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Informing the audit risk assessment for East Staffordshire Borough Council 2019/20

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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 East Staffordshire Borough Council's external auditors and the Scrutiny Audit & Value For Money Council Services 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 Scrutiny Audit & Value For Money Council Services Committee under auditing standards.

Background

Under International Standards on Auditing (UK) (ISA(UK)) auditors have specific responsibilities to communicate with the Scrutiny Audit & Value For Money Council Services Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Scrutiny Audit & Value For Money Council Services (A&VFM) Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the A&VFM 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 A&VFM Committee and supports the A&VFM 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 A&VFM Committee'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 East Staffordshire BC's management. The A&VFM 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 |
|--|--|
| 1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2019/20? | The most significant areas likely to impact on the Council's accounts are the annual revaluation of assets and the measurement of pension assets and liabilities. The Council is also in the process of disposing of a number of land sites and it is possible that one of these may have taken place by 31 st March. |
| 2. Have you considered the appropriateness of the accounting policies adopted by the Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? | Yes, we have considered the appropriateness of the accounting policies which are closely aligned to those recommended and required by the Code of Practice. There has not been any events or transactions that have caused us to want to change our accounting policies. |
| 3. Is there any use of financial instruments, including derivatives? | The council continues to utilise the standard financial instruments that you would generally expect to see in a local authorities accounts. |
| 4. Is Are you aware of any significant transaction outside the normal course of business? | None. |

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? | None that we are currently aware of. |
| 6. Are you aware of any guarantee contracts? | The Council guarantees the leisure pension liabilities associated within those staff that transferred to SLM (also known as Everyone Active) in 2018. |
| 7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? | There are a number of contingencies disclosed in the 2018/19 accounts and these remain valid. A judgement has been made in favour of local authorities in respect of the NHS Trust Claim for Mandatory Business Rates, this however could be still subject to appeal. |
| 8. Other than in house solicitors, can you provide details of those solicitors utilised by the Council during the year. Please indicate where they are working on open litigation or contingencies from prior years? | Solicitors engaged by the LGA in respect of the NHS Trust Claim (judgement made in LA favour, potentially subject to appeal). To the end of December the Council has spent approx. £15k in external legal fees, of which approx. £5k relates to additional support for the in-house team (via Staffs CC) and the remainder relates to a range of low risk areas mainly covering Planning, Licensing and Housing. |
| 9. Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? | No |
| 10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted? | The Council will routinely utilise the services of various professionals (i.e. legal, finance, planning, valuers and quantity surveyors) for specialist ad-hoc advice as and when required. It is more cost effective to do this than carry these specialist skills throughout the year. |

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 Scrutiny Audit & Value for Money Council Services (A&VFM) Committee and management. Management, with the oversight of the A&VFM 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 A&VFM Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As the Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

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

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the A&VFM 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 A&VFM Committee oversees the above processes. We are also required to make inquiries of both management and the A&VFM Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Council's management.

Fraud risk assessment

| Question | Management response |
|--|---|
| <p>1. Have the Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p> | <p>Although there is an on-going risk of fraud being committed against the Council arrangements are in place to both prevent and detect fraud. These include work carried out by Internal Audit on overall fraud risk areas, on Council Tax and Housing Benefit fraud.</p> <p>The risk of material misstatement of the accounts due to undetected fraud is low.</p> |
| <p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p> | <p>The areas within the accounts most at risk to fraud are Council Tax and housing benefit.</p> |
| <p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Council as a whole or within specific departments since 1 April 2019?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p> | <p>There are no material instances of fraud that have been identified during the year. There are some areas that are inherently at risk from fraud such as:</p> <ul style="list-style-type: none"> ■ Council Tax ■ Benefit fraud ■ Single person discount ■ Social housing tenancy fraud <p>Whilst benefits fraud investigation has largely been transferred to the DWP, the council has processes in place in order to prevent and detect fraud, including externally commissioned reviews of single person discounts and empty homes reviews as well as participating in the national fraud initiative (NFI).</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 the Council where fraud is more likely to occur?</p> | <p>See response to Question 3</p> |
| <p>5. What processes do the Council have in place to identify and respond to risks of fraud?</p> | <p>Work is carried out by Internal Audit on overall fraud risk areas and they provide Audit Committee with updates of their work on fraud prevention and detection, including any significant identified frauds and the action taken.</p> |
| <p>6. How would you assess the overall control environment for the 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>The overall control environment for the Council is generally very good. This is reflected within both the internal and external audit reports and also the Annual Governance Statement.</p> <p>Evidence published by the National Fraud Authority amongst others, suggests that fraud is committed in all organisations to varying degrees, so it is likely that some fraud is occurring in the Council. The Internal Audit plan incorporates consideration of potential fraud. In addition to this management is expected to identify and record fraud risks where necessary on the corporate risk register.</p> |

Fraud risk assessment

| Question | Management response |
|--|---|
| 7. Are there any areas where there is potential for misreporting? | See response to question 3 |
| <p>8. How do the Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p> | <p>The Anti-fraud and corruption Strategy forms part of the Council's Constitution. It sets out the Culture of the organisation in respect of fraud and the expectations of management and staff in terms of reporting, prevention, detection and investigation of fraud.</p> <p>No significant issues have been reported during 2019/20 to date.</p> |
| <p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p> | <p>A number of posts such as Chief Officers as key decision makers, treasury staff, budget/contract managers and payments staff may be considered high risk. However the controls the Council as put in place mitigate the risk level to a much lower level.</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> | No |

Fraud risk assessment

| Question | Management response |
|---|---|
| <p>11. What arrangements are in place to report fraud issues and risks to the A&VFM Committee? How does the A&VFM 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>Work is carried out by Internal Audit on overall fraud risk areas and they provide the Audit Committee with updates of their work on fraud prevention and detection, including any significant identified frauds and the action taken.</p> <p>In addition to this management is expected to identify and record fraud risks where necessary on the corporate risk register.</p> <p>Any issues of significance would also be reported as part of the Annual Governance Statement.</p> |
| <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</p> |
| <p>13. Have any reports been made under the Bribery Act?</p> | <p>No</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 Scrutiny Audit & Value for Money Council Services (A&VFM) Committee, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

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

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

Impact of laws and regulations

| Question | Management response |
|---|--|
| <p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations? 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 Monitoring Officer reports to full Council, where any action taken, or likely to be taken by the Council, its executive members, committee or officers is likely to be contrary to law or result in maladministration.</p> <p>The Monitoring Officer is responsible for ensuring the Council is compliant with laws and regulations. The Constitution notes that these responsibilities cover:</p> <ul style="list-style-type: none"> ■ complying with the law of the land (including any relevant Codes of Conduct); ■ complying with any General Guidance issued, from time to time, by the Monitoring Officer; ■ making lawful and proportionate decisions; and ■ generally, not taking action that would bring the Council, their offices or professions into disrepute. <p>This officer has access to all Council committee reports. The Monitoring Officer raises awareness on legal requirements at meetings where needed. In addition in terms of any specific legal issues the monitoring officer would get involved at an early stage. Further information on how the Monitoring Officer carries out these responsibilities are detailed in the Constitution.</p> |
| <p>2. How is the A&VFM Committee provided with assurance that all relevant laws and regulations have been complied with?</p> | <p>As set out in the response to Question 1 above. In addition, The S151 officer is responsible for preparing the accounting statements in accordance with relevant legal and regulatory requirements. The Monitoring Officer (or representative) attends the majority of Council meetings and advises members on any areas of concern.</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</p> |
| <p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p> | <p>There is currently a national case in relation to NHS trusts who are claiming backdated mandatory charitable NNDR Relief. A judgement has been made in this regard that favours local authorities, but this may be subject to appeal. There is also an ongoing case in respect of ATM rateable values which may be subject to appeal.</p> |

Impact of laws and regulations

| Question | Management response |
|--|--|
| 5. What arrangements does the Council have in place to identify, evaluate and account for litigation or claims? | Appropriate legal advice is sought as necessary. In practice the Monitoring Officer is responsible for ensuring that the Council is compliant with laws and regulations and will raise awareness of legal matters / requirements where needed. |
| 6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance? | None |

Going Concern

Issue

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 the Council? What was the outcome of that assessment?</p> | <p>The Council continues to face challenges around its medium term financial resilience, but has responded proactively and effectively to the central funding reductions through the development and agreement of its updated Medium Term Financial Strategy (MTFS), in February 2019. The plan extends to 2023/2024.</p> <p>The approved five year financial strategy covering 2019/20 to 2023/24 is balanced with the use of £0.8m from reserves in 2020/21, reducing to £0.5m in 2023/24. A balanced budget for the period to 2023/24 has been developed, providing assurance on the Council's financial sustainability for the period, together with an approved efficiency plan setting out the approach to identifying future ongoing savings.</p> <p>The Council has a good record of delivering its savings plans and delivered significant annual savings since 2011/12.</p> <p>Quarterly revenue and capital outturn reports are prepared for Cabinet highlighting forecast variances from the budget. The draft forecast outturn at September for 2019/20 indicates net cost pressures of less than 1% of the total budget.</p> |
| <p>2. Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?</p> | <p>Yes.</p> |

Going concern considerations

| Question | Management response |
|---|--|
| 3. Are the implications of statutory or policy changes appropriately reflected in the Council, financial forecasts and report on going concern? | Yes, the assumptions made are prudent and robust taking into account the significant uncertainties that exist in relation to local authority funding. They take into consideration external professional guidance. |
| 4. Have there been any significant issues raised with the A&VFM 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). | None The Council has a sound system of internal control which is reflected within the reports presented to Audit Committee. |
| 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 adverse indications. |

Going concern considerations

| Question | Management response |
|--|---|
| <p>6. Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills?</p> | <p>The Council has adopted a Workforce Planning Strategy in order to mitigate against this risk.</p> |
| <p>7. Does the Council have procedures in place to assess their ability to continue as a going concern?</p> | <p>The Chief Finance Officer (as s151 Officer) is satisfied that the budget proposals are based on robust estimates, and that the level of reserves is adequate. This was reported in the Medium Term Financial Strategy.</p> |
| <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?</p> | <p>There are no existing events or conditions that cast doubt on the Council's ability to continue as a going concern.</p> |

Going concern considerations

| Question | Management response |
|--|--|
| <p>9. Are arrangements in place to report the going concern assessment to the A&VFM Committee ?</p> <p>How has the A&VFM Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing financial statements?</p> | <p>All A&VFM Committee members receive and approve the MTFS as well as the Treasury Management Strategy. They also receive regular updates against these strategic documents. These key financial documents clearly establish the Council's financial outlook and demonstrate that at present there are no issues or concerns in terms of preparing the accounts for 2019/20 on a Going Concern basis.</p> |

Related Parties

Issue

Matters in relation to Related Parties

Local government bodies 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 the Council;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council 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 the Council have in place to identify, account for and disclose related party transactions and relationships ? | <p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none">• Maintenance of a Register of interests for Members, a register for pecuniary interests in contracts for Officers and Senior Managers requiring disclosure of related party transactions.• Annual return from senior managers and members requiring confirmation that read and understood the declaration requirements and stating details of any known related party interests/transactions.• Review of in-year income and expenditure transactions with known identified related parties from prior year or known history.• Review of the accounts payable and receivable systems and identification of amounts paid to/from assisted or voluntary organisation• Review of year end debtor and creditor positions in relation to the related parties identified.• Review of minutes of decision making meetings to identify any member declarations and therefore related parties. |

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

Local authorities 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 Council identifies the transactions, events and conditions that may give rise to the need for an accounting estimate.

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

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

We would ask the Scrutiny Audit & Value for Money Council Services (A&VFM) 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)? | None, other than those disclose at Appendix A |
| 2. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable? | Yes. |
| 3. How is the A&VFM Committee provided with assurance that the arrangements for accounting estimates are adequate ? | The Council’s approach to accounting estimates is fairly standard within a local authority environment. AVFM have the opportunity to raise questions or queries during training and briefing sessions in relation to the accounts. |

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 and equipment valuations | Valuations are made by an externally appointed valuer. The valuations are made in line with the Code requirements using RICS guidance on the basis of 5 year valuations with interim reviews | Valuations are performed annually to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Capital Accountant notifies the valuer of the program of rolling valuations or of any conditions that warrant an interim re-valuation. The valuer undertakes a desk top review of assets not due for full re-valuation. | Use professional valuers – an externally appointed valuer (RICs qualified) | Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion. | No |
| Estimated remaining useful lives of PPE | Each part of an item of property, plant and equipment with a significant cost in relation to the total cost is depreciated separately. Depreciation methods, useful lives and residual values are reviewed each financial year and adjusted if appropriate. | Consistent asset lives applied to each asset category. | Use professional valuers – (an externally appointed valuer, RICs qualified) | Useful life would be recorded in accordance with the qualified RICs members valuation and this would be cross checked to ensure this accords with the accounting policy for 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? |
|-------------------------------|---|--|--|--|---|
| Depreciation and Amortisation | <p>Depreciation is calculated on the following bases:</p> <ul style="list-style-type: none"> ▪ Buildings – straight line allocation over the useful life of the property as estimated by the valuer. ▪ Vehicles, plant, furniture and equipment – straight line allocation over the useful life of the asset. ▪ Infrastructure – straight line allocation over the useful life of the asset. | Consistent application of depreciation method across all assets. | See above | <p>Depreciation is calculated on a straight line basis as this reflects consumption of assets and is a reasonable assumption.</p> <p>The length of the life is determined at the point of acquisition or revaluation according to:</p> <ul style="list-style-type: none"> ■ Assets acquired in the financial year are not depreciated until the following financial year. ■ Assets that are not fully constructed are not depreciated until they are brought into use. | No |

Appendix A Accounting Estimates (Continued)

| | 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 | Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall | Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. | Use professional valuers – an externally appointed valuer (RICS qualified) for non current assets. | Valuations are made in-line with the Code and RICS guidance - reliance on expert. | No |
| Measurement of Financial Instruments | Council values financial instruments at fair value based on the advice of their externally appointed treasury consultants and other finance professionals. | Take advice from finance professionals. | Yes | Take advice from finance professionals. | No. |

Appendix A Accounting Estimates (Continued)

| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether Management have used an expert | Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in year? |
|----------------------------|--|---|--|--|---|
| Provisions for liabilities | <p>Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.</p> <p>Provisions are charged as an expense to the appropriate service line in the CI&ES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.</p> | Each provision is separately reviewed by financial accounts and a working is put together to support the calculation. | As necessary on an individual basis | 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 | <p>We use standard accruals accounting –accruals are based on expenses incurred that have not yet been paid.</p> <p>Activity is accounted for in the financial year that it takes place, not when money is paid or received.</p> | Finance, in conjunction with budget managers collate accruals of income and expenditure. | No | <p>Accruals for income and expenditure have been principally based on known values.</p> <p>Where accruals have had to be estimated the latest available information has been used.</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? |
|--|---|---|---|--|---|
| Non Adjusting events – events after the balance sheet date | Through consultation with Chief Officers, the Chief Accountant makes the assessment. If the event is indicative of conditions that arose after the balance sheet date then this is an un-adjusting event. For these events only a note to the accounts is included, identifying the nature of the event and where possible estimates of the financial effect. | Chief Officers and the monitoring officer notify the Chief Accountant | This would be considered on individual circumstances. | This would be considered on individual circumstances. | N/A |
| Accumulated absence account | Accrual is based on estimated outstanding leave as at 31 March 2020 | Finance contact a sample of employees directly in order to calculate the estimate | No | Finance assume that the sample is representative of the population. | 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 Fund (LGPS) Actuarial gains/losses | The actuarial gains and losses figures are calculated by the actuarial expert Hymans Robertson. These figures are based on making % adjustments to the closing values of assets/liabilities. | The Council responds to queries raised by the administering body, Staffordshire County Council | The Council are provided with an actuarial report by Hymans Robertson (LGPS). | The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field. | No. |



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