



Borough of Tamworth

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AUDIT AND GOVERNANCE COMMITTEE

20 March 2018

Dear Councillor

A meeting of the Audit and Governance Committee will be held in **Committee Room 1, Marmion House, Lichfield Street, Tamworth, B79 7BZ on Wednesday, 28th March, 2018 at 6.00 pm.** Members of the Committee are requested to attend.

Yours faithfully

A handwritten signature in black ink, consisting of a stylized 'A' and 'S' followed by a long horizontal line.

A G E N D A

NON CONFIDENTIAL

- 4 The Audit Plan for Tamworth Borough Council (Pages 1 - 16)**
(Report of Grant Thornton – External Auditor)

- 5 Informing the Audit Risk Assessment for Tamworth Borough Council**
(Pages 17 - 42)
(Report of Grant Thornton – External Auditor)

People who have a disability and who would like to attend the meeting should contact Democratic Services on 01827 709264 or e-mail committees@tamworth.gov.uk preferably 24 hours prior to the meeting. We can then endeavour to ensure that any particular requirements you may have are catered for.

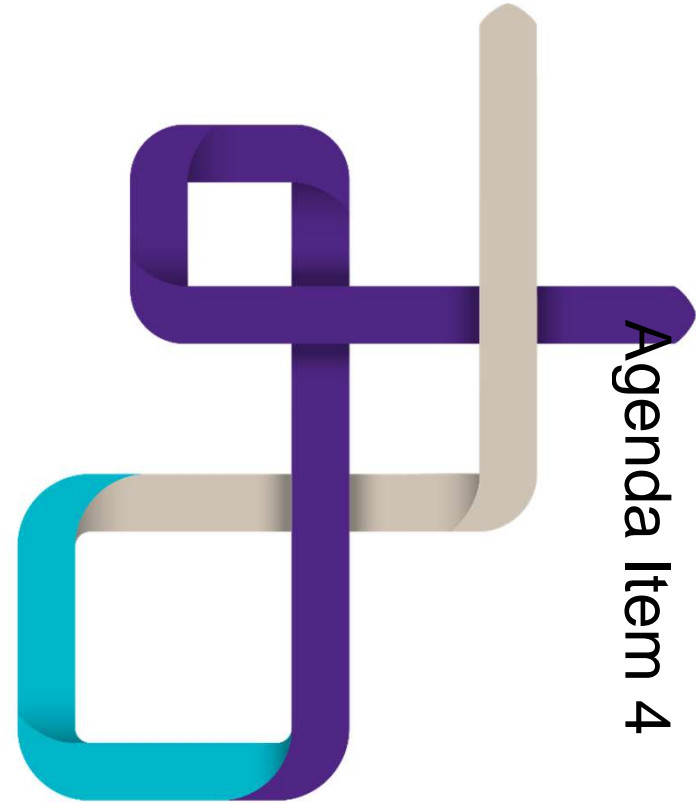
To Councillors: M Summers, R Ford, C Cooke, J Faulkner, M Gant, M Greatorex and
R Kingstone

External Audit Plan

Year ending 31 March 2018

Tamworth Borough Council
28 March 2018

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Agenda Item 4

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning 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 the Council 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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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Tamworth Borough Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Tamworth Borough Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Audit and Governance Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Governance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks

Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management over-ride of controls
- Valuation of property, plant and equipment
- Valuation of pension fund net liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.3m, which equates to 2% of your gross expenditure. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £65k.

Value for Money arrangements

We have not identified any significant risks from our initial risk assessment. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report.

Audit logistics

Our interim visit takes place in late February and early March. Our final visit will take place from mid June concluding early July. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be £49,838, as long as we are provided with draft accounts and working papers promptly and to a good standard.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

Deep business understanding

Changes to service delivery	Changes to financial reporting requirements	Key challenges		
<p>Commercialisation</p> <p>The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. These investments are often discharged through a company, partnership or other investment vehicle. Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations. Where borrowing to finance these activities, local authorities need to comply with CIPFA's Prudential Code. A new version is due to be published in December 2017.</p>	<p>Devolution and LEP</p> <p>The Cities and Local Government Devolution Act 2016 provides the legal framework for the implementation of devolution deals with combined authorities and other areas. Tamworth Borough Council is one of nine non-constituent member of the West Midlands Combined Authority (WMCA), helping to inform policy and drive the WMCA agenda</p> <p>The second West Midlands devolution deal was published on 23 November 2017. This is a commitment to deliver the local industrial strategy in areas including housing, transport, skills and employment, air quality, energy and digital.</p>	<p>Accounts and Audit Regulations 2015 (the Regulations)</p> <p>The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.</p> <p>Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.</p> <p>Changes to the CIPFA 2017/18 Accounting Code</p> <p>CIPFA have introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for Leases, Service Concession arrangements and financial instruments.</p>	<p>Long term financial pressures</p> <p>The Council is forecasting a £618,000 underspend for 2017/18.</p> <p>The Council's balanced three year budget to 2020/21 assumes a £5.00 Band D Council Tax increase over the period. Efficiency plans are in place and require savings of £1.964m to be delivered over the three years to deliver the budget.</p> <p>The Council's MTFS details the key risks to delivering a balanced budget over the three years including the challenge to continue achieving high collection rates for council tax, business rates and housing rents in light of further austerity, economic conditions and uncertainty.</p>	<p>Corporate Plan</p> <p>The Council has a three year Corporate Plan to 2020 to deliver its three strategic priorities. There are 18 ambitions linked to the three priorities and the Council has identified 17 key projects to deliver the priorities.</p> <p>Progress against each project is reported to Cabinet via the Quarterly Performance reports. As at Quarter 2, the majority of projects are broadly on track with two exceptions. The New (Housing) Repairs project's performance indicator is red rated, with 60.1% of local authority dwellings achieving the decent homes standard. One of the performance indicators for the Heritage, leisure and events project, number of participants at Arts Development events is red rated.</p>

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will review your Corporate Plan achievements as at Quarter 4 as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code,.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Tamworth Borough Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Tamworth Borough Council.</p>
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> • gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness • evaluate the rationale for any changes in accounting policies or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of property, plant and equipment	<p>The Council revalues its land and buildings on a 5 year basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work Consider the competence, expertise and objectivity of any management experts used Discuss with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions Review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding Test evaluations made during the year to ensure they are input correctly into the Council's asset register Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
Valuation of pension fund net liability	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement Evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out Undertake procedures to confirm the reasonableness of the actuarial assumptions made Check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Employee remuneration	<p>Payroll expenditure represents a significant percentage (25%) of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and an interface a sub-system there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness • Gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls • Obtain the year-end payroll reconciliation and ensure amount in the accounts can be reconciled to the ledger and through to payroll reports investigating any significant adjusting items • Agree payroll related accruals (e.g. unpaid leave accrual) to supporting documents and review any estimates for reasonableness.
Operating expenses	<p>Non-pay expenses on other goods and services also represents a significant percentage (40%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> • Evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness • Gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls • Obtain a listing from the cash book or equivalent of non-pay payments made in April, take a sample using the non-statistical sample size calculator and ensure that they have been charged to the appropriate year.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £1.3m which equates to 2% of your recorded gross expenditure for the year 2016/17. We design our procedures to detect errors in specific accounts at a lower level of precision.

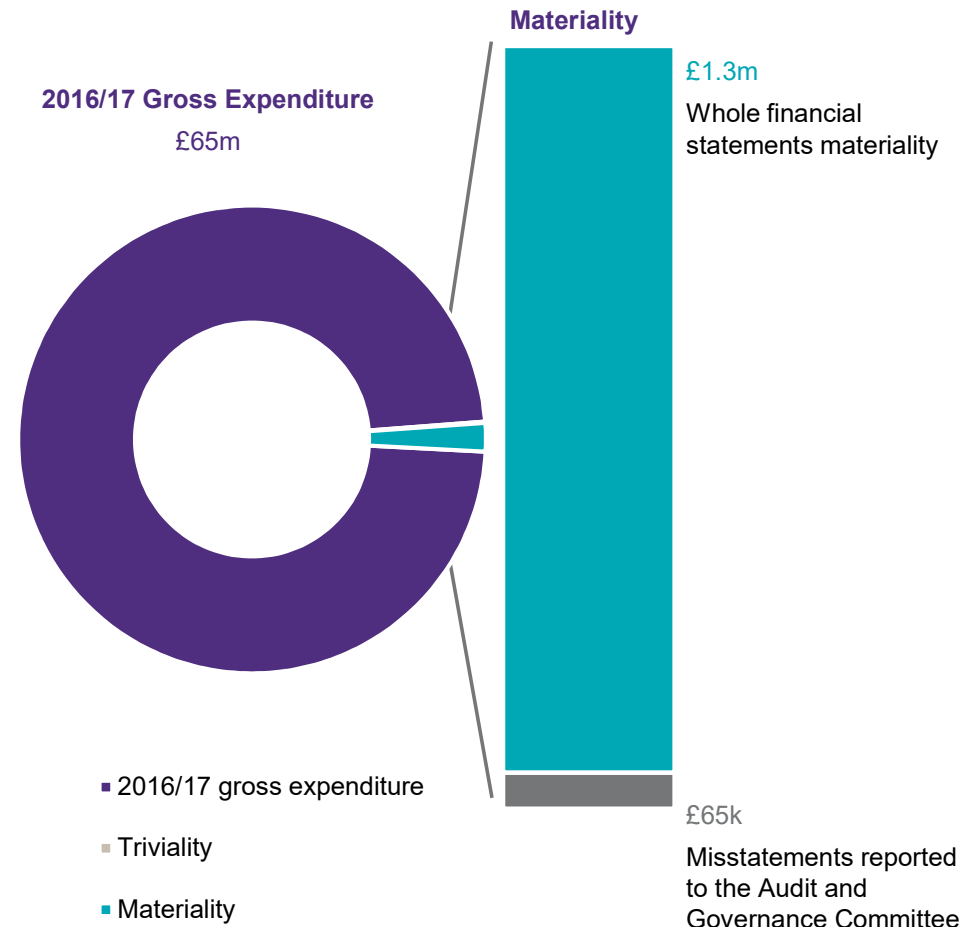
We consider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality

Materiality has been reduced for remuneration disclosures to £100k due to its sensitive nature and public interest.

Matters we will report to the Audit and Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £65,000.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

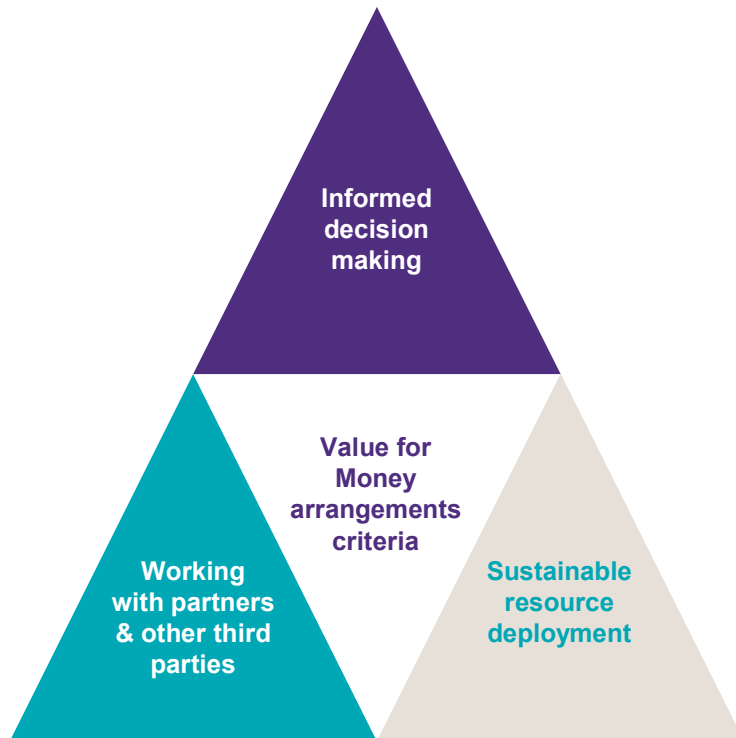
“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:

Significant VFM risks

We have not identified any significant risks from our initial risk assessment. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report.

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Audit logistics, team & audit fees



John Gregory, Engagement Lead

John will be the main point of contact for the Chair, s151 Officer and Committee members. He will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice. John will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit. John will sign your audit opinion.



Laurelin Griffiths, Audit Manager

Laurelin will work with senior members of the finance team ensuring testing is delivered and any accounting issues are addressed on a timely basis. She will attend Scrutiny (Audit and Value For Money Council Services) Committee with Mark, and supervise Allison in leading the on-site team. Laurelin will undertake reviews of the team's work and draft clear, concise and understandable reports.



Aaron Smallwood, Audit Incharge

Aaron will be the day to day contact for the audit, organising our visits and liaising with Authority staff. He will lead the on-site team and will monitor deliverables, manage our query log ensuring that any significant issues and adjustments are highlighted to management as soon as possible.

Audit fees

The planned audit fees are no less than £48,851 for the financial statements audit. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable agreed with management. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Non-audit services

The following non-audit services were identified

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing capital receipts grant	2,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,500 in comparison to the total fee for the audit of £49,838 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Appendices

A. Revised ISAs

Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	We will be required to conclude and report whether: <ul style="list-style-type: none">• The directors use of the going concern basis of accounting is appropriate• The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.
Material uncertainty related to going concern	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
Other information	We will be required to include a section on other information which includes: <ul style="list-style-type: none">• Responsibilities of management and auditors regarding other information• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation• Reporting inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Format of the report	The opinion section appears first followed by the basis of opinion section.



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Informing the audit risk assessment Tamworth Borough Council 2017/18



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Purpose

The purpose of this report is to contribute towards the effective two-way communication between auditors and the Council's 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 and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK&I) 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.

Page 19 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:

- fraud
- laws and regulations
- going concern
- related parties
- accounting estimates.

This report includes a series of questions on each of these areas and the response we have received from the Council's management. The Audit Committee should consider whether these responses are consistent with the its understanding and whether there are any further comments it wishes to make.

Fraud

Matters in relation to fraud

ISA(UK&I)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.

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As 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 Committee regarding its processes for identifying and responding to risks of fraud
- 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 the Council's management.

Fraud risk assessment

Question

Has the Council assessed the risk of material misstatement in the financial statements due to fraud?

What are the results of this process?

Management response

Management receive the following reports which have informed the Council that the risk of misstatement due to fraud or error is low:

- Internal Audit's risk assessment arising from the reviews to inform the Annual Governance Statement.
- Quarterly reports are received from the Head of Internal Audit Services (HIAS) on systems reviewed (including the key / core financial systems) within the quarter. High risk areas are identified. Follow-up of implementation of control risks are undertaken in a timely manner. HIAS gives an opinion on the system of internal control given quarterly.
- An Annual Governance Statement. Assurance gathering process involves assessing against the objectives, manager's providing assurance statements and identifying key control issues affecting their operational processes;
- External Audit Reports, including the assessment of controls as stated in the Annual Audit & Inspection Letter inform the conclusion on adequacy of the internal control process.
- Financial Accounts reports / reviews identifying key areas of activity and where appropriate risk implications and variance analysis. This includes the review of draft accounts / analytical review (S151 & Deputy S151) and appropriate working papers where necessary.
- The final account planning & compliance process gives assurance on the key accounting and review processes undertaken in the planned delivery of the final accounts. Copy of implementation plan agreed & monitored by members. The Final Account Delivery Plan (key actions, deliveries, implications & deadlines) identifies key deliverables and issues arising from the preparation process which are reported to CMT & Members.
- Copy of Final Account documents (including previous year comparators). Material issues / explanations are reported to Audit & Governance Committee.
- Advice / information on changes in Accounting Policy that impact on the financial statements (including issues affecting comparator variances).
- Compliance reviews are undertaken to the accounting code of practice (IFRS).
- External Audit report to the Audit & Governance Committee on their reliance placed on the work of Internal Audit. This therefore increases reliance on the standard and quality of audit reports and their review of control systems.

Fraud risk assessment (continued)

Question

How are the Audit and Governance Committee satisfied that the overall control environment is robust. In particular what processes does the Council have in place to identify and respond to risks of fraud in the organisation?

Management response

The Audit and Governance Committee receives various reports that satisfy them that the control environment is robust.

- Internal Audit's risk assessment arising from the reviews to inform the Annual Governance Statement.
- Quarterly reports are received from the Head of Internal Audit Services (HIAS) on systems reviewed (including the key / core financial systems) within the quarter. High risk areas are identified. Follow-up of implementation of control risks are undertaken in a timely manner. HIAS opinion on the system of internal control given quarterly.
- An Annual Governance Statement. The assurance gathering process involves assessing against the objectives, manager's providing assurance statements identifying key control issues affecting their operational processes.
- External Audit Reports, including the assessment of controls as stated in the Annual Audit & Inspection Letter inform the conclusion on adequacy of the internal control process.

Counter Fraud & Corruption & Whistleblowing policies are in place (reviewed and approved by the Audit & Governance Committee 26th October 2017).

Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?

Internal Audit maintain a fraud risk register which is updated quarterly. We are aware of areas where risk of fraud has increased (e.g. changes to creditor bank details). Staff working in this area are aware of the increased risk and an e-learning package is being developed including counter fraud and whistleblowing (data protection training has been rolled out). The counter fraud and whistleblowing training will be developed during 2018. There are not many areas where cash is handled; this happens only at the castle or the Tourist Information Centre and no concerns have been highlighted by work undertaken there.

Fraud risk assessment (continued)

Question

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)?

Management response

Management is not aware of any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process. The following sources would be used to inform the organisation of any such instances

- S151 Officer is informed of suspected or alleged areas of fraud from the following sources :
 - Whistle Blowing / informants,
 - Benefits Fraud Investigations
 - Management – identification of irregularities
 - Internal Audit – reports / reviews
- Any areas of actual fraud will be / are reported to the Audit & Governance Committee as part of the normal quarterly monitoring/reporting process as well as senior management and police (where appropriate);
- Requirement of Managers / officers / Members to report to S151 any suspicions / allegations of fraud for appropriate investigation.

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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)?

Management is not aware of any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process. The following sources would be used to inform the organisation of any such instances

- S151 Officer is informed of suspected or alleged areas of fraud from the following sources :
 - Whistle Blowing / informants,
 - Benefits Fraud Investigations
 - Management – identification of irregularities
 - Internal Audit – reports / reviews
- Any areas of actual fraud will be / are reported to the Audit & Governance Committee as part of the normal quarterly monitoring/reporting process as well as senior management and police (where appropriate);
- Requirement of Managers / officers / Members to report to S151 any suspicions / allegations of fraud for appropriate investigation.

Fraud risk assessment (continued)

Question

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 arrangements are in place to report fraud issues and risks to the Audit Committee?

Management response

Audit & Governance Members (including relevant Council Officers) receive the following information / communication in order to raise / inform fraud risks and breaches of internal control

- Quarterly Fraud update provided to the Committee including NFI.
- Audit & Governance Committees Terms Of Reference state that they will monitor the effectiveness of anti fraud & corruption arrangements. This is achieved / discharged through the Audit & Governance Committee approving the Counter Fraud and Corruption Strategy Policy Statement and Guidance Notes and the Whistleblowing Policy.
- Head of Internal Audit Services opinion on the control environment given on a quarterly basis.
- Pro-active annual Internal Audit plan based on "Risk Based Audit" to review key activity areas of operation

How does the Council communicate and encourage ethical behaviour of its staff and contractors?

- Employees are made aware of the communication process (via NetConsent) of all key Council policies, including Financial Guidance, the Counter Fraud and Corruption Policy, Statement & Strategy and Whistleblowing Policy. This is a mandatory process and was last completed in May 2016; compliance is reported and monitored and where appropriate additional training is given.
- An employee induction training process is completed which includes specific training for standards/code of conduct.
- Financial Guidance is reviewed and approved by Members and is available to all staff / members on intra-net (and hard copy if required);
- On-going awareness and dissemination of good practice etc. circulated via PinBoard, officer fraud updates, best practice and Internal Audit & External Audit Reports (including risk assessment / recommendations & management responses and external publications i.e. Audit Commission Circulars);
- Development of e-learning modules for Counter Fraud & Corruption and Whistleblowing

Fraud risk assessment (continued)

Question

How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?

Management response

This is encouraged via Whistle-blowing Procedures and/or Counter fraud and/or Corruption policy Statements & Strategy (both are available on the intranet).

- The Counter Fraud & Corruption Policy Statement & Strategy was notified to staff using NetConsent policy management system which requires response from staff which will be logged and followed up on the system. Staff are required to read and accept the policy and are required to report any concerns.

We will roll out an e-learning solution, which covers counter fraud and whistleblowing, once finalised. The e-learning solution will have a series of questions to confirm staff and members understanding and will be linked to the NetConsent Policy Management system to enable us to track acceptance and understanding. This will inform us of additional training requirements needed.

Are you aware of any related party relationships or transactions that could give rise to risks of fraud?

We are not aware of any related party relationships or transactions that could give rise to risks of fraud. The following processes are in place to ensure related party relationships are identified:

- Annual declarations of interest are required from Senior Managers and all Members of the Council to inform the related party note in the accounts.
- All members have to disclose any interest when making decisions.
- Monitoring officer keeps a register of members interests.
- Transparency requirements / publications & public interest disclosures.

Fraud risk assessment (continued)

Question

Are you aware of any instances of actual, suspected, or alleged fraud either within the Council as a whole or within specific departments since 1 April 2017?

Management response

No; management would be made aware of any actual or alleged instances of fraud via the following:-

- S151 Officer is informed of (and takes appropriate action in relation to) suspected or alleged areas of fraud from the following sources:
 - Whistleblowing / informants,
 - Benefits Fraud Investigations including single person discounts, housing benefit, business rates, housing and the Local Council Tax Reduction Scheme
 - Management identification of irregularities
 - Internal Audit reports / reviews
- Any areas of actual fraud will be / are reported to the Audit & Governance Committee as part of the normal annual report as well senior management and police (where appropriate);
- Requirement of Managers / Officers / Members to report to S151 any suspicions / allegations of fraud for appropriate investigation.

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Are you aware of any whistleblower reports or reports under the Bribery Act since 1 April 2017?
If so how does the Audit and Governance Committee respond to these?

No.

Laws and regulations

Matters in relation to laws and regulations

ISA(UK&I)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 the 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 noncompliance 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

What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?

How does management gain assurance that all relevant laws and regulations have been complied with?

Management response

- Quarterly reports are received from the HIAS on systems reviewed. High risk areas are identified.
- The Annual Governance Statement assurance gathering process involves assessing against the objectives and managers providing assurance statements.
- The Monitoring Officer's independent reporting on relevant compliance with laws. The Monitoring Officer also attends the Audit and Governance Committee meetings and advises appropriately.
- The External Auditor review and assurance opinion on the financial affairs (management processes) of the Authority.
- For Council & Cabinet reports both the Monitoring Officer and Finance Officer are required (subject to options) to sign-off the reports prior to members approving recommendations and to identify that proposed actions comply to legislative requirements.
- Periodic update to Officers / Members on new legislative requirements.
- Regular update by the External Auditor on potential compliance issues / understanding.
- Undertaking NFI Anti Fraud initiatives indicates potential fraudulent violations.
- Pro-active Internal Audit Plan focused on provision of assurance reports on status of management control processes.
- Regular review and update of Financial Guidance and Counter Fraud Policies.

How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?

The Monitoring Officer's independent reporting on relevant compliance with laws. The Monitoring Officer also attends the Audit and Governance Committee meetings and advises appropriately.

Have there been any instances of non-compliance or suspected non-compliance with law and regulations since 1 April 2017, or earlier with an on-going impact on the 2017/18 financial statements?

No.

Impact of laws and regulations (continued)

Question	Management response
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	Once identified, all claims are considered for their impact on the accounts, with appropriate action taken (e.g. reserve, provision, contingent liability etc.)
Is there any actual or potential litigation or claims that would affect the financial statements?	No.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate noncompliance?	No.

Going concern

Matters in relation to laws and regulations

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

Going concern is a fundamental principle in the preparation of financial statements. Under the going concern assumption, a council is viewed as continuing in operation for the foreseeable future with no necessity of liquidation or ceasing trading. Accordingly, the Council's assets and liabilities are recorded on the basis that assets will be realised and liabilities discharged in the normal course of business. A key consideration of going concern is that the Council has the cash resources and reserves to meet its obligations as they fall due in the foreseeable future.

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We have discussed the going concern assumption with key Council officers and reviewed the Council's financial and operating performance. Below are key questions on the going concern assumption which we would like the Audit Committee to consider.

Going concern considerations

Question	Management response
Does the Council have procedures in place to assess the Council's ability to continue as a going concern?	The Executive Director Corporate Services (as s151 Officer) is satisfied that the budget and Medium Term Financial strategy (MTFS) proposals are based on robust estimates, and that the level of reserves is adequate. This was reported in the Medium Term Financial Strategy reviewed by all Members and approved by Council in February 2018.
Is management aware of the existence of other events or conditions that may cast doubt on the Council's ability to continue as a going concern?	No.
Are arrangements in place to report the going concern assessment to the Audit and Governance Committee? How has the Audit and Governance Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?	The Executive Director Corporate Services (as s151 Officer) is satisfied that the budget and MTFS proposals are based on robust estimates, and that the level of reserves is adequate. This was reported in the Medium Term Financial Strategy. This was reported in the Medium Term Financial Strategy reviewed by all Members and approved by Council in February 2018.
Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?	The Financial Plan (MTFS) is agreed at the same time as the Corporate Plan. The financial plan makes clear reference to the Corporate Plan as the basis for the financial considerations in setting the medium term budget. The financial assumptions are therefore consistent with the Council Plan. Reports in year are consistent with the budget set.
Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	The financial plan considered explicitly the government changes in terms of grants. The plan sets out the likely implications of the Governments Resources Review (including welfare benefit reform and localisation of council tax support and business rates) and other changes to local government finance. Policy changes are detailed within the report. Sensitivity analysis for grant and other income and expenditure included.
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.

Going concern considerations (continued)

Question	Management response
Does a review of available financial information identify any adverse financial indicators including negative cash flow? If so, what action is being taken to improve financial performance?	No.
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?	Yes; Regular one to ones, PDR process and person specifications include assessment of relevant skills. Capacity issues are raised and discussed on a regular basis including in risk assessments e.g. dealing with benefits claims

Related parties

Matters in relation to Related Parties

Local Authorities are required to comply with International Accounting Standard 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 (i.e. subsidiaries);
- associates and/or joint ventures;
- an entity that has an interest in the Council 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.

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A disclosure is required if a transaction (or series of transactions) is material on either side i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK&I) 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 party considerations have been set out below and management has provided its response.

Related parties considerations

Question

What controls does the Council have in place to identify, account for, and disclose related party transactions and relationships?

Management response

A number of arrangements are in place for identifying the nature of a related party and reported value including:

- Maintenance of a Register of interests for Members and 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 they have read and understood the declaration requirements and that they state the details of any known related party interests.
- Challenge from public

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Who have the Council identified as related parties?

The Council discloses its related parties under the following headings:

- Government. Central government has controlling influence over the Council as the Council needs to act in accordance with its statutory responsibilities.
- Precepts & Levies. These parties are subject to common control by central government and thus might be empowered to transact on non-commercial terms. The Council is bound to pay the amount demanded from these parties through precept or levy.
- Joint Operations / Ventures. The Council has the potential to influence the other parties through a joint relationship.
- Assisted Organisations. The provision of financial assistance by the Council to such parties or voluntary organisations may give the Council influence on how the funds are to be administered and applied.

Accounting estimates

Matters in relation to Accounting Estimates

Local Authorities need to apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. This 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 Council identified the transactions, events and conditions that may give rise to the need to an accounting estimate.

Page 35 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 Council are using as part of their 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.

Accounting estimates considerations

Question	Management response
Are the management aware of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgment?	Yes; see appendix for detailed breakdown
Are the management arrangements for the accounting estimates, as detailed in Appendix 1 reasonable?	Yes
How is the Audit and Governance Committee provided with assurance that the arrangements for accounting estimates are adequate?	The significant accounting estimates are reported, as part of this report and included within the notes to the accounts, to Audit & Governance Committee. This includes an explanation of the underlying assumptions and likely impact of any variances. External Audit also provide assurance as part of the annual audit / review process.

Appendix 1 - 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 internal valuer (local RICS Member) in line with RICS guidance on the basis of 5 year valuations with interim reviews for significant assets and asset classes.	Chief Accountant notifies the valuer of the programme of rolling valuations or any conditions that warrant an interim re-valuation.	Use the Internal local RICS Member. Use of External valuer (Housing stock). ICT Acquisitions. Heritage Assets valuations. Cipfa Asset Manager System.	Valuations are made in-line with RICS guidance (reliance on expert). ICT: purchases at cost Heritage Assets: Use of valuation (inflated) or cost	No
Estimated remaining useful lives of PPE.	The following asset categories have general asset lives: <ul style="list-style-type: none"> • Housing stock 50 years • Other Buildings 5 to 100 years • Vehicles, plant & equipment 1 to 20 years • Community 100 years • ICT Equipment 3 years • Infrastructure 30 years. 	Chief Accountant discusses with the valuer	Use the Internal local RICS Member for non-housing valuations. Use of External valuer (Housing stock). Cipfa Asset Manager System. DCLG published updated the 'Stock valuation for resource accounting: guidance for valuers 2016'. The new guidance included an update of the regional adjustment factors used to calculate the social housing value of their property stock for 2016/17 to take account of changes in the housing market.	The method makes some generalisations. For example, buildings tend to have a useful life of 50 years. Although in specific examples based upon a valuation review, a new building can have a life as short as 25 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 Member.	No

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 & Amortisation.	Depreciation is provided for on all fixed assets with a finite useful life on a straight-line basis.	Consistent application of depreciation method across all assets.	Use the Internal local RICS Member for non-housing valuations. Use of External valuer (Housing stock). Cipfa Asset Manager System.	The length of the life is determined at the point of acquisition or revaluation according to: <ul style="list-style-type: none"> Assets acquired in year are depreciated on the basis of a charge from acquisition date. 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 in year (e.g. garage sites) and at each year-end as to whether there is any indication that an asset may be impaired.	Use the Internal local RICS Member for non-housing valuations. Use of External valuer (Housing stock). Cipfa Asset Manager System.	Valuations are made in-line with RICS guidance - reliance on expert.	No
Non adjusting events - events after the Balance Sheet date	S151 Officer makes the assessment. If the event is indicative of conditions. that arose after the balance sheet date then this is an non-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 the S151 Officer	This would be considered on individual circumstances. Discussions with Link Asset Services/ External auditor	This would be considered on individual circumstances.	N/A

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?
Overhead allocation.	The Finance Team apportion central support costs to services based on fixed bases as detailed in the 'Allocation Summary' spread sheet.	All support service cost centres are allocated according to the agreed 'Allocation Summary' spread sheet.	No	Apportionment bases are reviewed each year to ensure equitable	No
Measurement of Financial Instruments.	Council values financial instruments at fair value based on the advice of their external treasury consultants and other finance professionals.	Take advice from finance professionals.	Yes; Link Asset Services/PWLB	Take advice from finance professionals.	No
Provisions for liabilities.	Provisions are made where an event has taken place that <ul style="list-style-type: none"> gives the Council 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 of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the CI&ES 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.	Charged in the year that the Council becomes aware of the obligation.	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 relevant service if it is virtually certain that reimbursement will be received by the Council.	No

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?
Bad Debt Provision.	A provision is estimated using a proportion basis of an aged debt listing.	Revenues provide the aged debt listing and Finance calculate the provision.	No	Consistent proportion used across aged debt as per the Code. Business Rates: each case (limited number) assessed to determine estimated recoverable amount	No
Accruals	Finance collate accruals of Expenditure and Income. Activity is accounted for in the financial year that it takes place, not when money is paid or received.	Activity is accounted for in the financial year that it takes place, not when money is paid or received.	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
Pension liability	The Council is an admitted body to the Staffordshire Local Government Pension Scheme. The administering authority (the County Council) engage the Actuary who provides the estimate of the pension liability.	Payroll data is provided to the Actuary. Management reconcile this estimate of contributions to the actuals paid out in the year.	Consulting actuary	As disclosed in the actuary's report. Complex judgements including the discount rate used, rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	No

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