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Informing the audit risk assessment

Leicestershire County Council 2018/19

Agenda

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between auditors and the Council's Corporate Governance 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 Corporate Governance Committee under auditing standards.

Background

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

This two-way communication assists both the auditor and the Corporate Governance 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 Corporate Governance Committee and supports the Corporate Governance 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 Corporate Governance Committee's oversight of the following areas:

- fraud
- laws and regulations
- going concern
- related parties
- accounting estimates.

This report includes a series of questions on each of these areas and the response we have received from the Council's management.

The Corporate Governance Committee should consider whether these responses are consistent with the its understanding and whether there are any further comments it wishes to make.

Fraud

Matters in relation to fraud

ISA(UK&I)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 Corporate Governance Committee and management. Management, with the oversight of the Corporate Governance 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 Corporate Governance Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

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

We need to understand how the Corporate Governance Committee oversees the above processes. We are also required to make inquiries of both management and the Corporate Governance 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
Has the Council assessed the risk of material misstatement in the financial statements due to fraud, including the nature, extent and frequency of such assessments?	Yes. Continually assessed via a number of indicators: Effective monthly budget monitoring and challenge through empowering budget managers to be accountable for their cost centres. Review by Finance business partners and corporate finance. Effective finance and internal audit functions. Regular bank and control account reconciliations overseen by Corporate Finance. Balanced scorecard of key controls reported to Chief management and departmental management teams.
What processes does the Authority have in place to identify and respond to risks of fraud, including any identified specific risks of fraud and risks of fraud likely to exist?	The Council undertakes a biennial fraud risk assessment (FRA). The lead officer for this is the Head of Internal Audit & Assurance Service (HoIAS) and the FRA is tabled at the Corporate Governance Committee (usually at January committee each year). The fraud risk assessment process seeks to identify, and score relative to one another, the fraud risks facing the County Council. Scores are derived from discussions with key service leads, departmental risk champions and from both local and national fraud intelligence. Subsequently, the results of the fraud risk assessment are used to inform the annual Internal Audit planning process, i.e. in order that audit resources are targeted to those areas of perceived higher risk.
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	The Council is always vigilant to the threat of fraud and Internal Audit work is planned to highlight the threat of potential fraud. High scoring areas arising from the Fraud Risk Assessment are used to inform the annual Internal Audit Plan. For 2019/20 the risk of Adult Social Care fraud is prominent, e.g. direct payments misuse.
Are internal controls, including segregation of duties, in place and operating effectively? If not, where are the risk areas and what mitigating actions have been taken?	Overall internal controls work effectively and Internal Audit report on ineffective controls which are corrected by management.

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Fraud risk assessment

Question	Management response
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)?	Not significantly. Financial and operational targets are an important part of the management process however there are a number of officers in the process that would counter any significant risk. This includes strategic budget managers (who review individual cost centre budget forecasts), and the finance function. The finance function comprises review by the Finance and Analysis Team (FAIT), the finance business partner team and the Technical Accounting Team. Reports are collated and reviewed by the Head of Finance and the Assistant Director for Finance.
Are there any areas where there is a potential for misreporting override of controls or inappropriate influence over the financial reporting process?	See above response
How does the Council communicate with those charged with governance regarding their processes for identifying and responding to risks of fraud in the entity? (Wording change)	The Corporate Governance Committee meets on a quarterly basis. Regular counter fraud updates are provided to the Committee by the HoIAS, acting as representative of the s.151 officer. As an example, the CGC will receive the biennial fraud risk assessment (FRA), setting out what the Council considers its major fraud risks to be. This FRA is used by the HoIAS to inform the annual audit planning process, i.e. to target counter fraud resources into areas of perceived greatest risk. The Council's suite of counter fraud policies and procedures are approved by the Corporate Governance Committee (most recently 24 October 2018). This includes the biennial refresh of the Council's overarching Anti-Fraud & Corruption Strategy and the two-year action plan that sits within it. This plan sets out a range of intended actions over a two-year period designed to improve the Council's resilience to fraud yet further.

Fraud risk assessment

Question	Management response
How does the Council communicate ethical behaviour of its staff and contractors?	In addition to the Council's suite of counter fraud policies and procedures, there are a number of indirectly-linked policies such as an Employee Code of Conduct and policies for the declarations of interests and gifts and hospitality. The Monitoring Officer reviews entries with the HoIAS each year which may result in further questions/clarifications. The Council ran a fraud awareness campaign in November 2018 to coincide with International Fraud Awareness week. This saw targeted communications to staff in a number of areas over the course of a week, designed to raise awareness of fraud risks affecting organisations such as ours. This gave the opportunity to discuss Council policy in a number of areas, e.g. gifts & hospitality, declaring personal interests (both aligned to bribery risk), and indeed to direct staff to both the Council's policies and procedures, and the mandatory fraud awareness e-learning module. The fraud awareness campaign was fully supported by the Corporate Management Team and indeed part of the communication strategy employed saw each Director writing to all staff within their department to promote the campaign and to signpost staff to further information. The Council has a wealth of information on fraud on both its externally-facing website and on the internal staff intranet. A supplier code of conduct was approved by Corporate Governance Committee in October 2018 and an internal audit of compliance will follow in 2019-20
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	The Council regularly promotes its whistleblowing process to staff. No significant issues have been reported.
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	Not aware of any related party relationships or transactions that could give rise to instances of fraud. Monitoring and controls in place mitigate the risk.

Fraud risk assessment

Question	Management response
Are you aware of any instances of actual, suspected, or alleged fraud either within the Council as a whole or within specific departments since 1 April 2018?	Within Leicestershire County Council, strategic and operational responsibility for counter fraud rests with the Head of Internal Audit Service. Therefore, the HoIAS is routinely aware of any actual, suspected or alleged fraud affecting the entity. A list of investigations is held by the HoIAS and such details are kept confidential so as not to jeopardise such investigations. This list can be shared with GT upon request as appropriate. The Corporate Governance Committee is updated on concluded investigations via progress reports. The Internal Audit Service is responsible, annually, for completing both the CIPFA Fraud & Corruption tracker and the Council's reporting obligations for fraud under the Local Government Transparency Code. These processes both summarise the fraud activity that the Council has been exposed to in the previous year. On a biennial basis, the Internal Audit Service produces a fraud risk assessment. The FRA process seeks to identify, and score relative to one another, the fraud risks facing the County Council. Subsequently, the results of the fraud risk assessment are used to inform the annual Internal Audit planning process, i.e. in order that audit resources are targeted to those areas of perceived higher risk. The Internal Audit Service has a qualified CIPFA Counter Fraud Technician. Part of this role includes attendance at regional fraud group meetings involving other county councils. This is one example how fraud intelligence is shared, i.e. frauds affecting other councils that we need to be mindful of.
Are you aware of any whistle-blower reports or reports under the Bribery Act since 1 April 2018? If so how does the Corporate Governance Committee respond to these?	None

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Laws and regulations

Matters in relation to laws and regulations

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

Management, with the oversight of the Corporate Governance 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 Corporate Governance 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 noncompliance and the possible effect on the financial statements.

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

Impact of laws and regulations

Question	Management response
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	The operation of the statutory officer roles (Head of Paid Services, Monitoring Officer and Chief Financial Officer) help to ensure compliance with laws and regulations. For example, the Monitoring Officer has the authority to report to Council if they considers that any proposal, decision or omission would give rise to unlawfulness or maladministration, thereby stopping the proposal or decision being implemented until the report has been considered. Finance and Legal implications are outlined in all committee reports. County Council policies, finance procedural rules and contract procedure rules. Specialist teams, legal, finance, risk management, procurement, internal audit etc.
How does management gain assurance that all relevant laws and regulations have been complied with?	As above plus, the Internal Audit Service operates to the standards set out in the "Public Sector Internal Audit Standards" and the Internal Audit Plan specifically considers compliance with laws and regulations. The Council regularly promotes its whistleblowing process to staff.
How is the Corporate Governance Committee provided with assurance that all relevant laws and regulations have been complied with?	Standard reporting formats requires that legal implications are outlined in all committee reports. The Monitoring Officer and the Chief Financial Officer attends Corporate Governance committee meetings to advise members of any known issues and to respond to members enquiries. The Head of Internal Audit Service has a number of alternative reporting lines in the event of breach of law or regulation, including a right to meet privately with the Chair of the Corporate Governance Committee or the Committee in full, should the situation determine such an approach necessary.

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Impact of laws and regulations

Question	Management response
Have there been any instances of non-compliance or suspected non-compliance with law and regulations since 1 April 2018, or earlier with an on-going impact on the 2018/19 financial statements?	There are no instances of non-compliance that would have a material effect on the 2018/19 financial statements
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	The Council has an insurance team and a Legal team that manages litigation and claims on behalf of the Council. All claims are passed to these teams. During the year the finance team will liaise with the insurance and legal teams to evaluate any material claims and make the appropriate accounting entries in the accounts.
Is there any actual or potential litigation or claims that would affect the financial statements?	Areas of litigation are reported in the Statements where their impact is considered material or significant to the readers of the statements and the outturn itself. There are no material uninsured litigations (greater than £1m.)
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate noncompliance?	None

Going concern

Matters in relation to going concern

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

Going concern is a fundamental principle in the preparation of financial statements. Under the going concern assumption, a Council is viewed as continuing in operation for the foreseeable future with no necessity of liquidation or ceasing trading. Accordingly, the Council’s assets and liabilities are recorded on the basis that assets will be realised and liabilities discharged in the normal course of business.

The code of practice on local authority accounting requires an authority’s financial statements to be prepared on a going concern basis.

Although the Council is not subject to the same future trading uncertainties as private sector entities, consideration of the key features of the going concern provides an indication of the Council's financial resilience and is good practice.

As auditor, we are responsible for considering the appropriateness of use of the going concern assumption in preparing the financial statements and to consider whether there are material uncertainties about the Council's ability to continue as a going concern that need to be disclosed in the financial statements. We discuss the going concern assumption with management and review the Council's financial and operating performance.

Going concern considerations are set out overleaf and management has provided its response.

Going concern considerations

Question	Management response
Is the going concern basis of accounting a fundamental principle in the preparation of the financial statements ?	Yes.
Has a preliminary assessment of the Council's ability to continue as a going concern been performed?	Yes.
What is the basis for the intended use of the going concern assumption, and are management aware of the existence of other events or conditions that may cast doubt on the Authority's ability to continue as a going concern ? (New wording)	Yes, via the annual MTFS, most recent was approved by the County Council on 20 Feb 2019. This covers the next four year period to 2023. This shows managements approach to the impact of significant and ongoing central government reductions in funding. The MTFS shows a balanced budget for 19/20 and 20/21 with a shortfall of £5m in 21/22 rising to £20m in 22/23. However, the MTFS includes plans to achieve the additional savings and income required through new savings under development. The MTFS also includes a contingency of £8m for risks and a contingency for growth of £20m. In addition the Council has sufficient reserves (c.£120m) to mitigate this risk in the medium term. In addition, the current year position, 2018/19 as at period 11, shows a net underspend of £8m. The Council also has statutory tax raising powers if required.
Are arrangements in place to report the going concern assessment to the Corporate Governance Committee?	Undertaken as part of the 4 Year MTFS to the County Council and in the Statement of Accounts approved by the Corporate Governance Committee.

Going concern considerations

Question	Management response
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?	Yes. Established regular MTFS and earmarked funds reporting process to senior management and members, combined with departmental and corporate performance reporting against the Council's corporate plans and targets
Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	Yes. The via the Medium-Term Financial Strategy Plan, which specifically includes consideration of both national (e.g. statutory) and local (e.g. policy) issues in terms of their potential financial impact.
Have there been any significant issues raised with the Corporate Governance 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).	No significant issues have been raised.
Does a review of available financial information identify any adverse financial indicators including negative cash flow? If so, what action is being taken to improve financial performance?	No adverse financial indicators have been identified.

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Going concern considerations

Question	Management response
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?	Yes.

Related parties

Matters in relation to Related Parties

For local government bodies, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires compliance with International Accounting Standard 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 (i.e. subsidiaries);
- associates and/or joint ventures;
- an entity that has an interest in the Council 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.

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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&I) 550 covers auditor responsibilities relating to related party transactions.

Many related party transactions are in the normal course of business and may not carry a higher risk of material misstatement. However in some circumstances the nature of the relationships and transaction may give rise to higher risks.

ISA (UK&I) 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 party considerations have been set out overleaf and management has provided its response.

Related parties consideration

Question	Management response
What controls does the Council have in place to identify, account for, and disclose related party transactions and relationships?	A number of arrangements are in place for identifying the nature of a related party and reported value including: • Maintenance of a Register of interests for Members and officers, requiring disclosure of related party transactions. • Annual return from senior managers/officers and members requiring confirmation that read and understood the declaration requirements and stating details of any known related party interests. • Review of in-year income and expenditure transactions with known identified related parties from prior year or known history. • Review of related information with subsidiaries, companies and joint ventures, e.g. accounts. • Review of the accounts payable and receivable systems and identification of amounts paid in relation to related parties identified. • 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.

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Related parties considerations

Question	Management response
Who are the Council's related parties, including changes from prior period?	People who are regarded as related parties are: • Elected members - Responsible for the direct control of the policies of the authority • Chief Executive, The Executive Directors and other Senior Officers, as key management personnel that have the authority and responsibility for planning, directing and controlling the activities of the authority. • Members of the families and households of members and officers with the ability to influence members or officers Entities that are regarded as related parties are: • Central government - Has effective control over local authorities, as authorities are incapable of acting without statutory authority. Able to limit possibility of independent action by specifying transactions and the terms on which they are concluded. • Other public bodies subject to common control by central government • Partnerships, companies, trusts or any entities in which members/officers or a member of their close family or the same household has a controlling interest, • Pension Fund The annual Statements present a detailed analysis of transactions between the authority and its related parties.]
Has the Authority entered into any transactions with these related parties during the period, if so, what are the type and purpose of these transactions?	Information is currently being collated as part of the year end work and will be included in the Statement of Accounts.

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Accounting estimates

Matters in relation to accounting estimates

Local authorities need to apply appropriate estimates in the preparation of their financial statements.

ISA (UK&I) 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 material estimates that the Council is using as part of its accounts preparation; these are detailed in Appendix A. 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.

Accounting estimates considerations have been set out overleaf and management has provided its response.

Accounting estimates

Question	Management response
Are the management arrangements for the accounting estimates, including identifying new estimates or revisions required, detailed in Appendix A (below) reasonable?	Yes. Prepared from relevant accounting standards, legislation, and guidance issued by CIPFA, primarily the Code of Practice. In addition the Technical Accounting Team attend annual technical updates to ensure knowledge is kept up to date. The team also use other professional officers where appropriate to do so, for example Valuers, Actuaries etc. Material new or changes are approved by the s151 officer.
How are transactions, events, and conditions identified that may give rise to the need for accounting estimates to be recognised or disclosed in the financial statements?	MTFS, financial procedures, Cabinet and Chief Management Team approval, schemes of delegation to officers.
Are there any changes in circumstances that may give rise to new, or the need to revise existing, accounting estimates?	No.
How is the Corporate Governance Committee provided with assurance that the arrangements for accounting estimates are adequate?	The Director of Resources and finance team reporting the statements of accounts to the committee. All senior staff involved are qualified experienced accounting professionals. In certain specialist areas other professional officers are also used as appropriate, including: A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied when estimating the pension liability. In house qualified valuers are engaged by the Authority to carry out, for the major assets, a programme of physical valuations to ensure that their carrying values are subject to professional and independent assessment. Treasury Management advisors provide fair value estimates for financial instruments.

Appendix A - Accounting estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property plant & equipment valuations	Valuations for land and buildings are undertaken by the in-house valuer in line with RICS guidance on the basis of 5 year valuation with interim reviews. Other assets are valued on the basis of depreciated historic cost as proxy for fair value as relatively short asset lives before replacement.	Form of undertaken in place between the Finance Team and the Valuer that sets out the requirements. The Valuer will undertake the valuations in line with the form of undertaking,. The finance team will review the output and check for completeness. The overriding requirement is that the carrying value is not materially different from the amount that would be determined by valuation. The Valuer working with the Finance Team will also consider factors (informed by Property Services Manager) that would indicate where an interim valuation is required.	In house valuer used.	Valuations are made in-line with RICS guidance – reliance on expert. Assumptions are set out in valuer's report.	No

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Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Estimated remaining useful lives of PPE	The following asset categories have general asset lives: • Buildings varies from asset to asset, usually 50 to 70years • Equipment/ vehicles average 5 years • Plant average 5 years • Infrastructure 40 years	Specific asset lives applied to buildings. Consistent asset lives applied to each asset category.	In house valuer used	The method makes some generalisations. For example, building lives would vary depending on the construction materials used. This life would be recorded in accordance with RICS valuation. Detailed information is included in the valuers report for each asset. The lives used for other assets are based on operational experience of the service areas. The asset live is then recorded in the asset register.	No
Depreciation & Amortisation	Depreciation is provided on all PPE by the systematic allocation of their depreciable amounts over their useful lives. Buildings are depreciated over their remaining useful economic lives as assessed by the property valuer, with no allowance for a residual value. No depreciation charge is made for the land, community assets, assets under construction or assets held for sale. All other assets with a finite useful life are depreciated on a straight-line basis.	Consistent application of depreciation method across all assets	No	The length of the life is determined at the point of acquisition or revaluation. Major components are depreciated separately.	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Impairments	Assets are assessed at the year-end for 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. This assessment is made by the internal valuer for land and buildings and by Property Services Manager and finance team (and other relevant officers for the asset type) for other assets.	In house valuer used	Valuations are made in-line with RICS guidance - reliance on internal expert.	No
Finance lease liability	At the inception of the lease the liability is the lower of the fair value of the asset or present value of the minimum lease payments. Payments are split between the finance charge and the element that reduces the liability.	Finance team review contracts and payments over the de-minimus level to ensure the lease is categorised correctly as a finance lease or an operating lease. Calculations supported by lease documents.	Not required	Assets recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).	No

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Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Pension liability	The Council is the administering authority of the Leicestershire Local Government Pension Scheme. The 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.	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
Non adjusting events - events after the BS date	Finance Team and S151 Officer makes the assessment. If the event is indicative of conditions that arose after the balance sheet date then this is an unadjusting 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.	Managers notify the finance team/ s151 officer	This would be considered on individual circumstance.	This would be considered on individual circumstance.	N/a
Bad Debt Provision.	A provision is estimated using knowledge of any risk of non recovery for individual debts and a proportion basis used based on experience of expected credit loss for an aged debt listing.	Finance team provide detailed guidance to departmental finance business team on approach and reviews working papers.	No	Past experience	No

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Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities.	Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Provisions are charged as an expense to the appropriate service line in the CI&ES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.	Charged in the year that the Council becomes aware of the obligation.	No	Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Council.	No

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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?
Accruals	Finance team provide detailed guidance and training to budget managers and other finance colleagues on the establishment of accruals of expenditure and income. All accruals are reviewed before posting to the accounts. Activity is accounted for in the financial year that it takes place, not simply when cash payments are made or received. While processes and procedures will be maintained to capture all accruals, resources will be focused on identifying individual transactions of £1,000 and above. An Accumulated Absences account (£4m 17/18) to reflect the value of time owed to employees for accrued holidays, TOIL (time off in lieu) and flexitime. This balance is based on an historic value subject to annual review and amendment where there have been significant changes in staff numbers or working patterns	Detailed guidance and manager training. Review financial systems to identify where goods have been received but not paid for. Requests of service managers to identify any other goods or services received or provided but not paid for, with additional challenge concentrating on transactions greater than £10,000 Review of circumstances that indicate the approach to annual leave accrual is still valid.	No	Accruals for income and expenditure often based on known values. Where accruals are estimated the latest available information is used. The value of the accruals below the threshold of £1,000 is not a material amount. The annual leave accrual is based on historic records. An annual review will be performed to assess whether there any circumstances that mean the historic calculation of annual leave is no longer a reasonable estimate and whether the survey process needs to be performed on a partial or complete basis. Events likely to trigger such a decision would be significant changes in staff numbers or working patterns.	No

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?
Measurement of Financial Instruments	**Liabilities** Financial liabilities are recognised on the Balance Sheet when the Authority becomes party to the contractual provisions of a financial instrument. Borrowings at fixed interest rates from either the PWLB or other financial institutions are initially measured at fair value and carried in the Balance Sheet at amortised cost. **Borrowing at Variable Interest** Loans linked to the London Inter-bank Offered Rate (LIBOR) will be recorded at amortised cost. Loans at stepped interest rates (LOBO's) are recorded at fair value with interest charged to the Comprehensive Income and Expenditure Statement calculated at the effective rate of interest, which discounts estimate future cash payments over the life of the instrument (essentially an average rate for the expected duration of that loan), rather than the cash paid in a year. Statutory regulations enable the Authority to negate the additional interest arising on LOBO's (if loan arranged before November 2007) by posting a reversal within the Movement in Reserves Statement to the Financial Instruments Adjustment Account.	Detailed loans register records and reconciliation to the accounts and external primary evidence of loans outstanding, for example PWLB statement of balances. As above	Partial - within the notes to the accounts the fair value of loan liabilities is disclosed which is provided by external Treasury Management Experts (Link Asset Services).	None	No

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?
Measurement of Financial Instruments (New wording)	The borrowings presented in the Balance Sheet are made up of the outstanding principal repayable plus accrued interest. Interest payable in the year is charged to the CIES. ***Premiums and Discounts Arising from Premature Repayment of Debt.*** The Authority continuously reviews existing external loans and interest rates being paid, and has the option of restructuring or refinancing this debt. All such transactions are taken to the Comprehensive Income & Expenditure Statement in the year that the repayment is made. Statutory regulations enable the Authority to negate the additional charge/credit arising on such transactions by posting a reversal within the Movement in Reserves Statement to the Financial Instruments Adjustment Account. Premiums and discounts arising from premature repayments of debt arising since 1 April 2007 are charged to the Movement in Reserves Statement over the lesser of the remaining period of the loan(s) being repaid or a maximum of 10 years. All outstanding premiums arising from earlier periods are being charged over a period of up to 25 years.	. As above	No	None	No

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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?
Measurement of Financial Instruments (New wording)	***Assets*** ***Loans and Receivables*** These are assets that have determinable payments or fixed interest rates with a fixed maturity date but are not quoted in an active market.	.			
	Soft Loans Under certain criteria the Authority provides loans to foster parents and to older people with physical disabilities. These loans are interest free. The total value is considered to be immaterial to the Authority's accounts; therefore these loans have not been revalued on a fair value basis in accordance with the CIPFA COPLAA.	Detailed records held and reconciled regularly.	No	None	No
	Fair Value through the Comprehensive Income & Expenditure Statement Forward investment deals (investment negotiated one year but with actual settlement in a future year). These are accounted for as a derivative between the trade and settlement dates. The difference between the agreed rate of interest with that attributable for a loan negotiated at 31 March with similar contractual terms will show a gain or loss that is taken to the Comprehensive Income and Expenditure Statement. (Note no forward investments in 2018/19)	Detailed records of investments made.	No	None	No