

Informing the audit risk assessment for Somerset County Council 2021/22



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

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

Communication

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

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

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

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?</p>	<p>The Covid-19 Pandemic has had a significant impact both in terms of additional costs, staffing redeployment, and grants. This has had an impact as the focus for the authority has been to support the public health and wellbeing of our residents. The Council has received just under £44m of Covid-19 Grants and has monitored and reported the use of these grants against the Government's criteria for spend.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Somerset County Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>Compliance with the CIPFA Code will mean that we use appropriate accounting policies.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>All financial instruments are disclosed in our notes to the accounts within our Statement of Accounts. During 2021/22 we invested an additional £5m in Pooled Funds and this will be disclosed within the Statement of Accounts. There is no use derivatives by SCC.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>No</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? If so, what are they?	<p>No, none</p> <p>An assessment is made annually by our valuers of our non-current assets and whether any impairment has occurred in the year.</p>
6. Are you aware of any guarantee contracts? If so, please provide further details	<p>Guarantee bonds that are in place have been assessed as not material.</p>
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	<p>Yes, we are aware of all outstanding legal cases which are assessed for any loss contingencies as part of our Statement of Accounts processes.</p>
8. Other than in house solicitors, can you provide details of those solicitors utilised by Somerset County Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>The firms/organisations used in 2021/22 to date are:</p> <p>Browne Jacobson – Adult Social Care advice</p> <p>Bevan Brittan – Adult Social Care advice</p> <p>Anthony Collins – Funding agreement/Unitary advice</p> <p>Goughs – s106</p> <p>Mendin District Council – s106</p>

General Enquiries of Management

Question	Management response
9. Have any of the Somerset County Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<p>The council has regularly used advisors / consultants across various services on a range of issues to provide expert advice. For finance, we use advice for various specialisms such as specific VAT advice, insurance brokers, treasury advisors and LG Futures for financial forecasting & modelling.</p> <p>Some external advice was sought regarding Local Government Reorganisation in Somerset</p> <p>If there is a particular area that further details are required this can be provided.</p>
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	The council regularly reviews its financial assets, and no material credit loss provisions have been recognised in 2021/22. A final review will be carried out at year-end, and a loss provision will be recognised if required under IFRS9.

Fraud

Matters in relation to fraud

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

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Somerset County 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 Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Somerset County Council's management.

Fraud risk assessment

Question	Management response
<p>1. Has Somerset County 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>We do not believe this to be an issue as no material frauds have been identified during the year. We believe that the risk of unknown material fraud to be low.</p> <p>Our control environment around fraud control has not changed from previous years. A key part of our arrangements is the use SWAP Ltd as our Internal auditors. SWAP has now completed a baseline assessment for fraud and we have been following the action plan for improvement.</p> <p>There is robust medium term financial plan in place to ensure a sound budget is set for the year. This has been risk assessed and those risks have been included in the budget report. These risks will continue to be monitored and reported as part of budget monitoring. Comprehensive monthly budget monitoring ensures the risks of over or underspending are well managed and projects remain on track. Budget monitoring is part of the overall system of internal controls designed to mitigate against risks of incorrect financial reporting.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Accounts payable and payroll</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Somerset County Council as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>	<p>Yes there have been some instances that have been recorded and in some cases processes amended as a result.</p> <ul style="list-style-type: none"> - Impersonation of an SLT officer to change payroll bank details – not successful but reminder to Payroll team of control process via SAP not manual process. - Five allegations regarding error, favouritism and process during procurement contract award of specific major project – full investigation conducted by SWAP anti-fraud team.

Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Regular risk updates are presented to the Audit Committee and annually an Anti-Fraud and Corruption Paper is also presented to this committee. This paper includes a summary of actual, suspected and alleged frauds over the previous year.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Somerset County Council where fraud is more likely to occur?</p>	<p>Areas at risk of fraud are identified by:</p> <ul style="list-style-type: none"> • SWAP audit work • SWAP Fraud alerts • Staff allegations • Risk register/assessments <p>Cases of attempted electronic fraud through phishing and impersonation are increasing. We have seen this through vendor set up, accounts payable and payroll.</p>
<p>6. What processes do Somerset County Council have in place to identify and respond to risks of fraud?</p>	<p>South West Audit Partnership (SWAP) fraud alerts are circulated to appropriate managers and departments. The Council has an Anti Fraud and Corruption Policy, Anti Money Laundering Policy, Anti – Bribery Policy, Anti Tax Evasion Policy and Whistleblowing Policy</p> <p>The Council holds a register that records reports of fraud and any consequent actions to improve processes</p> <p>A dedicated anti-fraud email address for notifications to be made to.</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Somerset County 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)? If so, please provide details</p>	<p>Through effective audit through SWAP. The Finance Business Partners work closely with services in upholding those controls</p> <p>The Council has a Fraud and Corruption Policy, Whistle blowing Policy, Anti money Laundering Policy, Anti Bribery Policy and Anti Tax Evasion Policy</p> <p>No</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>None identified</p>

Fraud risk assessment

Question	Management response
<p>9. How does Somerset County 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? Have any significant issues been reported? If so, please provide details</p>	<p>The Council operates a Code of Conduct for both officers and members. Regular updates through CORE brief, staff induction & training. All outside organisations contracted are bound by strict ethical behaviours contained within their contract.</p> <p>Reporting procedures laid out in Anti-Fraud and Corruption Policy. Also through the Council's whistleblowing policy.</p> <p>Staff must report any concerns they may have regarding fraud and corruption, whether it relates to dishonest behaviours by Council employees, Members, Contractors or by others.</p> <p>No significant issues have been reported during the financial year 2021/22.</p>
<p>10. 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>Because of the overall governance framework and internal control environment there are no posts that are considered to be high-risk.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No. All elected members and senior officers are required to provide details of any related party relationships on an annual basis.</p> <p>SCC staff are bound by the Council's Contract Standing Orders to ensure proper procurement practices are followed at all times.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit 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 Anti-Fraud and Corruption Policy sets out the ways to report and investigate fraud. An annual fraud report is made to Audit Committee each year. SWAP also report regularly to the Audit Committee. The Audit Committee can also call in any report with a Partial assessment and will review that recommendations have been carried out. The Audit Committee also review any high priority findings of non-opinion audits.</p> <p>There have been no instances of fraud relating to breaches of internal controls to be reported in 2021/22. A full report of fraud (including suspected) instances will be taken to Audit Committee in the new year as part of our annual reporting.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

Law and regulations

Matters in relation to laws and regulations

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

Management, with the oversight of the Audit Committee, is responsible for ensuring that Somerset County 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 body is in compliance with laws and regulations. Where we become aware 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 Somerset County 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>	<p>Somerset County Council's constitution and scheme of delegation outlines the rights, responsibilities and duties of the Council and it's officers. The Monitoring Officer oversees compliance with the constitution and scheme of delegation, and reports on matters he believes are or are likely to be illegal or amount to maladministration. The Monitoring Officer seeks legal advice should he require it, additionally he checks that Legal Services are consulted as part of any decision making process</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>All committee reports require sign off by statutory officers and other key officers and there is a clear section on legislation</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>	<p>No</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>No</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does Somerset County Council have in place to identify, evaluate and account for litigation or claims?	Legal Services evaluate instructions upon receipt and advise internal service clients accordingly. Service departments (with the support of Corporate) make their own arrangements in respect of accounting for litigation or claims
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No

Related Parties

Matters in relation to Related Parties

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

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Somerset County Council;
- associates;
- joint ventures;
- a body 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 body 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) 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 Somerset County Council's 2020/21 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> • the nature of the relationship between these related parties and Somerset County Council • whether Somerset County Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	<p>No</p>
<p>2. What controls does Somerset County Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>The authorities elected Members are sent an annual questionnaire to identify any material related party transactions, and the findings from the responses are disclosed in the published accounts.</p> <p>The authority reviews existing contractual arrangements to determine whether the authority has significant influence over the other parties due to the considerable proportion of business provided to them by the authority. Any material findings are disclosed in the published accounts.</p> <p>The authority publishes an annual Partnership Register, and a review of all key decisions is carried out annually to identify any new transactions/relationships.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>No related parties</p>
<p>4. What controls are in place to authorise and</p>	<p>Following approved processes regarding segregation of duties and payment approval protocols.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Somerset County Council will no longer continue?</p>	<p>The CIPFA 2020/21 Accounting Code of Practice confirms that on the basis that local authorities 'cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for their financial statements to be provided on anything other than a going concern basis'.</p> <p>The s151 officer conducts an annual Going Concern assessment. The main factors underpinning this assessment will include:</p> <ul style="list-style-type: none"> • 2021/22 Outturn • Covid 19 • Balance Sheet • 2022/23 Budget • Budget Monitoring Process • MTFP & Future years • CIPFA Resilience Index • Borrowing & Cash flow • The Council's Vision and Financial Planning Process • Council's Governance Arrangements • Local Government Reorganisation • Regulatory and control environment applicable to the Council as a local authority. • Financial Sustainability
<p>2. Are management aware of any factors which may mean for Somerset County Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>No</p>
<p>3. With regard to the statutory services currently provided by Somerset County Council, does Somerset</p>	<p>Somerset County Council expects to continue delivering its statutory services until 31st March 2023. A local government re-organisation will mean these services are provided by the new Somerset</p>

Accounting estimates

Matters in relation to accounting estimates

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

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body'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?	These are all disclosed in the Statement of Accounts.
2. How does the Council's risk management process identify and address risks relating to accounting estimates?	The authority reviews the previous year's Statement of Accounts and the Auditor's report to add further assurances and review any areas requiring further robustness
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	The team attends technical updates to ensure they are aware of any changes required and follow CIPFA Code guidance.
4. How do management review the outcomes of previous accounting estimates?	Material variations would impact on budget monitoring.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	No changes

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Disclosure of existing critical judgements is made within the notes to the accounts within our Statement of Accounts.
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?	These are reviewed by the Chief Accountant and the S151 Officer
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	We ensure that those providers are suitably qualified. In addition to this we are introducing more check and challenge to accounting estimates. In the area of property valuations further internal check and challenges have been introduced.
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 estimates are tested for reasonableness and also compared to previous years to pick up any anomalies. The Chief Accountant is professionally qualified and very experienced. Also see above response re property valuations. The methods and models used are consistent with those used in similar authorities

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>10. Are management aware of any 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)? If so, what are they?</p>	<p>No</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>All accounting estimates are considered by suitably qualified professionals.</p>
<p>12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>Audit Committee members attend a training session each year prior to the Statement of Accounts being presented for approval. The Committee are then walked through the Statement of Accounts including the accounting policies. Any material variations compared to previous years are explained</p>

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?
Land and buildings valuations	Current or Fair Value (based on Existing Use Value; Highest and Best Use, and DRC – depending on class of asset)	The authorities professional team of in-house valuers follow RICS guidance and incorporate a peer review to ensure the correct estimation method is adopted.	The authority uses its own in-house team of RICS qualified valuers.	The authority's in-house team of qualified valuers assess the uncertainty, and elect the most suitable estimate based on RICS guidance.	The DRC rates used for Externals is now based on evidencable data rather than a historic rate.
Council dwelling valuations	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Investment property valuations	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Depreciation	Management consider a combination of accounting guidance (from CIPFA and RICS) and professional knowledge/experience of the authority's asset portfolio to select/design the estimation models used.	Information provided is peer reviewed within the Property Services team prior to submission to management.	The authority uses its own in-house team of RICS qualified valuers.	Management rely on the authority's in-house team of property professionals to consider the sensitivity of the estimate, and the level of disclosure in the financial statements.	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?
Valuation of defined benefit net pension fund liabilities	Provided by Fund actuary	As per actuary advice	Yes, Barnett Waddingham	As per actuary advice	No
Level 2 investments	Provided by External Fund Managers	Provided by External Fund Managers	Yes, Arlingclose	Arlingclose will consider the underlying assumptions and assess the uncertainty in their calculations.	No
Fair value estimates	The FV models used have been provided by the authority's treasury management advisors (Arlingclose).	Management uses its in-house finance experts to sense check the models and assumptions provided by the treasury management advisors. Statutory guidance is considered as part of the review process.	Yes, Arlingclose	Estimation uncertainty is considered by the authority's treasury management advisors, and in-house finance team. Where uncertainty exists, the authority adopts the prudence concept when selecting the point estimate to use.	No
PFI Liabilities	Management use the audited PFI model provided by the PFI consultants on the commencement of the	The authority monitors the operation of control activities through its in-house contract	Management use the audited PFI model provided by the	Management use the PFI model to determine the year-end liability position.	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	Service finance teams process their own provisions based on service knowledge. Approval is required from the Service manager prior to processing SAP. Corporate closing guidance is provided to service teams to make them aware of any rule changes and confirm the correct SAP entries.	Postings are monitored and controlled through the authority's monthly budget monitoring process, and Corporate approval from the Chief Accountant is required prior to any posting	No	Assumptions are based on service knowledge, and statutory guidance.	No
Accruals	Service finance teams process their own accruals based on service knowledge. Approval is required from the Service manager prior to processing SAP. Corporate closing guidance is provided to service teams to make them aware of any rule changes and confirm the correct SAP entries.	Accrual postings are monitored and controlled through the authority's monthly budget monitoring process.	No	Assumptions are based on service knowledge, and statutory guidance.	No
Credit loss and impairment allowances	Service finance teams process their own impairment allowances based on service knowledge of the debt	Corporate review of aged debt. Corporate	No	Assumptions are based on service knowledge, and statutory guidance.	No



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