

Informing the audit risk assessment for Tamworth Borough Council 2020/21

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Agenda Item 5

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

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

Communication

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

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- 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 and Governance Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?</p>	<p>During the year the council has received a number of grants in relation to Covid-19, including acting as an agent and principal for Central Government to distribute business grants and test and trace isolation payments.</p> <p>Asset valuations and the net pension liability estimate, have the potential to have a significant impact on the financial statements due to their materiality and the fact that they are based on various assumptions, e.g. investment returns, retirement ages, mortality rates.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by the Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>Accounting Policies are reviewed by Executive Director Finance each year as part of the final accounts process – no material changes for 2020/21. They are due to be reported to Audit and Governance Committee in March 2021.</p>
<p>3. Is there any use of financial instruments, including derivatives?</p>	<p>There is no use of derivatives but the Council does report on its use of financial instruments in line with the code - comprising investments in property funds, banks, building societies and Local Authorities.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business?</p>	<p>During the year the Council has acted as an agent for the payment of COVID 19 business grants and test and trace isolation payments amounting to c. £18m.</p>

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	The outbreak of Covid-19 has impacted on the global financial markets and market activity. A material valuation uncertainty was disclosed in the 2019/20 Statement of Accounts and this is also likely to be the case for 2020/21.
6. Are you aware of any guarantee contracts?	No.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No.
8. Other than in house solicitors, can you provide details of those solicitors utilised by the Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>During the year, the Council has been supported by the legal team at South Staffordshire District Council (SSDC). With effect from January 2020, the Council entered into as a Legal shared service arrangement with SSDC and Lichfield DC. A copy of the report used to monitor this spend will be included as part of the Final Account working papers</p> <p>Ongoing support was received during the year regarding the NHS Trusts NNDR claim via LGA appointed solicitors.</p>

General Enquiries of Management

Question	Management response
9. Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Various advisors used in the year on a range of projects including Gungate masterplanning, Assembly Rooms, Repairs and Investment tender, CCTV Service review, Future High Streets project.

Fraud

Issue

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit 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 the Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Governance Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit 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>1. Have the Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>The risk of material misstatement of the accounts due to undetected fraud is low. Although there is an on-going risk of fraud being committed against the Council, clear and effective arrangements are in place to prevent and detect fraud. No material instances of fraud, have been identified in 2020/21.</p> <p>The Council has in place strong controls over its financial transactions in order to prevent fraud. Internal audit 's planned programme of work also targets fraud through key financial systems audit work.</p> <p>The Audit & Governance Committee receive regular reports on counter fraud arrangements (fraud response plan, fraud risk register, outcomes from MFI matches) and also recently approved the newly refreshed:</p> <ul style="list-style-type: none"> • counter fraud and corruption policy statement, strategy & guidance notes • whistleblowing policy • anti money laundering policy <p>In addition, an anti-fraud information and whistleblowing campaign and drop in session was held, widely publicised to all staff in November 2019.</p> <p>Corporate Risks are reviewed on a quarterly basis by CMT and reported to Audit and Governance Committee. This includes financial risk and the associated actions.</p>

Fraud risk assessment

Question	Management response
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p> <p>Page 38</p>	<p>There have been no material instances of fraud identified during the year. There are some areas that are inherently at risk from fraud such as:</p> <ul style="list-style-type: none"> • Council tax • Council tax reduction • Single person discount • Housing waiting list <p>These areas are targeted by National Fraud Initiative data matching undertaken by the Council's Corporate Anti Fraud Officer. Outcomes identified are routinely reported to the Audit & Governance Committee.</p>

Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Council as a whole or within specific departments since 1 April 2020?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p> <p>Page 39</p>	<p>No; management would be made aware of any actual or alleged instances of fraud via the following:-</p> <ul style="list-style-type: none"> • S151 Officer is informed of (and takes appropriate action in relation to) suspected or alleged areas of fraud from the following sources: <ul style="list-style-type: none"> • 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.
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within the Council where fraud is more likely to occur?</p>	<p>These are detailed within the fraud risk register which is subject to regular review and is reported routinely to the Audit & Governance Committee.</p> <p>No.</p> <p>Fraud is more likely to occur in cash handling facilities. These are subject to robust internal controls and regular audit reviews as part of the risk assessed audit plan. The main cash handling facilities of the Council have generally been closed for a significant period of the year due to the COVID Pandemic.</p>

Fraud risk assessment

Question	Management response
<p>5. What processes do the Council have in place to identify and respond to risks of fraud?</p> <p>Page 40</p>	<p>The newly refreshed whistleblowing policy encourages employees to report any suspicions of fraud or irregularity, and explains the procedures to follow. The newly refreshed counter fraud and corruption policy statement, strategy & guidance notes detail the processes in place to respond to the risk of fraud.</p> <p>These policies are available to all staff via the Council's intranet, and are included as part of the induction programme for new staff.</p> <p>Training is available to all staff via Astute</p> <p>Use of Net Consent to update all policies</p>

Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for the Council including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>The overall control environment is assessed via the outcome of internal audit's planned programme of work and the production of the annual governance statement (including management assurance statements).</p> <p>Where risk areas are identified during audit work, action plans are in place to address at risk control issues identified. A new approach to audit follow up has been endorsed by CMT and the Audit & Governance Committee this year to enhance overall arrangements in this area.</p> <p>None other than previously mentioned.</p> <p>No potential for override of controls or inappropriate influence over the financial reporting process has been identified during the period.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>No areas have been identified where there is potential for misreporting.</p>

Fraud risk assessment

Question	Management response
<p>8. How do the Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>Available on the intranet, is the employees' code of conduct and the below key counter fraud policies for all staff to access:</p> <ul style="list-style-type: none"> • counter fraud and corruption policy statement, strategy & guidance notes • whistleblowing policy • anti money laundering policy <p>All employees are required to be aware of these policies at induction and reminders are held for existing staff intermittently (anti-fraud information and whistleblowing campaign and drop in session was held, widely publicised to all staff in November 2019).</p> <p>Procurement rules within the Financial Guidance are regularly reviewed providing staff with guidance and encouragement to conduct procurements in an open, transparent and fair manner. The standard procurement T&Cs used by the council include clauses relating to the timely payment of sub-contractors; behaviour of personnel; compliance with diversity & equality legislations; commission, bribery and corruption; counter-terrorism & security act; data protection; H&S and adherence to safeguarding policies and procedures. Depending on the value and risks of a contract, we regularly conduct suitability checks which may include financial and insurance appraisals; modern slavery checks; H&S checks; safeguarding policy checks; accreditations & qualifications etc.</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>From a fraud and corruption perspective, high-risk posts would routinely be those that handle cash and are involved in financial transacting. The risk of these post holders committing fraud is mitigated via internal control such as segregation of duties, management supervision (1st line), exception and report monitoring (2nd line) and internal / external audit (3rd line) assurance activities</p>

Fraud risk assessment

Question	Management response
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>Not aware of any related party relationships or transactions that could give rise to instances of fraud.</p> <p>Risk of this is mitigated via:</p> <ul style="list-style-type: none"> • 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.
<p>11. What arrangements are in place to report fraud issues and risks to the Audit and Governance Committee?</p> <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 has been the outcome of these arrangements so far this year?</p>	<p>The Audit & Governance Committee receive regular counter fraud updates (including the fraud risk register). The terms of reference of the Committee clearly sets out its responsibility in terms of counter fraud and they receive routine internal audit progress reports, including the Head of Internal Audit & Governance's opinion on internal control.</p> <p>For 2020/21, no matters of material concern have been identified.</p>

Fraud risk assessment

Question	Management response
12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	No.
13. Have any reports been made under the Bribery Act?	No.

Laws and regulations

Issue

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit 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 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>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<ul style="list-style-type: none"> • Quarterly reports are received from the H of AG 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
<p>2. How is the Audit and Governance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>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.</p>

Impact of laws and regulations

Question	Management response
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?	Not aware of any.
4. Is there any actual or potential litigation or claims that would affect the financial statements?	We currently have two potential matters which will be communicated to the audit team as part of their audit work. These are expected to be immaterial.
5. 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.)
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No.

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Related Parties

Issue

Matters in relation to Related Parties

The Council are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the Council;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Council
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council or of any entity that is a related party of the Council.

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

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in the Council's 2019/20 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and the Council whether the Council has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>During the year the Council has acted as an agent and principal for the payment of COVID 19 business grants and test and trace isolation payments.</p>
<p>2. What controls does the Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none"> Maintenance of a Register of interests for Members 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
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>The Director of Finance and Assistant Director – Finance regularly review all significant transactions. Payments of over £30k are reviewed by a senior officer on a weekly basis before they are made.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Activities outside normal business are referred to CMT and/or Cabinet for authorisation</p>

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- Page 50
- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
 - How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
 - How the entity's risk management process identifies and addresses risks relating to accounting estimates;
 - The entity's information system as it relates to accounting estimates;
 - The entity's control activities in relation to accounting estimates; and
 - How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

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

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	<p>Valuation, depreciation and impairment of property, plant and equipment</p> <p>Valuation of defined benefit net pension liability</p> <p>Credit Loss Allowances</p> <p>NNDR Business Rates appeals provision</p>
2. How does the Council's risk management process identify and addresses risks relating to accounting estimates?	<p>Management review activities from previous years which together with an updated action plan is presented to CMT for consideration which includes risks relating to accounting estimates. This report is then presented to Audit and Governance Committee.</p>
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	<p>Management consult guidance, e.g. the Code of Practice on Local Authority Accounting and RICS guidance; attend GT Workshops and review CIPFA Closedown bulletin .</p>
4. How do management review the outcomes of previous accounting estimates?	<p>Management look back retrospectively to assess whether previous accounting estimates were reasonable where possible and/ or compare to estimates provided for the current year.</p>
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	<p>No changes have been made to the estimation processes in the current year.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Management review activities from previous years which together with an updated action plan is presented to CMT for consideration which includes detailed resources required from other Council Departments. This report is then presented to Audit and Governance Committee. Any specialist skills/knowledge is identified as part of this process.
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Management determines what control activities are needed through liaison with internal audit, referring to the Code of Practice on Local Authority Accounting and other guidance, attendance at seminars and workshops (e.g. Grant Thornton's annual Local Government Accountants Workshop and CIPF Closedown Bulletin and through liaising with other authorities (formally as part of Staffordshire Accountants Group and informally through contact with other LA Accountants).
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Management review the output of service providers and the assumptions underpinning them, challenging any discrepancies or unexpected outcomes.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	Accounting Policies/Estimates are included in the Action Plan identified above and are discussed at Audit and Governance Committee.

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	No although will be continuously reviewed as part of closedown process
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	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.

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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 Page 54	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.	Assistant Director Finance 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. 	Assistant Director Finance discusses with the valuer	Use the Internal local RICS Member for non-housing valuations. Use of External valuer (Housing stock desktop valuations). Cipfa Asset Manager System. DCLG published updated the 'Stock valuation for resource accounting: guidance for valuers 2016'. The 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

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?
Depreciation and 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
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

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?
Provisions for liabilities Page 56	<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	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
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	<p>Consistent proportion used across aged debt and confirmed as not materially different to the expected credit loss model for impairment as required by the Code.</p> <p>Business Rates: each case (limited number) assessed to determine estimated recoverable amount</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?
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
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

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Pension 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
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

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