

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between external auditors and the Council's Audit and Governance Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Governance Committee under auditing standards.

Background

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

This two-way communication assists both the auditor and the Audit and Governance Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Governance Committee and supports the Audit and Governance Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Audit and Governance Committee's oversight of the following areas:

- Fraud
- Laws and regulations
- Going concern.
- Related Parties
- Accounting estimates

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

Fraud

Issue

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 and Governance Committee and management.

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

As an 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 and Governance 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 and Governance Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Governance 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 | Management response |
|---|---|
| <p>Has the Council assessed the risk of material misstatement in the financial statements due to fraud or error?</p> <p>What are the results of this process?</p> | <p><i>Management receive the following reports which have informed the Council that the risk of misstatement due to fraud or error is low:</i></p> <ul style="list-style-type: none"> • <i>Internal Audit’s risk assessment arising from the reviews to inform the Annual Governance Statement.</i> • <i>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.</i> • <i>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;</i> • <i>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.</i> • <i>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.</i> • <i>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.</i> • <i>Copy of Final Account documents (including previous year comparators). Material issues / explanations are reported to Audit & Governance Committee.</i> • <i>Advice / information on changes in Accounting Policy that impact on the financial statements (including issues affecting comparator variances).</i> |

Fraud risk assessment (continued)

| Question | Management response |
|---|--|
| Continued... | <ul style="list-style-type: none"> • <i>Compliance reviews are undertaken to the accounting code of practice (IFRS).</i> • <i>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.</i> |
| <p>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?</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 11</p> | <p><i>The Audit and Governance Committee receives various reports that satisfy them that the control environment is robust.</i></p> <ul style="list-style-type: none"> • <i>Internal Audit's risk assessment arising from the reviews to inform the Annual Governance Statement.</i> • <i>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.</i> • <i>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.</i> • <i>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.</i> <p><i>Counter Fraud & Corruption & Whistleblowing policies are in place (reviewed 2015 – Audit & Governance Committee 29th October 2015) – a review is due early in 2017.</i></p> |
| Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks? | <p><i>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 17/18. 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.</i></p> |

Fraud risk assessment (continued)

| Question | Management response |
|--|--|
| <p>Are internal controls, including segregation of duties, in place and operating effectively? If not, where are the risk areas and what mitigating actions have been taken?</p> | <p><i>Yes: the internal controls listed below are in place and operating effectively:</i></p> <ul style="list-style-type: none"> • <i>Financial guidance in place and regularly reviewed/monitored</i> • <i>Counter Fraud & Corruption & Whistleblowing policies in place (reviewed 2015)</i> • <i>System access control at local level</i> • <i>Monthly financial monitoring & review and exception reporting</i> • <i>NFI & NAFN reviews including payments monitoring</i> • <i>Review of higher value journals</i> • <i>Segregation of duties / 2 person authorisation requirements (to deter fraud / collusion)</i> • <i>Effective Internal Audit function reviewing key controls</i> • <i>Internal controls within Services</i> • <i>Self assessments are carried out to identify potential weaknesses</i> • <i>Procurement Strategy approved by Cabinet June 2013, including roll out of quick quote process for procurement & training for key officers.</i> |
| <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><i>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</i></p> <ul style="list-style-type: none"> • <i>S151 Officer is informed of suspected or alleged areas of fraud from the following sources :</i> <ul style="list-style-type: none"> • <i>Whistle Blowing / informants,</i> • <i>Benefits Fraud Investigations</i> • <i>Management – identification of irregularities</i> • <i>Internal Audit – reports / reviews</i> • <i>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);</i> • <i>Requirement of Managers / officers / Members to report to S151 any suspicions / allegations of fraud for appropriate investigation.</i> |

Fraud risk assessment (continued)

| Question | Management response |
|--|--|
| <p>How does the Audit and Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What arrangements are in place to report fraud issues and risks to the Audit and Governance Committee?</p> | <p><i>Audit & Governance Members (including relevant Council Officers) receive the following information / communication in order to raise / inform fraud risks and breaches of internal control</i></p> <ul style="list-style-type: none"> • <i>Quarterly Fraud update provided to the Committee including NFI.</i> • <i>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.</i> • <i>Head of Internal Audit Services opinion on the control environment given on a quarterly basis.</i> • <i>Pro-active annual Internal Audit plan based on "Risk Based Audit" to review key activity areas of operation</i> |
| <p>How does the Council communicate and encourage appropriate business practice and ethical behaviour of its employees and contractors?</p> | <ul style="list-style-type: none"> • <i>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.</i> • <i>An employee induction training process is completed which includes specific training for standards/code of conduct.</i> • <i>Financial Guidance is reviewed and approved by Members and is available to all staff / members on intra-net (and hard copy if required);</i> • <i>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);</i> • <i>Development of e-learning modules for Counter Fraud & Corruption and Whistleblowing</i> |

Fraud risk assessment (continued)

| Question | Management response |
|--|---|
| <p>How do you encourage employees to report their concerns about fraud? Have any significant issues been reported?</p> | <p><i>This is encouraged via Whistle-blowing Procedures and/or Counter fraud and/or Corruption policy Statements & Strategy (both are available on the intranet).</i></p> <ul style="list-style-type: none"> • <i>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.</i> <p><i>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.</i></p> |
| <p>Are you aware of any related party relationships or transactions that could give rise to risks of fraud?</p> | <p><i>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:</i></p> <ul style="list-style-type: none"> • <i>Annual declarations of interest are required from Senior Managers and all Members of the Council to inform the related party note in the accounts.</i> • <i>All members have to disclose any interest when making decisions.</i> • <i>Monitoring officer keeps a register of members interests.</i> • <i>Transparency requirements / publications & public interest disclosures.</i> |

Fraud risk assessment (continued)

| Question | Management response |
|---|---|
| <p>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 2016? If so how does the Audit and Governance Committee respond to these</p> <p style="text-align: center;">Page 15</p> | <p><i>No; management would be made aware of any actual or alleged instances of fraud via the following:-</i></p> <ul style="list-style-type: none"> • <i>S151 Officer is informed of (and takes appropriate action in relation to) suspected or alleged areas of fraud from the following sources:</i> <ul style="list-style-type: none"> • <i>Whistleblowing / informants,</i> • <i>Benefits Fraud Investigations including single person discounts, housing benefit, business rates, housing and the Local Council Tax Reduction Scheme</i> • <i>Management identification of irregularities</i> • <i>Internal Audit reports / reviews</i> • <i>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);</i> • <i>Requirement of Managers / Officers / Members to report to S151 any suspicions / allegations of fraud for appropriate investigation.</i> |
| <p>Are you aware of any whistleblower reports or reports under the Bribery Act since 1 April 2016? If so how does the Audit and Governance Committee respond to these</p> | <p><i>No.</i></p> |

Laws and regulations

Issue

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 and Governance 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 an 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 and Governance 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>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?</p> | <ul style="list-style-type: none"> • <i>Quarterly reports are received from the HIAS on systems reviewed. High risk areas are identified.</i> • <i>The Annual Governance Statement assurance gathering process involves assessing against the objectives and managers providing assurance statements.</i> • <i>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.</i> • <i>The External Auditor review and assurance opinion on the financial affairs (management processes) of the Authority.</i> • <i>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.</i> • <i>Periodic update to Officers / Members on new legislative requirements.</i> • <i>Regular update by the External Auditor on potential compliance issues / understanding.</i> • <i>Undertaking NFI Anti Fraud initiatives indicates potential fraudulent violations.</i> • <i>Pro-active Internal Audit Plan focused on provision of assurance reports on status of management control processes.</i> • <i>Regular review and update of Financial Guidance and Counter Fraud Policies.</i> |
| <p>How is the Audit and Governance Committee provided with assurance that all relevant laws and regulations have been complied with?</p> | <p><i>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.</i></p> |

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Impact of Laws and regulations (continued)

| Question | Management response |
|---|--|
| Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2016 with an on-going impact on the 2016/17 financial statements? | No. |
| What arrangements does the Council have in place to identify, evaluate and account for litigation or claims? | <i>Once identified, all claims are considered for their impact on the accounts, with appropriate action taken (e.g. reserve, provision, contingent liability etc.)</i> |
| Are there any actual or potential litigation or claims that would affect the 2016/17 financial statements? | No. |
| Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance? | No. |

Going Concern

Issue

Matters in relation to going concern

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.

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.

The code of practice on local authority accounting requires an authority's financial statements to be prepared on a going concern basis. Although the Council is not subject to the same future trading uncertainties as private sector entities, consideration of the key features of the going concern provides an indication of the Council's financial position and is good practice. A key consideration of going concern is that the Council has cash resources and reserves to meet its obligations as they fall due in the foreseeable future.

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

Going Concern Considerations

| Question | Management response |
|---|---|
| <p>Does the Council have procedures in place to assess the Council's ability to continue as a going concern?</p> | <p><i>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 2017.</i></p> |
| <p>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>No.</p> |
| <p>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?</p> | <p><i>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 2017.</i></p> |
| <p>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?</p> | <p><i>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.</i></p> |

Going Concern Considerations (continued)

| Question | Management response |
|---|---|
| <p>Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?</p> | <p><i>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.</i></p> |
| <p>Have there been any significant issues raised with the Audit and Governance Committee during the year which could cast doubt 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).</p> | <p>No.</p> |
| <p>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?</p> | <p>No.</p> |
| <p>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><i>Yes; 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</i></p> |

Related Parties

Issue

Matters in relation to Related Parties

Council's 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.

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 (Continued)

| Question | Management response |
|--|---|
| <p>What controls does the Council have in place to identify, account for, and disclose related party transactions and relationships?</p> | <p><i>A number of arrangements are in place for identifying the nature of a related party and reported value including:</i></p> <ul style="list-style-type: none"> <i>• 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.</i> <i>• 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.</i> <i>• Challenge from public</i> |
| <p>Who have the Council identified as related parties?</p> | <p><i>The Council discloses its related parties under the following headings:</i></p> <ul style="list-style-type: none"> <i>• Government. Central government has controlling influence over the Council as the Council needs to act in accordance with its statutory responsibilities.</i> <i>• 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.</i> <i>• Joint Operations / Ventures. The Council has the potential to influence the other parties through a joint relationship.</i> <i>• 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.</i> |

Accounting Estimates

Issue

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. 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 Council 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 material estimates that the Council is using as part of its accounts preparation; these are detailed in Appendix A 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 have been set out below and management has provided its response.

| 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? | <i>Yes; see appendix A for detailed breakdown</i> |
| Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable? | Yes |
| How is the Audit and Governance Committee provided with assurance that the arrangements for accounting estimates are adequate? | <i>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.</i> |

Appendix A Accounting Estimates

| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether Management have used an expert | Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in year? |
|--|--|---|---|---|---|
| Property plant & equipment valuations. | Valuations are made by the 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. For 2016/17, the DCLG have published updated the 'Stock valuation for resource accounting: guidance for valuers 2016'. The new guidance includes an update of the regional adjustment factors used to calculate the social housing value of their property stock 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 |

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 & 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 |

Appendix A Accounting Estimates (continued)

| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether Management have used an expert | Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in year? |
|--|--|---|---|---|---|
| Non adjusting events - events after the Balance Sheet date | 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 Capita/ External auditor | This would be considered on individual circumstances. | N/A |
| 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; Capita/PWLB | Take advice from finance professionals. | 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. | <p>Provisions are made where an event has taken place that</p> <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. <p>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.</p> | Charged in the year that the Council becomes aware of the obligation. | No | <p>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.</p> | 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? |
|---------------------|---|---|--|---|---|
| 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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