



# Informing the audit risk assessment for the Royal Borough of Greenwich Council and Pension Fund 2020/21

**Iain Murray**  
Key Audit Partner  
+44 (0)20 7728 3328  
[Iain.G.Murray@uk.gt.com](mailto:Iain.G.Murray@uk.gt.com)

**Paul Jacklin**  
Senior Manager  
+44 (0)20 7728 3263  
[Paul.J.Jacklin@uk.gt.com](mailto:Paul.J.Jacklin@uk.gt.com)



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.

# Table of Contents

<b>Section</b>	<b>Page</b>
Purpose	4
General Enquiries of Management	6
Fraud	9
Fraud Risk Assessment	10
Laws and Regulations	15
Impact of Laws and Regulations	16
Related Parties	18
Accounting Estimates	20
Accounting Estimates - General Enquiries of Management	21
Appendix A – Accounting Estimates	24

## Purpose

The purpose of this report is to contribute towards the effective two-way communication between the Royal Borough of Greenwich Council's and Pension Fund's external auditors and the Royal Borough of Greenwich Council's and Pension Fund's Audit and Risk Management Panel, 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 and Risk Management Panel under auditing standards.

## Background

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

This two-way communication assists both the auditor and the Audit and Risk Management Panel 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 and Risk Management Panel and supports the Audit and Risk Management Panel 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 and Pension Fund's oversight of the following areas:

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

## Purpose

This report includes a series of questions on each of these areas and the response we have received from the Royal Borough of Greenwich Council's and Pension Fund's management. The Audit and Risk Management Panel should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

## General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?</p>	<p>The financial statements will demonstrate that the Council continues to work within tight financial constraints reflected in its MTFS whilst continuing to progress its key objectives.</p> <p>However, the outbreak of Covid-19, declaration of a 'Global Pandemic' by the World Health Organisation on 11 March 2020 and subsequent associated events have wide reaching implications for the Royal Borough of Greenwich. The impact of these events is cumulative and have yet to be fully realised.</p> <p>The effects of the pandemic have had a material impact on the Council's financial outturn for 2020/21. Significant impact is expected to continue during 2020/21 and beyond.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by the Royal Borough of Greenwich Council and Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>[Under review nothing to date..C-19 specific...] The RICS Material Valuation Uncertainty Leaders Forum [UK] have recommended a general lifting of 'Material Uncertainty' in respect of asset valuations. However, where the impact of Covid-19 is yet fully understood, a declaration may be required. The Royal Borough of Greenwich holds several leisure and hospitality assets where a declaration may be determined appropriate by the Valuations Team. This is unlikely to result in a change or adoption of a new accounting policy.</p>
<p>3. Is there any use of financial instruments, including derivatives?</p>	<p>As part of its Treasury Management strategy the Council actions various loan and investment transactions which can be classified as financial instruments for the purpose of the accounts. The Council is the Administering Authority for the Royal Borough of Greenwich Pension Fund and as such, external investment fund managers utilise instruments which are clearly used for purposes of efficient portfolio management as prescribed within relevant regulations in accordance with normal fund management business.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business?</p>	<p>No</p>

## General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	None to date. Reviews are on-going.
6. Are you aware of any guarantee contracts?	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by the Royal Borough of Greenwich Council and Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	I am aware of the following; DWF Law LLP, Sharpe Pritchard LLP, Trowers & Hamlins LLP, Penningtons Manches Cooper LLP, Gowling LLP, Freeths LLP, Walker Morris LLP, Womble Bond Dickinson LLP, Bevan Brittan LLP, Geldards LLP

## General Enquiries of Management

Question	Management response
9. Have any of the Royal Borough of Greenwich Council's or Pension Fund'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?	Pension fund Investment advisors- Hyman's Robertson, 31 Ten Consultancy – Housing Delivery options

# Fraud

## Issue

### Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Risk Management Panel and management. Management, with the oversight of the Audit and Risk Management Panel, 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 and Risk Management Panel should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As the Royal Borough of Greenwich Council's and Pension Fund'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 and Risk Management Panel 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 and Risk Management Panel oversees the above processes. We are also required to make inquiries of both management and the Audit and Risk Management Panel 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 Royal Borough of Greenwich Council's and Pension Fund's management.

## Fraud risk assessment

Question	Management response
<p>1. Have the Royal Borough of Greenwich Council and Pension Fund 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 and Pension Fund's risk management processes link to financial reporting?</p>	<p>The Pension Fund minimises this risk through the monitoring process and is assessed. The Fund produces quarterly draft statements of accounts which are presented to the Pension Panel for review. We also undertake a regular balance sheet review, with each variance explained and validated.</p> <p>The Pension Funds detailed risk register explains the risk faced by the Scheme and is presented to the Pension Board quarterly and the Pension Panel annually. Each risk is assigned to an officer and monitored throughout the year, the register includes comments on how the risk is being minimised.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Historically, the types of fraud that are most prevalent relate to Benefits, Council Tax, Blue Badges and Social Care Direct Payments. In 2020/21, fraud resources were heavily involved in the administration of the various business grant support schemes introduced by the government</p>

## Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Royal Borough of Greenwich Council and Pension Fund as a whole or within specific departments since 1 April 2020?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Reports are submitted to the Audit &amp; Risk Management (ARM) Panel which provide details of the results of fraud investigations undertaken during the period. The ARM panel regularly receives reports in relation to risk management, governance and internal control including details of audit reviews with an opinion of limited assurance and details of fraud investigations undertaken and results.</p> <p>The ARM panel regularly receives reports on the strategy adopted to manage the investigation of fraud who also provides an ongoing assessment of performance including details of specific fraud cases or any fraud trends. The Head of Internal Audit &amp; Anti-Fraud also reports directly to the Director of Finance and the Chief Executive.</p> <p>The Council has a number scrutiny panels which receive detailed reports from across Council Directorates and these add further scrutiny and value to the governance process.</p>
<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 Royal Borough of Greenwich Council and Pension Fund where fraud is more likely to occur?</p>	<p>As part of any fraud investigation, should a specific risk be identified, the matter is reported to Internal Audit and / or the relevant Directorate Senior Management so that any potential remedial / mitigating action can be considered.</p> <p>Conversely, should a potential fraud be identified during an internal audit review, colleagues in anti-fraud are alerted.</p> <p>Historically, the types of fraud that are most prevalent relate to Benefits, Council Tax, Blue Badges and Social Care Direct Payments. In 2020/21, fraud resources were heavily involved in the administration of the various business grant support schemes introduced by the government</p>
<p>5. What processes do the Royal Borough of Greenwich Council and Pension Fund have in place to identify and respond to risks of fraud?</p>	<p>The Council has an active counter-fraud function which is adequately resourced, corporately risk based and proportionate, and which aims to create a zero-tolerance culture.</p> <p>It is generally recognised that the Council has an experienced and high performing counter fraud function and has a proven track record of a robust anti-fraud response.</p> <p>The Counter Fraud function has proven over many years that it responds to fraud on a truly corporate basis</p> <p>including innovative approaches and successful joint working with external partners to combat fraud ■</p>

## Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for the Royal Borough of Greenwich Council and Pension Fund, 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)?</p>	<p>The Royal Borough has a framework of strong internal control processes. The annual Head of Internal Audit Report for 2019/20 detailed that Internal Audit assessed 94.7% of the areas audited during the year demonstrated either “High” or “Moderate” levels of control over the risk environment. The Head of Internal Audit’s opinion was that the Royal Borough can have a reasonable level of confidence in its financial and management control systems. A Head of Internal Audit Report for 2020/21 will be issued after 1 April 2021.</p> <p>Internal Audit focus is prioritised according to defined risk criteria to allocate resources to those areas of the Royal Borough’s operations that either have a direct impact on Service objectives or where the risk of fraud is high. Internal Audit seeks to provide assurance that management have implemented adequately designed and effective controls for the areas of risk identified. All audit work performed include an assessment of the design and effectiveness of each control.</p> <p>In drafting the Royal Borough’s Annual Governance Statement for 2020/21 officers will evaluate various sources of assurances and supporting evidence. This approach uses a range of sources of assurance, such as; directors and managers, the section 151 officer, the monitoring officer, members, the head of internal audit, performance and risk management processes, appropriate third parties, e.g. partnerships and external audit and other review agencies.</p> <p>The Royal Borough recognises that an established and effective risk management framework should be considered in all aspects of decision making. The Corporate Risk Management Strategy has been approved by Cabinet. There is an integrated approach to the implementation and embedding of risk management within the planning and decision-making process, assessing risks and considering the impact of risks upon departmental and service performance and delivery, and assigning responsibilities to manage individual risks.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>No</p>

## Fraud risk assessment

Question	Management response
<p>8. How do the Royal Borough of Greenwich Council and Pension Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported?</p>	<p>There are a number of methods by which management communicates its expectations of ethical governance and standards of conduct, these include contracts of employment for employees, declarations of interest policies and the Council's Whistleblowing Policy which was updated in November 2016 and is available to all employees and Members via the Council's intranet.</p> <p>The ARM Panel can demonstrate the positive impact of its work through providing effective challenge across the organisation.</p> <p>This includes providing assurance on the Council's arrangements for: risk management; effective internal control; and reporting on financial and other performance.</p> <p>In addition, the Council's conditions of contract cover issues such as the prevention of corruption, whistleblowing, complaints procedures, staff conduct and confidentiality.</p> <p>No significant issues have been reported.</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>Due to the size of the Pension and Treasury investment transaction, this could be class as high risk posting.</p> <p>The risk are identified and assessed through internal audit work, the focus on existing controls and procedures reduce the risk of fraud. Where issues are identified as a result of Internal Audit work, recommendations are made to management to address gaps in control. The internal audit report is also presented to ARM Panel.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>Not aware of any for pension fund.</p> <p>Through disclosure of declarations of interest and ensuring that officers and members are not placed in a position where they have a conflict of interest.</p> <p>Disclosures are refreshed and checked as part of the final accounts process.</p>

## Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit and Risk Management Panel?</p> <p>How does the Audit and Risk Management Panel 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>	<p>The ARM panel receives reports in relation to risk management, governance and internal control including details of audit reviews with an opinion of limited assurance and details of fraud investigations undertaken and results.</p> <p>The ARM panel receives reports on the strategy adopted to manage the investigation of fraud who also provides an ongoing assessment of performance including details of specific fraud cases or any fraud trends.</p> <p>Given the Covid-19 outbreak during 2020/21, there has been a reduced number of ARM Panel meetings and resources have been focused on managing the response to the pandemic</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>Yes, there have been a small number of whistleblowing complaints and these have been responded to and enquiries conducted by the appropriate Directorate in the Council.</p> <p>The Council encourages staff to raise concerns. As recent as September 2020 all staff were reminded of the Council's whistleblowing app via a direct mailshot.</p> <p>The Council will also investigate anonymous complaints</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>None</p>

## Law and regulations

### Issue

#### **Matters in relation to laws and regulations**

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

Management, with the oversight of the Audit and Risk Management Panel, is responsible for ensuring that the Royal Borough of Greenwich Council's and Pension Fund'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 and Risk Management Panel 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 Royal Borough of Greenwich Council and Pension Fund 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 or Pension Fund's regulatory environment that may have a significant impact on the Council's or Pension Fund's financial statements?</p>	<p>Part of the Council's governance arrangements involves individual Directors establishing robust governance control arrangements in their area of responsibility and confirming each year that these processes are operating adequately. This all forms part of the Annual Governance Statement reported to the Audit and Risk Management Panel at each year end.</p> <p>The Council's constitution, which includes a scheme of delegation and standing orders which require approvals to be given by Cabinet, Lead Members or Directors exercising delegated authority.</p> <p>No</p>
<p>2. How is the Audit and Risk Management Panel provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Audit and Risk Management Panel regularly receives reports from the Director of Finance ( Financial Governance and Audit)</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?</p>	<p>No</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>No</p>

## Impact of laws and regulations

Question	Management response
5. What arrangements does the Royal Borough of Greenwich Council and Pension Fund have in place to identify, evaluate and account for litigation or claims?	The Director of Legal Services has delegated authority to appear as the Councils Solicitor and Chief Legal Officer and to institute, defend or settle proceedings as directed by the Chief Executive or other Chief Officers and to be responsible for the authorisation of certain officers to prosecute, defend or appear in legal proceedings on behalf of the council.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No

# Related Parties

## Issue

### Matters in relation to Related Parties

The Royal Borough of Greenwich Council and Pension Fund are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the Royal Borough of Greenwich Council and Pension Fund;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Council or Pension Fund;
- 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 Pension Fund, or of any entity that is a related party of the Council or Pension Fund.

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 or Pension Fund's perspective but material from a related party viewpoint then the Council or Pension Fund 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.

# Accounting estimates

## Issue

### Matters in relation to Related Accounting estimates

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

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

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

Specifically do Audit and Risk Management Panel 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 and Risk Management Panel to satisfy itself that the arrangements for accounting estimates are adequate.

## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in the Royal Borough of Greenwich Council's and Pension Fund's 2019/20 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and the Royal Borough of Greenwich Council and Pension Fund</li> <li>whether the Royal Borough of Greenwich Council and Pension Fund 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>GSPlus – December report noted the business was to be wound up over a 3 year period 2022.</p>
<p>2. What controls does the Royal Borough of Greenwich Council and Pension Fund have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Pension Fund – Letters to all members of the Pension Fund Investment and Administration panel, Pension board and key management involved in the pension fund to declare related party transactions annually.</p> <p>RBG – Letters/email sent to all councillors and chief officers above PO10 in post for the relevant year, to include councillors, officers, who are no longer in post and those provided by agency employers, to declare related party transactions annually. Declarations include guidance and information on how and what to declare and also a note that they may need to enquire with related party entities and their accounts departments to clarify if any transaction have been made between them and RBG during the relevant year.</p>

## Related Parties cont'd

Question	Management response
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	All related parties transactions are subject to the same financial authorization procedures required for all RBG financial transactions. For payment of invoices under
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	Not aware of there being any significant transactions outside the normal course of business.

## Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	The following classes of transactions give rise to accounting estimates, asset valuations and classification, useful economic life's and PFI / Finance Leases.
2. How does the Council's and Pension Fund's risk management process identify and addresses risks relating to accounting estimates?	Separate assessments are undertaken within Property and Finance to determine asset classifications. Valuations are undertaken by qualified professionals. Training & peer review.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	CIPFA and other institutional publications, CPD & formal training, the code of practice on local authority accounting.
4. How do management review the outcomes of previous accounting estimates?	Underlying principles are reviewed in respect of asset live and review / benchmarked across other authorities. Post closedown session to review the outcomes of audit.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	None proposed.

## Accounting Estimates - General Enquiries of Management

Question	Management response
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	RICS qualified valuers, independent assessments. Link assessment of the PFI balance sheet liability.
7. How does the Council and Pension Fund determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Internal audit [recent review of valuations]
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Internal audit, segregation and central oversight.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <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>	Asset life's are set out in the MRP Policy approved by the Council.

## Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	Implications are set out in formal decisions reports pertaining to significant transactions and events.
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Regular monitoring reports are provided to Cabinet, and are subject to further review as necessary. Reports on specific areas are all considered directly by the audit committee. Policies on such areas as depreciation and MRP are reported to Cabinet and Full Council with copies going to ARM for review.

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Current Value	Valuations undertaken in accordance with the Code and RICS Global Standards	RICS Member Valuer (Internal)	Assumptions include asset maintenance and component life. Material uncertainty declarations for valuations are determined by the Valuations team and noted, if applicable, in the annual valuation report. Estimates are made in accordance with the Code and RICS Global Standards.	No
Council dwelling valuations	Beacon - Social Housing Existing Use Value	Valuations undertaken in accordance with the Code and RICS Global Standards	RICS Member Valuer (Internal)	Assumptions include asset maintenance and component life. Material uncertainty declarations for valuations are determined by the Valuations team and noted, if applicable, in the annual valuation report. Estimates are made in accordance with the Code and RICS Global Standards.	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?
Investment property valuations	Fair Value	Valuations undertaken in accordance with the Code and RICS Global Standards	RICS Member Valuer (Internal)	Assumptions include asset maintenance and component life. Material uncertainty declarations for valuations are determined by the Valuations team and noted, if applicable, in the annual valuation report. Estimates are made in accordance with the Code and RICS Global Standards.	No
Depreciation	Useful economic lives - Straight Line	Component review undertaken to determine 40 year asset life for buildings. Estimates for vehicles and equipment are reviewed against replacement programmes. Outline asset lives are reported to Full Council and divergence from this subject to approval by the Director of Finance.	RICS Member Valuer (Internal), where applicable.	Assumptions include asset maintenance, component life and residual values. Reducing balance methodology has been considered for some classes of assets, such as equipment and vehicles.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	Single Equivalent Discount Rate	The Council reviews the factors used by the actuary to determine that they are within the standard sector parameters and are reasonable.	A qualified actuary from Barnett Waddingham LLP	Depends on a number of complex judgements, including those relating to:- the discount rate used-the rate at which salaries are projected to increase-the rate at which pensions are projected to increase-longevity rates. 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
Level 2 investments	Evaluated price feeds	Using fund share price that publish and custodian price information	Pension fund custodian-Northern trust	price are taken directly from independent pricing services.	No
Fair value of loans	Valuation undertaken by treasury adviser	Used the financial model valuation provided by Link Asset Services.	Used the financial model valuation provided by Link Asset Services	based on rates for equivalent loans at that date	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?
Level 3 investments, including directly held property	"breakdown of the opening market value to closing market value"	The Directly held property is valued utilising the Royal Institute of Chartered Surveyors' Valuation-Global standards, use of custodian information where available and Audited financial statements from level 3 managers"	Pension Fund's private equity investments, the valuations of which are provided by the private equity managers. The Freehold Property is by RICS Member Valuer	The measurements are based upon the best information held at the current time and are provided by experts.	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?
NNDR appeals provision	Analysis of settled appeals from VOA data. The success rate and cost of resolved appeals, are estimated for any appeals still outstanding from the 2010 list. Provision for the 2017 list based in a similar way on the Check, Challenge, and Appeals listing from the VOA.	Regular monthly reports identifying outcome of settled appeals for the 2010 list and Check, Challenge and Appeal data for the 2017 list (All from the reconciled information from the Academy Business Rates system (Academy) on properties and properties under appeal)	No	Past behaviour of business rates appeals are a reasonable indicator of future liabilities. Alternative estimates from wider/larger area(s) considered (eg London as a whole), but local data considered the best fit.	No
Significant accruals	Identified during budget monitoring process throughout the year and cut-off testing carried out covering payments and invoices raised 2 weeks prior and post 1 <sup>st</sup> April	Accruals predominantly based on actuals but where this is not the case peer review across the finance section	No	Limited degree of uncertainty as most accruals are based on actuals	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?
Credit loss and impairment allowances	12-Month and Lifetime Expected Credit Loss	Historic review of the performance of any financial instrument. Forward look based on the performance of the organisation, market sector and wider economic factors.	No	Historic performance is reflective of future activity. The likelihood of any change over the next 12 months. Discount factors.	No



---

[grantthornton.co.uk](http://grantthornton.co.uk)

© 2021 Grant Thornton UK LLP

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.