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Informing the audit risk assessment for Telford and Wrekin Council 2019/20

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Table of Contents

Section	Page
Purpose	4
General Enquiries of Management	6
Fraud	9
Fraud Risk Assessment	10
Laws and Regulations	16
Impact of Laws and Regulations	17
Going Concern	19
Going Concern Considerations	20
Related Parties	25
Accounting Estimates	28
Appendix A Accounting Estimates	29

Purpose

The purpose of this report is to contribute towards the effective two-way communication between Telford and Wrekin Council's external auditors and Telford and Wrekin 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,
- Going Concern,
- Related Parties, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Telford and Wrekin 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 2019/20?</p>	<p>Areas that we will focus on which could have a significant impact on the financial statements for 2019/20:</p> <p>(i) Valuation of fixed assets – following the 18/19 audit, work is in progress to move away from the 5 yearly valuation cycle with a significantly higher proportion of assets due to be valued in 19/20. Indexation will be used to evidence that the risk of mis-statement is not material.</p> <p>(ii) Any unforeseen legal rulings which have a financial impact on local authorities, such as the McCloud judgement which had a significant impact on the Pension Fund valuation in 2018/19</p> <p>(iii) Adults & Childrens Social Care - the overall outturn position will be impacted by any additional pressures in Adults and Children’s Services in the remainder of the financial year.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Telford and Wrekin Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>Yes, we consider the accounting policies appropriate, with the exception of PPE where a change is planned as described below.</p> <p>Property, Plant & Equipment – valuation interval to be changed – currently 5 yearly intervals. The intention is to value around 70% (of NBV) in 2019/20 to minimise the risk of material mis-statement.</p>
<p>3. Is there any use of financial instruments, including derivatives?</p>	<p>Financial instruments are carried in the balance sheet – Note 21 to the 18/19 Statement of Accounts lists the various categories, which are expected to continue to apply in 2019/20</p>
<p>4. Is Are you aware of any significant transaction outside the normal course of business?</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?	No
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?	Nothing material.
8. 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?	Not that we are aware of.
9. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Financial advice was obtained during 2019/20 from: LG Futures Ltd – funding and technical advice PWC – taxation advice in relation to Nuplace Arlingclose Ltd – treasury management advisors

General Enquiries of Management

Commercial in confidence

Question	Management response
<p>10. Other than in house solicitors, can you provide details of those solicitors utilised by Telford and Wrekin Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?</p>	<p>The Council instructs a number of external solicitors on a wide range of different matters. Most of these are for discrete pieces of work which do not involve litigation against or for the Council. See below for more information on these:-</p> <p>NP Law – Compulsory Purchase Order case. This is an ongoing case on which NP Law have been instructed since 2018.</p> <p>Browne Jacobson – property, commercial and contract matters. Ongoing basis.</p> <p>Ward Hadaway – school academies work.</p> <p>Sharpe Pritchard – ongoing contracts work in relation to key high-value contracts.</p> <p>Freeths – property and commercial work – ongoing.</p> <p>Weightmans – childcare out of hours service and Adult Social Care.</p> <p>Gowling WLG – single status – ongoing.</p> <p>Anthony Collins – commercial work – ongoing</p> <p>Womble Bond Dickinson – commercial work ongoing.</p> <p>NB. Despite what has been said at the outset, Weightmans are our out of hours childcare advice providers and, if circumstances dictate, will bring emergency proceedings in Court to protect a child pending the return of in-house solicitors on the next working day. This may include litigation on the part of the Council but, typically, in relation to interim proceedings such as an EPO.</p> <p>Those matters where solicitors have been instructed in litigation are as follows:-</p> <p>Veale Wasborough Vizards – one instruction in relation to negotiated departure of officer.</p> <p>BLM – instructed by our insurers in relation to claims made against the authority and for which insurance cover is provided. Primarily personal injury claims.</p> <p>Weightmans – instructed by our insurers in relation to claims made against the authority and for which insurance cover is provided. Primarily personal injury claims.</p>

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 Telford and Wrekin 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 Risk & Assurance Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

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

Fraud risk assessment

Question	Management response
<p>1. Have Telford and Wrekin 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 in the financial statements due to fraud is low because:</p> <ul style="list-style-type: none"> •Arrangements are in place to prevent and detect fraud which includes the work undertaken by Internal Audit, The Investigation Team, Council Tax and Benefits Teams. •The Internal Audit plan covers the key systems which feed into the Statement of Accounts and audits are undertaken on a risk-based approach. •The Chief Executive, Executive Directors, Directors and Service Delivery Mangers complete and sign assurance statements on an annual basis confirming that the governance framework has been operating within their areas of responsibility. •There is an Anti-Fraud and Corruption Policy in place which is monitored and reviewed. Periodic reports are provided to Senior Management Team and cascaded to teams.
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The Investigation Team have a fraud risk register highlighting services most at risk. The Council has identified that Social Care is a key are most at risk to fraud. However, in terms of volume, risks are more prevalent in Revenues and Benefits.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Telford and Wrekin Council as a whole or within specific departments since 1 April 2019? As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>In terms of internal fraud against the council, two matters are currently under investigation. These cases are for relatively low financial amounts, e.g. less than £10k.</p> <p>External to the Council, there have been a number of allegations received regarding fraud by members of the public. These are largely related to Revenues matters. The Investigation Team investigates these matters.</p> <p>Matters investigated are discussed with relevant management and messages/publicity are provided both internally and externally.</p>

Fraud risk assessment

Question	Management response
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Telford and Wrekin Council where fraud is more likely to occur?</p>	<p>See question 2 above. Fraud risks have been identified relating to Social Care and in particular Direct Payments. The Investigation Team continue to work with this service in the prevention, detection and investigation of fraud in this area.</p> <p>There are no locations within Telford & Wrekin where fraud is more likely to occur.</p>
<p>5. What processes do Telford and Wrekin Council have in place to identify and respond to risks of fraud?</p>	<p>Processes in place to identify and respond to fraud:</p> <ul style="list-style-type: none"> •Internal Audit work plan. •Internal Audit along with the Investigations Team undertake proactive fraud work based on a fraud risk register. •Fraud and corruption activities are undertaken by Trading Standards. •Anti-Fraud & Corruption Policy. •Whistleblowing and fraud reporting procedures are in place which allow staff and members of the public to report concerns relating to fraud and error to the Investigation Team via a variety channels. <p>Frauds highlighted either from the National Anti Fraud Network (NAFN) or the West Midlands Fraud Group are communicated to appropriate stakeholders as soon as they are received.</p>

Fraud risk assessment

Question	Management response
<p>6. How would you assess the overall control environment for Telford and Wrekin Council, including: the process for reviewing the effectiveness the system of internal control; internal controls, including segregation of duties; exist and work effectively?</p> <p>If not 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>Assurance is provided to the Audit Committee through:</p> <ul style="list-style-type: none"> •Quarterly internal audit reports are presented to the Committee providing an update on the work of internal audit with particular focus on Amber and Red reports. •Executive Directors/Directors/Service Delivery Managers attend, on request, to provide additional information where requested. •External Audit provide an Annual Audit Letter to the Committee highlighting any areas of concern and recommendations following the annual audit of accounts. •An Anti-Fraud Report is presented at the end of each financial year. •The Strategic Risk Register is presented to Audit Committee. •Finance & Legal comments in all reports; business case approval for major investments . <p>Management is not aware of any areas where there is potential for override of control or inappropriate influence over the financial reporting process.</p> <p>Reconciliations are undertaken regularly and there is appropriate separation of duties in place with review/challenge by Senior Finance Officers.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>No particular areas have been identified where there is a potential for misreporting.</p>

Fraud risk assessment

Question	Management response
<p>8. How do Telford and Wrekin 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?</p>	<p>Training –Fraud module included for all new starters. Core behaviours for all employees. Induction of new employees. Whistleblowing Policy. Publicity on fraud matters that have been taken to court. Anti-Fraud & Corruption Policy.</p> <p>The Whistleblowing Policy encourages staff to report any concerns regarding fraud and irregularity through a variety of channels.</p> <p>The Council's Core behaviours encourage staff to report any fraudulent/otherwise unacceptable behaviour.</p> <p>The authority receives a constant flow of allegations, most notably relating to Revenues related fraud by the general public. Referrals have also been received relating to Adult Social Care and a number of internal matters.</p>

Fraud risk assessment

Question	Management response
<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>Council Tax Support, Single Person Discount and Council Tax liability are areas where fraud is common. The Investigation Team undertake considerable work in this area. There are strong reporting channels where staff and members of the public report their concerns. The Revenues Service undertake an annual Single Person Discount review exercise by using credit data obtained from a third party, and they also take part in the National Fraud Initiative's single person discount review.</p> <p>Direct Payment and Social Care is a growing area of fraud. Significant work has been undertaken by the Investigation Team to increase awareness of fraud in this area and encourage staff to report their concerns.</p>
<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>We are not aware of any related party relationships or transactions that could give rise to fraud. Related party transactions have to be disclosed by elected Members and senior officers.</p> <p>All members and officers have to disclose relevant interests in the register of interests.</p>

Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit Committee? How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?</p>	<p>The Audit Committee's terms of reference include a number of measures concerning internal control and fraud matters. In the main these include:</p> <ul style="list-style-type: none"> •Receiving regular updates on the work of internal audit which would include fraud risks •Receiving an annual report on anti-fraud and corruption •Approving the Councils Anti-Fraud & Corruption Policy and the Whistleblowing Policy
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No specific whistle blower reports have been made since April 2019.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>No specific Bribery Act referrals have been made since April 2019.</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 Telford and Wrekin Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Telford and Wrekin 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>The Council has a robust Governance Framework in place.</p> <p>The Council has a Monitoring Officer and Section 151 Officer who provide assurance both supported by adequately staffed and trained teams of professional officers.</p> <p>Council/Cabinet reports include a Legal Comment which is completed and signed off by a senior officer in Legal Services.</p> <p>Internal Audit Work.</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>As above. The Monitoring Officer ensures lawfulness and fairness of decision making. The Monitoring Officer will report to Full Council if he considers that any proposal, decision or omission would give rise to unlawfulness. Other Statutory Officers of the authority also provide assurance in relation to their specific function.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2019 with an on-going impact on the 2019/2020 financial statements?</p>	<p>No –the position will be reviewed again at the 31 March each year as part of the annual accounts process.</p>

Impact of laws and regulations

Question	Management response
4. What arrangements does Telford and Wrekin Council have in place to identify, evaluate and account for litigation or claims?	<p>Legal and Insurance work together to identify and evaluate any potential litigation or claims against the Council.</p> <p>Potential liabilities are included in the Statement of Accounts.</p>
5. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	None
6. Is there any actual or potential litigation or claims that would affect the financial statements?	<p>It is considered that anything in excess of £50,000 would be reportable. The Council has a number of claims which are dealt with by its insurers. However, the financial liability associated with these claims is limited to the Council's insurance excess. In the current insurance year, that excess is £50,000 per claim. For claims relating to previous years, that excess is £20,000.</p> <p>In 2018/19, the Council disclosed a claim with a potential value of £1million. The Council made an offer to settle this claim at £20,000 (the equivalent of the Council's insurance excess at that time). No response was received to that offer and the file has been closed although the limitation period for this case has not yet expired and so, potentially, the claim could be resurrected by the Claimant.</p>

Going Concern

Matters in relation to going concern

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

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

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

Going concern considerations

Question	Management response
<p>1. Has the management team carried out an assessment of the going concern basis for preparing the financial statements for Telford and Wrekin Council? What was the outcome of that assessment?</p>	<p>Under the current local government structure and statutory provisions, authorities cannot be created or dissolved without statutory prescription, therefore the going concern basis of accounting will apply. In addition to this, the Council has a robust service and financial planning strategy, adequate reserves and contingencies, access to Public Works Loans Board borrowing, and a strong track record of delivering savings and a balanced budget for over 10 years, which will ensure that it does continue to operate into the foreseeable future.</p>
<p>2. Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with Telford and Wrekin Council's Business Plan and the financial information provided to Telford and Wrekin Council throughout the year?</p>	<p>Yes –financial assumptions in the Statement of Accounts, revenue budget, capital programme, capital and investment strategies, treasury management strategy and Council plan are all consistent.</p>

Going concern considerations

Question	Management response
3. Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	Yes
4. Have there been any significant issues raised with the Audit Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	Following a query raised during the 18/19 audit relating to control accounts, the Council has agreed to review debtor and creditor balances during 2019/20.
5. Does a review of available financial information identify any adverse financial indicators including negative cash flow or poor or deteriorating performance against the better payment practice code? If so, what action is being taken to improve financial performance?	No

Going concern considerations

Question	Management response
<p>6. Does Telford and Wrekin 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>Yes although given staffing reductions to meet savings targets, there are some single points of failure which are addressed through workforce planning processes as far as possible.</p> <p>The recruitment process, including job descriptions and person specifications are designed to ensure the appropriate skills and experience are sought. Restructuring/service transformation have a focus on ensuring skills and experience to deliver services are in place.</p> <p>The Council is active in terms of workforce planning, which aligns with service planning and delivery of service objectives.</p> <p>There is a comprehensive corporate learning programme in place for managers and other employees as well as specific training relevant to specific roles. There is a strong focus on organisational development, including a Leadership programme.</p> <p>The Council will engage external professionals where specific skills are required that are not available in-house, or agency workers will be engaged when necessary to fill essential roles on a short-term basis. A Use of Consultants Business Case has to be approved to ensure appropriate governance in place.</p>

Going concern considerations

Question	Management response
7. Does the Council have procedures in place to assess their ability to continue as a going concern?	<p>There is a robust Service & Financial Planning process and Strategy in place. Regular financial monitoring takes place with regular updates being presented to Senior Management Team and Cabinet; cost improvement plans are in place for areas of significant pressure.</p> <p>Overall spend is within budget and the Council has a long track record of strong financial management being under budget for the past 11 years and will have delivered ongoing savings totalling £123m by the end of 2019/20 in accordance with the budgets approved for each year.</p>
8. Is management aware of the existence of events or conditions that may cast doubt on the Council's ability to continue as a going concern?	None known
8. Is management aware of the existence of events or conditions that may cast doubt on the Council's ability to continue as a going concern?	None known

Going concern considerations

Question	Management response
<p>9. Are arrangements in place to report the going concern assessment to the Audit Committee ?</p> <p>How has the Audit Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing financial statements?</p>	<p>Yes -through the Statement of Accounts</p> <p>The Audit Committee receives both the draft and final Statement of Accounts and has opportunity to raise queries. Prior to approval of the final SOA officers provide an overview/training session highlighting key matters in the accounts and again providing opportunity for queries.</p> <p>Members have access to all Council reports, including the budget and regular financial management reports which provide assurance on the current and projected financial position of the authority. The Council has a long track record of sound financial management having slightly underspent its budget for more than 10 consecutive years despite having to deliver £123m of ongoing budget savings.</p>

Related Parties

Matters in relation to Related Parties

Telford & Wrekin are required to comply with IAS 24 and disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by Telford and Wrekin 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 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.

Relating Parties

Question	Management response
1. What controls does Telford and Wrekin Council have in place to identify, account for and disclose related party transactions and relationships ?	Register of Interests for Members and Officers. Completion of annual declaration by Senior Officers and Members as part of Statement of Accounts process. Governance Statement.

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

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

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

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

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

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

Accounting Estimates

Question	Management response
1. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)	No
2. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes –see Appendix A below.
3. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	The accounting policies and notes included in the Statement of Accounts provide information. External Audit provide assurance.

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	<p>Full valuation involving an inspection is carried out every 3 years on a rolling programme for operational properties, where at least 70% of the value of all properties will be completed on an annual basis. An impairment and valuation review is carried out as a desk value for properties not valued in year.</p> <p>Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list price adjusted for asset condition. Historical cost is used for infrastructure assets and community assets.</p> <p>All assets are valued at 01.04.2019.</p>	Internal Valuer used	Use Estates & Investments Service (RICS Registered Valuers) for the property element of PPE valuations.	Valuations are based on recommendations by CIPFA and made in line with RICS guidance. Assumptions are set out in the valuer's report including comments on market uncertainty and alternative valuation methods that may return a different result.	No (although revaluation cycle for PPE has reduced from 5 years to 3 years)

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?
Estimated remaining useful lives of PPE	<p>The following useful lives have been used in the calculation of depreciation:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Other Land and Buildings –5 to 60 years <input type="checkbox"/> Vehicles, Plant, Furniture & Equipment –3 to 25 years <input type="checkbox"/> Infrastructure –25 to 40 years 	<p>Specific asset lives applied to buildings. Consistent asset lives applied to each asset category.</p>	<p>Use Estates & Investment Service (RICS Registered valuer) for buildings valuations. Other assets considered by Estates & Investment Service Delivery Manager and Group Accountant Corporate and Health & Well-Being Finance</p>	<p>The length of the life is determined at the point of acquisition or revaluation. Major components are depreciated separately when they meet the componentisation policy.</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?
Depreciation and Amortisation	Depreciation is provided for all fixed assets with a finite useful life on a straight-line basis.	Consistent application of depreciation method across all assets.	No	The asset is not depreciated until it is available for use and each significant part of PPE is depreciated separately. Asset lives are determined at acquisition/revaluation. Depreciation is calculated on a straight line basis. The asset lives are recorded in the asset register.	No
Investment Property valuations	Investment properties are valued annually at Fair Value. An impairment and valuation review is carried out as a desk value for properties not valued in year. All assets are valued at 01.04.2019	Internal Valuer used	Use Estates & Investments Service (RICS Registered Valuers) for the property element of Investment Property valuations.	Valuations are based on recommendations by CIPFA and made in line with RICS guidance. Assumptions are set out in the valuer's report including comments on market uncertainty and alternative valuation methods that may return a different result.	<u>No</u>

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?
Impairments	<p>Assets are assessed at the year-end for any indication that an asset may be impaired. An impairment and valuation review is carried out as a desk exercise for properties not valued in the year. 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.</p> <p>Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. This assessment is made by the internal valuer for land and buildings and by Property Services Manager and capital accountant (and other relevant officers for the asset type) for other assets.</p>	Impairment reviews at year end. Internal Valuer used	Use Property Services (RICS Registered valuer) for buildings valuations.	Valuations are made in-line with RICS guidance.	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?
Overhead allocation	Central support costs are apportioned to services based on an agreed criteria as detailed in the CEC Allocation spreadsheet.	All support service costs centres are allocated according to the agreed CEC Allocation spreadsheet.	No	Apportionment bases are reviewed annually.	No
Measurement of Financial Instruments	The Council values financial instruments at amortised cost. (The fair value of financial instruments are disclosed in the notes to the accounts).	Take advice from finance professionals	External Treasury advisors & PWLB	Take advice from finance professionals and external Treasury advisors.	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities	Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Provisions are charged as an expense to the appropriate service line in the CI&ES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.	Charged in the year 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.

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.	No.
Accruals	Finance team 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.	Review financial systems and question service managers to identify where goods have been received but not paid for.	No	Accruals for income and expenditure often based on known values. Where accruals are estimated the latest available information is used.	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	Section 151 Officer makes the assessment. If the event is indicative of conditions that arose after the balance sheet date this is an un-adjusting event. A note to the accounts is included, identifying the nature of the event and where possible estimates of the financial	The Section 151 Officer is notified by relevant managers.	This would be considered on individual circumstances.	This would be considered on individual circumstance.	No.

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Pension Liability	The Council is an admitted body to the Shropshire County Local Government Pension Scheme. The administering authority (Shropshire 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. Additional information will be submitted to the Actuary should the need arise e.g. McCloud judgements etc.	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.

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?
PFI Finance Lease Liability	The operator's financial model is used as the basis for calculating the liability.	The operator's financial model is used as the basis for calculating entries and this is reviewed by Finance on an annual basis.	No.	The construction elements of the annual unitary charge is accounted for as a finance lease. Minimum lease payments are made under these leases and assets recognised under these leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.	No.



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