with the Audit Committee.</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 received by the S151 Officer or Monitoring Officer</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>None received by the S151 Officer or Monitoring Officer</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 Committee, is responsible for ensuring that South Somerset 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 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 the Council have in place to prevent and detect non-compliance with laws and regulations? 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>Key changes in legislation drawn to SLT attention by Statutory Officers and Specialist Team Leaders. Managers and team leaders are expected, by virtue of their job descriptions and personal professional development requirements, to keep up to date and comply with laws and regulations as they apply to their duties and those of their teams.</p> <p>Key changes in the law are considered by SLT and, for any legislation that has a significant impact on the functions of the Council, working groups are set up and implementation plans prepared. Any potential non-compliance is reported to the District Executive and an action plan put in place. The Annual Governance Statement also identifies areas of concern and areas for improvement.</p> <p>Not aware of any significant changes to regulatory environment.</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Through the Annual Governance Statement which identifies areas of concern and areas for improvement. In addition, each senior and service manager provides an annual assurance statement.</p> <p>In addition, training sessions are used to explain new legislation (e.g. GDPR). Where the changes would have a significant impact on the Council they will appear on the corporate risk register which is available. Any accounting requirements are explained at the annual workshop to help understand the accounts.</p> <p>For any specific cases a special report is prepared for the Audit Committee.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2019 with an on-going impact on the 2019/2020 financial statements?</p>	<p>No</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>No</p>

Impact of laws and regulations

Question	Management response
<p>5. What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>The Council's legal team work with SLT and the relevant LMT Officers when any potential claims or litigation are identified; it also provides the S151 Officer with details of any litigation or claims for inclusion within the financial statements.</p> <p>The Council has a customer complaints process which aims to resolve issues before they escalate. Through its risk management procedures, there are the recording of any risks of litigation or claims either within service areas or corporately.</p> <p>The Council has processes in place to manage significant contracts any issues can be raised and managed with the aim of minimising litigation or claims. Contract performance is monitored by the use of management information including key performance indicators.</p>
<p>6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?</p>	<p>No</p>

Going Concern

Issue

Matters in relation to going concern

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

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

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

Going concern considerations

Question	Management response
<p>1. Has the management team carried out an assessment of the going concern basis for preparing the financial statements for South Somerset District Council? What was the outcome of that assessment?</p>	<p>At the present date, the annual government statement for 2019/20 has not yet been produced. This statement is normally constructed in March / April and therefore will be available shortly.</p>
<p>2. Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with the Council's financial information provided to the Audit Committee throughout the year?</p>	<p>The AGS will incorporate both the Council Plan and the Financial Strategy. The medium-term financial strategy is updated annually and reflects a four-year assessment of the Council's spending plans and associated funding. Performance against the Medium Term Financial Plan is monitored quarterly through the budget monitoring process. It includes the ongoing implications of approved budgets and service levels and the revenue costs of the council's capital programme, as well as the management of short-term debt and investments.</p>

Going concern considerations

Question	Management response
3. Are the implications of statutory or policy changes appropriately reflected in the Council's financial forecasts and report on going concern?	Once the report is written, should any of these be identified then these would be picked up in the report.
4. Have there been any significant issues raised with the Audit Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	No there have not been an significant issues raised during 2019/20.
5. Does a review of available financial information identify any adverse financial indicators including negative cash flow or poor or deteriorating performance against the better payment practice code? If so, what action is being taken to improve financial performance?	No there have not been any adverse financial indicators.

Going concern considerations

Question	Management response
<p>6. Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills?</p>	<p>The Council has a well-established and robust corporate governance framework. This includes the statutory elements like the post of Monitoring Officer and the Section 151 Officer in addition to the current political arrangements. The S151 Officer role was externally sourced for a substantial part of the year and the Monitoring Officer role is currently sourced externally.</p> <p>It is envisaged that the Council have sufficient employees in place to deliver its objectives. With its existing operating model, employees can be moved around to meet the needs of business. Where additional projects are agreed, staff requirements are factored in where necessary in order for the Council's operations and projects to be managed effectively.</p> <p>The Council recognises the value of considering different service delivery options in delivering our Council Plan. The effective commissioning and procurement of goods, works and services is therefore of strategic importance to our operations, while robust contract management helps to provide value for money and ensure that outcomes and outputs are delivered.</p>
<p>7. Does the Council have procedures in place to assess their ability to continue as a going concern?</p>	<p>As a local authority the Council has to operate within a highly legislated and controlled environment. For example, the requirement for a balanced budget each year combined with the legal requirement for the Council to have regard to consideration of such matters as the robustness of budget estimates and the adequacy of reserves. This is independently written by the Section 151 Officer.</p> <p>In addition to the legal framework and central government control there are other factors such as the role undertaken by External Audit as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.</p>

Going concern considerations

Question	Management response
<p>8. Is management aware of the existence of events or conditions that may cast doubt on the Council's ability to continue as a going concern?</p>	<p>It is not envisaged there will be any significant issues raised in this report.</p>
<p>9. Are arrangements in place to report the going concern assessment to the Audit Committee ?</p> <p>How has the Audit Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing financial statements?</p>	<p>The Senior Leadership Team, comprising the Chief Executive, Directors, Section 151 Officer and Monitoring Officer, will review the draft AGS for 2019/20 Statement in April 2020. The review will also require support by the Council's Chief Internal Auditor. The AGS will then be taken to Audit Committee for approval in July 2020. The Council publishes the Annual Governance Statement on its website alongside the annual Statement of Accounts.</p>

Related Parties

Issue

Matters in relation to Related Parties

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

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the council;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over South Somerset;
- key management personnel, and close members of the family of key management personnel, and
- 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 Auditors perspective but material from a related party viewpoint then South Somerset District 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.

Relating Parties

Question	Management response
1. What controls does the Council have in place to identify, account for and disclose related party transactions and relationships ?	All of SLT and LMT, and any other significant officers are required to complete an annual related party disclosure form which are compiled as part of the year end financial statements. These are then reviewed by the S151 Officer and reported to SLT where necessary.

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

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

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

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

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

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

Accounting Estimates

Question	Management response
1. 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)?	The non-domestic (NDR) appeals provision for the 2010 list has been estimated based on past experience of successful appeals and other RV reductions, and actual success rates and reductions may differ from the estimate. The process was altered from 1 April 2017 for the 2017 list. We have used the check and challenge data and resulting subsequent adjustment to date to provide for the provision for the 2017 list using our professional judgement.
2. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes, all the management arrangements listed are correct.
3. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	A Financial Statements training session is held with all members of the Audit Committee prior to the financial statements being taken to Audit Committee for approval. This same Committee have also received direct training from Arlingclose on our Treasury Investments. When the accounts are presented at Committee, we will highlight any accounting estimates and a clear explanation given where necessary.

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	Fair value for land/buildings defined as 'existing use' by the Council.	Valuations are performed annually to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. For land and buildings all material assets will be considered in 2019/20.	Internal valuer	Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion.	No
Estimated remaining useful lives of PPE	Each part of an item of property, plant and equipment with a significant cost in relation to the total cost is depreciated separately. Depreciation methods, useful lives and residual values are reviewed each financial year and adjusted if appropriate.	See left box	Discussion with internal asset team and where applicable any external valuer.	Depreciation is calculated on a straight line basis as this reflects consumption of assets and is a reasonable assumption.	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	See above	See above	See above	See above	No
Impairments	Review of all assets undertaken annually in line with policy.	See left.	Discussion with internal asset team as appropriate.	N/A.	No.
Measurement of Financial Instruments	Financial instruments consist of investments (Collective Investment Fund (CIF)). Measured initially at cost and subsequently at amortised cost using the effective interest method.	Knowledge by the Investment team who manages the CIF portfolio in assessing the potential risk in credit losses.	Fund advisers	The CIF portfolio is assessed on an individual borrower for its expected credit losses using: i) Probability of default ii) Loss of given default	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 identified through detailed monthly management accounts which flags any potential issues to management.	Each provision is separately reviewed by financial accounts and a working is put together to support the calculation.	As necessary on an individual basis	Each provision is assessed on an individual basis to ensure that it meets the criteria of a provision per IAS 37. The degree of uncertainty is assessed when determining whether a provision is the correct treatment for an item.	No.
Bad Debt Provision	Debts are reviewed monthly where possible, and any debts that are deemed to be irrecoverable are written off.	Knowledge by the Accounts Receivables team in likelihood of recoverability and the aging of the debts.	N/A	N/A	No.

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	We use standard accruals accounting –accruals are based on expenses incurred that have not yet been paid.	Monthly management accounts provides rigorous analysis so that any accruals are highlighted and actioned throughout the year.	N/A.	N/A.	No.
Non Adjusting events – events after the balance sheet date	Monthly management accounts prepared would flag any adjusting/non-adjusting events.	See left.	N/A.	N/A.	No.

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Pension Fund (LGPS) Actuarial gains/losses	The actuarial gains and losses figures are calculated by the actuarial expert. These figures are based on making % adjustments to the closing values of assets/liabilities.	The Council responds to queries raised by the administering body.	The Council are provided with an actuarial report by Barnett Waddingham (LGPS).	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No.



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