



Informing the audit risk assessment for Telford and Wrekin Council 2020/21

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit 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 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,
- 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 2020/21?</p>	<p>Areas that we will focus on which could have a significant impact on the financial statements for 2020/21:</p> <p>(i) The Impact of Covid -19 – the impact on the outturn and pressures in relation to additional costs, lost income etc. Impact on estimation uncertainty (including PPE and Pension Fund valuations, expected credit losses, fair value of assets etc).</p> <p>(ii) Valuation of fixed assets –work has continued and we are now moving towards a 3 year revaluation cycle for Property, Plant and Equipment with the aim of revaluing 70% of the Opening Net Book Value of assets. As in 2019/20, indexation will be used to evidence that the risk of mis-statement is not material. The valuation date for 2020/21 is 1 December 2020 (moved from 1 April 2020). Due to the uncertainties relating to Covid-19, valuations may be reported on the basis of ‘material valuation uncertainty’ per the RICS Red Book Global.</p> <p>(ii) Any unforeseen legal rulings which have a financial impact on local authorities</p> <p>(iii) Adults & Children’s 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>

General Enquiries of Management

Question	Management response
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?	Yes, we consider the accounting policies appropriate. No changes are planned for 2020/21 (but note continued move to 3 year PPE valuations as stated last year)
3. Is there any use of financial instruments, including derivatives?	Financial instruments are carried in the balance sheet – Note 21 to the 19/20 Statement of Accounts lists the various categories, which are expected to continue to apply in 2020/21.
4. Are you aware of any significant transaction outside the normal course of business?	No
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	Currently not aware of any
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.

General Enquiries of Management

Question	Management response
<p>8. 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>Browne Jacobson – property, commercial and contract matters. Ongoing basis. Ward Hadaway – school academies work. Sharpe Pritchard – ongoing contracts work in relation to key high-value contracts. Freeths – property and commercial work – ongoing. Weightmans – childcare out of hours service and Adult Social Care. Gowling WLG – single status – ongoing. Anthony Collins – commercial work – ongoing 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>BLM – instructed by our insurers in relation to claims made against the authority and for which insurance cover is provided. Primarily personal injury claims. 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>

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?	The Council have not received any reports from service providers on fraud, non-compliance with laws and regulations or uncorrected misstatements which could affect the financial statements.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Financial advice was obtained during 2020/21 from: Arlingclose Ltd – treasury management advisors

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 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 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, Revenues 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 Managers complete and sign assurance statements on an annual basis confirming that the governance framework has been operating effectively 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. Reports are also presented to the Audit Committee • The Council has an up to date Fraud Response Plan • The Council has an up to date Whistleblowing Policy

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>The Investigation Team have a fraud risk register highlighting services most at risk, this has recently been updated. The Council has identified that Social Care is a key area 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 2020? As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>The Council receives allegations of fraud through various reporting channels. Some of these allegations relate to the Revenues service. Staff are encouraged to refer matters of fraud through these channels.</p> <p>Within these allegations or separately through the whistleblowing channels Telford & Wrekin Council can very occasionally receive allegations relating to members of staff committing acts of fraud. This can be in their capacity as an external customer or in the role as an employee. Since April 2020 two such matters are under investigation. The financial sum of these frauds is less than £5K.</p> <p>Where appropriate any allegations of fraud are investigated and feedback is provided to the relevant service area. The Council will also send out internal communications in certain circumstances to remind employees of the need to be vigilant to the risks of fraud.</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>The risk of fraud at Telford and Wrekin Council is in line with the recognised fraud risks nationally. Revenues is the area that is most consistently affected by fraud. This is understandable as it is an area with a high number of transactions. Fraud can occur within liability issues, NNDR, CTR and SPD.</p> <p>The Government's COVID Business support grant scheme has opened up a new fraud opportunity. This is understandable because councils have been expected to pay out large sums of money in a short period of time with comparatively little verification/national guidance in place. However the Investigation Team have worked closely with Revenues to minimise and/or investigate fraudulent claims.</p> <p>Direct Payments within Adult Social Care is an emerging area of fraud and cases of suspected fraud are identified within this area and referred to the Investigation Team.</p> <p>There is a national concern about the growing of the risk of fraud within the procurement cycle. However locally this has not been an issue. In addition, the growing threat that organised crime poses to the Council, again recognised as a national issue, needs monitoring.</p> <p>There are no locations within Telford & Wrekin where fraud is more likely to occur.</p>

Fraud risk assessment

Question	Management response
<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 to the Investigation Team via a variety of channels. <ul style="list-style-type: none"> • New online reporting mechanism • Documented Fraud Response Plan <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 do you assess the overall control environment for Telford and Wrekin 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>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 committee, on request, to provide additional information where requested. Audit reports to the Senior Management Team regularly on the status of limited and poor assurance audit reports Each Executive Director/Director receives a copy of final audit reports in their area and also receive a summary of all audits quarterly. 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 to date</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?</p> <p>Have any significant issues been reported?</p>	<ul style="list-style-type: none"> • 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. • Money Laundering Policy • Codes of Conduct <p>The Whistleblowing Policy encourages staff to report any concerns regarding fraud and irregularity through a variety of channels. An additional reporting channel is now available via the Councils website.</p> <p>The Council's Core Behaviours encourage staff to report any fraudulent/otherwise unacceptable behaviour.</p> <p>The authority receives allegations, most notably relating to Revenues related fraud by the general public. Referrals have also been received relating to Adult Social Care.</p> <p>There have been some additional fraud allegations due to COVID primarily around business grants. The Investigation Team have worked closely with Revenues to look at these instances.</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>As previously mentioned the Revenues Service is the area with the highest number of cases of fraud due to the large volume of transactions and high values. The Investigation Team undertake considerable work in this area. There are strong reporting channels where staff and members of the public report their concerns.</p> <p>The Revenues Service undertake a number of matching exercises to identify risks in this area and they also take part in the National Fraud Initiative. Regular reviews of discounts and exceptions is another tool used to help reduce the risk of fraud.</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>The Investigation Team continue to promote the risk of fraud across the Council. An example is the recent prosecution of a former member of staff for defrauding the Council's sick pay scheme.</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.</p> <p>Related party transactions have to be disclosed by elected Members and senior officers. All members and officers have to disclose relevant interests in the register of interests.</p> <p>Payments made to companies where a Member has an interest are reported to Audit Committee and included in final accounts.</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>Since April 2020 there have been 6 Whistleblowing referrals, however none of these matters relate to fraud. These matters have been passed to the relevant person/service to undertake an investigation.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>No specific Bribery Act referrals have been made since April 2020.</p>

Law 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 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>Annually the Council produces an Annual Governance Statement giving information on governance assurance activity and overall audit opinion.</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>The work of Internal Audit provides assurance to management in this area and grades individual recommendations where there is a legal/regulatory compliance issue.</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>As stated previously the Audit Committee receives reports from both Internal and External Audit which include assurance opinions and where concerns have been highlighted.</p>

Impact of laws and regulations

Question	Management response
<p>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?</p>	<p>There have been no instances of non-compliance or suspected noncompliance with an ongoing impact on the 20/21 financial statements,</p> <p>The position will be reviewed again as part of the annual accounts process.</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>It is considered that anything in excess of £50,000 would be reportable. Claims received by the Council 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, the excess is £20,000. Claims in relation to CSE cases have an excess of £100,000.</p> <p>The Council are currently going through an insurance tender so the above may change post 1/4/21.</p>
<p>5. What arrangements does Telford and Wrekin Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>Legal and Insurance work together to identify and evaluate any potential litigation or claims against the Council.</p> <p>The Councils insurance claims handlers also identify and evaluate if there is any liability in respect to claims made.</p> <p>Potential liabilities are included in the Statement of Accounts.</p>

Impact of laws and regulations

Question	Management response
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	none

Related Parties

Matters in relation to Related Parties

Telford and Wrekin 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 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.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties disclosed in Telford and Wrekin Council's 2019/20 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> • the nature of the relationship between these related parties and Telford and Wrekin Council • whether Telford and Wrekin Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	<p>Related party information will be collected as part of the year end processes and is not available yet for 2020/21.</p>
<p>2. What controls does Telford and Wrekin Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Register of Interests for Members and Officers</p> <p>Completion of annual declaration by Senior Officers and Members requested as part of Statement of Accounts process.</p> <p>Governance Statement.</p>

Related Parties

Question	Management response
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	See responses to Q2 above. Also, the normal approval process will apply; with Chief Executive, Executive Director and Director approval sought in line with the financial regulations.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	There are no significant transactions outside the normal course of business, therefore not applicable.

Accounting estimates

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:

- 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>Significant Estimates : PPE, Pension Fund valuations; expected credit losses; fair value of Financial Instruments; Single Status</p> <p>No changes in the methodology anticipated; but estimates may have a higher degree of uncertainty due to the ongoing impact of Covid. Management will consider advice from professional advisors (Mercers, Surveyors, Treasury Advisors).</p>
2. How does the Authority's risk management process identify and addresses risks relating to accounting estimates?	Disclosure notes are included in the accounts in line with the Code of Practice.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	In conjunction with specialists e.g. Senior Valuation Officers in the Council, Mercers Pension Actuaries, Arlingclose Treasury Advisors. Also consideration of the economic climate and with reference to appropriate Codes, such as CIPFA guidance and the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors.
4. How do management review the outcomes of previous accounting estimates?	Ongoing financial monitoring and review of annual reports and discussion/updates from Specialists

Accounting Estimates - General Enquiries of Management

Question	Management response
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	Valuation date for Other Land & Buildings and Investment properties now 1 December therefore the potential for material misstatement to 31 March is significantly reduced.
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Professional expertise is used to provide estimates where Finance staff have insufficient expertise and knowledge: Land & Buildings/Investment Property Valuations – Internal Professional Valuers; Pension Liability – Mercers Actuaries Treasury – Arlingclose Treasury Advisors; PWLB year end valuations
7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Professional advisors engaged; engagement letters/IAS 19 Accounting disclosures request; Code of Practice.
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?	As above, reviewed annually in line with requirements.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <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. 	<p>Disclosure notes in the Statement of Accounts; key areas covered as part of annual SOA Member training session provided to Audit Committee members.</p>
<p>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)?</p>	<p>No</p>
<p>11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?</p>	<p>Yes</p>
<p>12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>The accounting policies and notes included in the Statement of Accounts provide information. External Audit provide assurance.</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	<p>The majority of valuations 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. Asset to be revalued are valued at 01.12.2020.</p> <p>An impairment and valuation review is carried out as a desk value for properties not valued in year.</p> <p>Assets are depreciated on a straight line basis.</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 is being reduced from 5 years to 3 years and valuation date has moved from 1 st April to 1 st December)

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?
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 01.12.2020	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.	No (valuation date has moved from 1 st April to 1 st December)
Depreciation	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.	Useful lives are confirmed through Estates & Investments where appropriate	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

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?
Impairment of bad debt – Collection fund debtors	Age debt / recovery stage analysis	Review of Collection rates	No	Although Collection Fund debtors are outside of the scope of IFRS9, the method used to establish debtors is broadly in line with that of Expected Credit Losses.	No
Fair Value of Loans	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
Single Status Provision – Schools and non-Schools	The amount in the accounts was originally based on 4% of the relevant pay bill, which was the best and only information available. A review was undertaken in 2019/20 and the total provision was reduced by £3m, following consideration of the current context.	Payroll data historically used	Internal service area – Single Status	The review undertaken in 19/20 considered the nature of service delivery (grounds, refuse and cleansing all provided by external contractors), and the restructuring programme which has taken place over the past 10+ years which reduces the potential future risk.	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	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.



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