

# Informing the audit risk assessment for Rotherham Metropolitan Borough Council 2022/23



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.

## Purpose

The purpose of this report is to contribute towards the effective two-way communication between Rotherham Metropolitan Borough Council's external auditors and Rotherham Metropolitan Borough Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

## Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

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

## Communication

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

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

## Purpose

This report includes a series of questions on each of these areas and the response we have received from Rotherham Metropolitan Borough 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 2022/23?</p>	<p>The key events or issues that will have a significant impact on the financial statements are:</p> <ul style="list-style-type: none"> <li>-Use of reserves strategy approved by Council in March 2023</li> <li>-Valuation of (Property Plant and Equipment) PPE</li> <li>-Academy Transfers</li> <li>-Capital Financing and increased CFR</li> <li>-Pressures from inflation and energy prices rises impacting the Council's planned call on reserves.</li> </ul>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Rotherham Metropolitan Borough Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>In March 2023 Audit Committee received a report outlining the Council's plans for the delivery of the Statement of Accounts, updates to accounting policies and an overview of any changes to the notes to the Statement of Accounts. As part of this process the Council's Financial Accounting team consider any adjustments required to accounting policies for 2023/24 onwards.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>The Council uses Money Market Funds for its short term investments, using AAA rated funds only, placing security and liquidity as its primary concern, over yield.</p> <p>All financial instruments are shown in the note in the Statement Of Accounts (SOA). There are no derivatives.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>The Council has administered a £16m Council Tax Rebate Scheme on behalf of Government but with the Council having to carry out specific checks and balances before award of payments.</p>

## General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No
6. Are you aware of any guarantee contracts? If so, please provide further details	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by Rotherham Metropolitan Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	The Council instructs EM Lawshare Panel Solicitors and various external Solicitors in relation to a variety of matters including, Insurance Claims, some Property/ Commercial transactions and matters identified elsewhere in the External Audit Process. None of which are material to the year end accounts for 2022/23.

## General Enquiries of Management

Question	Management response
<p>9. Have any of the Rotherham Metropolitan Borough Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details</p>	<p>Nothing material</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>The Council's treasury advisors provide both day to day support and services. The Council uses advisors in respect of Taxation and Treasury Management.</p> <p>Taxation day to day enquiries and support are provided by PSTax and PWC.</p> <p>Treasury Advisors – Link Asset Services provide information on matters such as: market updates, counterparty control, Financial Instrument and Treasury Management advice</p>
<p>11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details</p>	<p>Investments and loans have been considered. Most investments were with other Local Authorities so a credit loss provision was not required under IFRS9. The Council also had investments with MMF's and Banks which resulted in a non material credit loss calculation. The council has a small number of external loans which have been provided for.</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 Rotherham Metropolitan Borough 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 Rotherham Metropolitan Borough Council's management.



# Fraud risk assessment

Question	Management response
<p>1. Has Rotherham Metropolitan Borough 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 Council does not believe there is a risk of material misstatement in the financial statements, due to fraud.</p> <p>The council has an Anti-Fraud and Corruption Policy which provides staff with details on how to manage fraud</p> <p>In addition:</p> <ul style="list-style-type: none"> <li>• Risk Champions have discussed fraud risks with each DLT. Fraud risks are entered onto risk registers where applicable, then regularly monitored.</li> <li>• All employees are required to complete mandatory GDPR e-learning modules on an annual basis.</li> <li>• Directorate and Finance risk registers are considered and reviewed throughout the financial year to highlight any issues that may impact on the Council's financial standing or financial monitoring.</li> <li>• The Finance and Customer Services Directorate risk register has a risk for the 'accurate and timely production of a draft Statement of Accounts and WGA'.</li> <li>• Senior Leadership Team also review the Corporate Risk Register as well as performance reports and financial reports. This enables the section 151 to ensure that financial risks are adequately reflected in risk registers and also ensure that significant directorate risks are appropriately managed.</li> </ul> <p>Annual audit report completed on an annual basis that sets out potential fraud risk.</p>

# Fraud risk assessment

Question	Management response
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Low level expense claims</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Rotherham Metropolitan Borough Council as a whole, or within specific departments since 1 April 2022? If so, please provide details</p>	<p>None that would affect the Statement of Accounts. Ongoing cases are investigated by Internal Audit. The volume and value of fraud is believed to be low.</p> <p>Internal Audit is responsible for reporting risk of fraud to those charged with governance.</p> <p>The section 151 meets with Internal Audit weekly which enables early awareness and consideration of whether any urgent reporting is required.</p> <p>The Chief Executive also holds quarterly Statutory Officer meetings in order to understand any significant issues and risks and where any developing trends can be identified.</p>

# Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>When Internal Audit discovers or suspects a fraud, management of the relevant department will be contacted and discussion take place and agreement reached on how the matter will be investigated. The Chief Executive and Strategic Director Finance and Customer Services are briefed regarding the issues raised.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Rotherham Metropolitan Borough Council where fraud is more likely to occur?</p>	<p>The risk of collusion with suppliers, otherwise risk linked to low level expense claims.</p> <p>There are no concerns around any significant areas at risk or locations within the Council where fraud is more likely.</p>
<p>6. What processes do Rotherham Metropolitan Borough Council have in place to identify and respond to risks of fraud?</p>	<p>Internal audit plan and progress reports and annual reports all cover both proactive and reactive work covering fraud</p> <p>The Council has a Whistleblowing Policy. A register is maintained of all whistleblowing allegations received and these are reported in summary to Standards and Ethics Committee.</p> <p>All whistleblowings are investigated by the relevant department and the robustness of the investigations is overseen by the Council's Whistleblowing officers. The Whistleblowing Officers are the S151 officer officer Officer, the Monitoring Officer and the Head of Internal Audit and all Whistleblowings are reviewed by them.</p>

# Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Rotherham Metropolitan Borough Council, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Internal controls are considered very tight overall. Key activities (listed below) to create clear segregation of duties, ensure everything is reviewed for approval at an appropriate level and reviewed for appropriateness.</p> <ul style="list-style-type: none"> <li>P2P Process</li> <li>Creditors</li> <li>Sundry Debtors Process</li> <li>Revs and Bens - Council Tax / NNDR</li> <li>Treasury Management / Banking Arrangements</li> </ul> <p>Internal Audits completed in respect of the following:</p> <ul style="list-style-type: none"> <li>Housing Rents – Substantial Assurance</li> <li>NNDR – Substantial Assurance</li> <li>Covid Grants – Substantial Assurance</li> <li>Direct Payments – Reasonable Assurance</li> <li>Care Provision Deferred Payments – Substantial Assurance</li> <li>Treasury Management – Reasonable Assurance</li> </ul> <p>The section 151 meets with the Head of Internal Audit on a weekly basis in order that the section 151 is made aware of any issues identified or reported at the earliest opportunity</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>The Council's finance structure and production of the accounts is such that all reports are reviewed by the relevant Head of Finance prior to decision making. Where information is fed into the Councils accounts it is submitted by the Head of Finance for the Directorate and reviewed by the Corporate Finance function. Ultimately the final accounts are also reviewed by the Assistant Director of Finance and Customer Services. These levels of control/review mitigate the risk of misreporting.</p> <p>As such the risk of misreporting is low.</p>

# Fraud risk assessment

Question	Management response
<p>9. How does Rotherham Metropolitan Borough Council communicate and encourage ethical behaviours and business processes of its staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>Weekly communications are distributed to all staff through the 'Monday Briefing' and 'Chief Executives Briefing'. Both provide details of any policy changes as a means of promoting business practice and ethical behaviour.</p> <p>Staff events always start with a reminder of expectations and service plans also contain the vision for the directorate which includes expected standards.</p> <p>All employees areas are required to complete appropriate mandatory e-learning modules e.g. GDPR.</p> <p>All employees are made aware of the Whistleblowing Policy and their responsibilities from it.</p> <p>No significant issues have been reported, that would impact the Councils accounts.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>All set out in the Fraud risk Register</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>There are no related party relationships that present a risk of fraud.</p> <p>There is segregation of duties across all of the Councils finance and contractual functions to ensure that multiple officers, from multiple functions are required to review and approve decision making</p>

## Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<ul style="list-style-type: none"> <li>• Audit Committee are asked to review the Council's Anti-Fraud and Corruption Policy and approve the Strategy.</li> <li>• Audit Committee is presented within an annual review which is designed to ensure that the Policy and Strategy are up to date with current best practice and to take into account any changes to the Council's organisation structure.</li> <li>• The CIPFA Code of Practice on Managing the Risk of Fraud and Corruption requires an annual report on performance against the Strategy. There is a self-assessment and resulting Action Plan provided to AC on the performance against the strategy.</li> </ul>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>A register is maintained of all whistleblowing allegations received and these are reported in summary to Standards and Ethics Committee</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

# Law and regulations

## Matters in relation to laws and regulations

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

Management, with the oversight of the Audit Committee, is responsible for ensuring that Rotherham Metropolitan Borough Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

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

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

## Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Rotherham Metropolitan Borough 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>Service managers ensure service is compliant with relevant laws and regulations. Annually, assurances provided to this for the Annual Governance Statement (AGS) which is then thoroughly checked and challenged as required</p> <p>The Financial Accounting team liaise with legal to ascertain the Council's list of ongoing litigation and claims. This is then assessed and distributed to the Finance Managers for review to determine appropriate disclosures of any provisions, contingent assets and contingent liabilities.</p> <p>There have been no changes to the Council's regulatory environment that would have a significant impact on the Council's financial statements.</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Through the AGS, Internal Audit progress and annual reports. Reports on compliance with Contract and Financial procedure rules and other reports from management.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial statements? If so, please provide details</p>	<p>No</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>Only those listed in contingent assets and liabilities.</p>



# Impact of laws and regulations

Question	Management response
5. What arrangements does Rotherham Metropolitan Borough Council have in place to identify, evaluate and account for litigation or claims?	These are referred to Legal Service team and Insurance teams as required
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No

# Related Parties

## Matters in relation to Related Parties

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

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

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

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

## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Rotherham Metropolitan Borough Council's 2022-23 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> <li>• the nature of the relationship between these related parties and Rotherham Metropolitan Borough Council</li> <li>• whether Rotherham Metropolitan Borough Council has entered into or plans to enter into any transactions with these related parties</li> <li>• the type and purpose of these transactions</li> </ul>	<p>There have been no changes in the related party relationships disclosed by the Council at an entity level, though the Councils RP disclosures at an officer or member level do change each year. This information is presented clearly within the Council's accounts, within the specific related party note.</p> <p>Process the same as in previous years looking at all members and Heads of Service and above Officers declaration forms. Please refer to related parties working paper for members and Officers for more details</p>
<p>2. What controls does Rotherham Metropolitan Borough Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Declarations of Interest completed by all officers annually or when a change in circumstance arises. Reviewed and approved by line management. Members complete the form termly or when a change in circumstance arises</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Requisitions are reviewed and approved by line management any issues will be highlighted.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>The Council's procurement system has an exemption process, this allows for extensions of contracts or a specific supplier use in an exceptional circumstance. This requires procurement, legal, Head of Finance and S151 officer approval to use.</p> <p>Where a payment is being made outside of the procurement system it must be approved by two Finance Managers or above (from finance).</p>

# Going Concern

## Matters in relation to Going Concern

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

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

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

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

# Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Rotherham Metropolitan Borough Council will no longer continue?	Monthly revenue and capital monitoring takes place which identifies any key financial risks for the Council. In addition budget, mid year and outturn reports are submitted to Cabinet which highlight any financial risks which may affect the continuation of service provision.
2. Are management aware of any factors which may mean for Rotherham Metropolitan Borough Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No
3. With regard to the statutory services currently provided by Rotherham Metropolitan Borough Council, does Rotherham Metropolitan Borough Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Rotherham Metropolitan Borough Council to cease to exist?	Yes
4. Are management satisfied that the financial reporting framework permits Rotherham Metropolitan Borough Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes

# Accounting estimates

## Matters in relation to accounting estimates

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

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

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

Specifically do Audit Committee members:

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

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

# Accounting Estimates - General Enquiries of Management

Question	Management response
<p>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>	<p>The key transactions are PPE valuations, Pension Fund liabilities and accruals. The Council has robust processes in place to ensure these areas of the Councils disclosures in the accounts are accurately reflected.</p> <p>An example of a material condition would be the financial impact of inflation and energy bill increased costs.</p>
<p>2. How does the council's risk management process identify and address risks relating to accounting estimates?</p>	<p>The Council places greater emphasis, review and challenge on these key areas to ensure that they are robust. Where issues are identified a more detailed review of processes and controls will be undertaken, likely through the Councils internal audit function.</p>
<p>3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>The Council's Corporate Finance Function and specific finance managers involved in the delivery of the accounts identify the methods and processes to be used. Working in the confines of the Code of Practice.</p>
<p>4. How do management review the outcomes of previous accounting estimates?</p>	<p>The SOA accounts is reviewed by management with challenge provided on key areas of the accounts. The SOA is also presented for review and scrutiny by the Audit Committee ahead of publication. The SOA is also reviewed by the wider finance function (chartered accountants) for accuracy and to identify any issues.</p> <p>Asset lists, pension assumptions and provisions are reviewed annually.</p>
<p>5. Were any changes made to the estimation processes in 2022-23 and, if so, what was the reason for these?</p>	<p>The valuation date for Land and Buildings valued using DRC was changed from 1<sup>st</sup> April to 1<sup>st</sup> January. This was to reduce the potential change in valuation between the valuation date and year end.</p>

# Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>The Council's Corporate Finance Function and specific finance managers involved in the delivery of the accounts identify the methods and processes to be used. Working in the confines of the Code of Practice. Qualified officers used for asset valuations and dwelling valuations. Link used to supply fair value for financial instruments.</p>
<p>7. How does the council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>Valuers are issued with instruction letter and contract with requirements is in. RMBC participate in the annual bulk exercise to obtain the IAS19 disclosures. Quality Assurance is carried out. Equally if any concerns are raised the S151 officer can request the internal audit review the processes in place.</p>
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>As above</p>
<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"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	<p>The SOA accounts is reviewed by management with challenge provided on key areas of the accounts. The SOA is also presented for review and scrutiny by the Audit Committee ahead of publication. The SOA is also reviewed by the wider finance function (chartered accountants) for accuracy and to identify any issues.</p> <p>Training offered to new audit committee members and refresher training offered to existing members.</p>



## Accounting Estimates - General Enquiries of Management

Question	Management response
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?</p>	<p>Yes, via the presentation of the SOA and supporting reports, highlighting any changes in regulations or environment that may give rise to a challenge to the Councils accounting estimates process.</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>The arrangements are reviewed annually for appropriateness and where relevant and required external expertise is used to guide the Council's approach.</p>
<p>12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>Through robust reporting to the AC on the production of the statement of accounts and training on the production of the statement of accounts.</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?
Valuation of land and buildings	DRC valued at 1 <sup>st</sup> Jan, EUV, Fair Value, Historic Cost. Valued as at 1 <sup>st</sup> April, with material adjustments for in year movement applied as required.	BCIS rates, local information such as sale prices, rental income	Valuations reviewed by RICs qualified officers	Stated on individual valuation certificates	Yes DRC valuations are now dated 1 <sup>st</sup> Jan. Previously 1 <sup>st</sup> April.
Valuation of council dwellings	current value, determined using the basis of existing use value for social housing (EUVSH). Valued as at 1 <sup>st</sup> April, with material adjustments for in year movement applied as required.	Value based on achievable sale prices then reduced	Valuations reviewed by RICs qualified officers	41% EUV – use of this % is supported by local evidence	No
Valuation of investment property	Fair Value. Valued as at 1 <sup>st</sup> April, with material adjustments for in year movement applied as required	local information such as sale prices, rental income	Valuations reviewed by RICs qualified officers	Stated on individual valuation certificates	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation	Straight line method, based on opening value as at 1st April.	Treatment of asset classifications and UEL applied as per policy	Only in obtaining the most recent asset valuations used.	Asset is still in use, useful economic life.	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?
Expenditure accruals	Automatic system accruals, manual – guidance provided	Budget holder monitoring, significant variances, review of new year transactions	Qualified Finance Officers	Potential uncertainty around value Most appropriate estimate used	No
Provisions	Appeals provision model based on previous appeals success %. Insurance – based on previous claims data	Experience of key staff and Insurance Team.	N/A	Methods used and associated % used is changed each year.	No
Valuation of defined benefit net pension fund	Liabilities have been assessed on an actuarial basis using the projected unit credit method,.	An estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc	The liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Council fund.	Rates of inflation, longevity, increase in salaries, increases in pension and rate for discounting liability	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?
Fair value of debt instruments	Fair value of debt instruments	An income approach is used. This converts future amounts (eg cash flows or income and expenses) to a single current (ie discounted) amount	Based on PWLB new loan rates	The Council's treasury advisors Link provide the calculations.	A calculation is done using PWLB redemption rates as a comparison.	No
Finance lease liabilities	Finance lease liabilities	Lease Model.	Based on model used	PWC produced the original model.	Lease model is most appropriate estimate	No
PFI Liabilities	PFI Liabilities	PFI Model	Based on model used	PWC produced the original model.	PFI model is most appropriate estimate	No
Credit loss and impairment allowances	Credit loss and impairment allowances	Expected credit loss model.	Historic default rate data from 3 main credit rating agencies. Previous year collection rates for debtors	The historic default rate figures are provided by Link.	The % used changes each year based on historic information.	No



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