

Informing the Audit Risk Assessment for East Staffordshire Borough Council 2020/21

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

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

Background

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

This two-way communication assists both the auditor and the Scrutiny (Audit & Value for Money Council Services) 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 Scrutiny (Audit & Value for Money Council Services) Committee and supports the A&VFM Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Scrutiny (Audit & Value for Money Council Services) Committee 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 East Staffordshire Borough Council's management. The Scrutiny (Audit & Value for Money Council Services) Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?	Covid-19 has had a significant impact on the Council's finances during 2020/21, including a reduction in income generated from the delivery of services, additional expenditure and increased funding from central government both to support the Council's financial pressures but also to support business and residents.
2. Have you considered the appropriateness of the accounting policies adopted by the Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	Our accounting policies are largely consistent with those recommended within the Code of Practice issued by CIPFA and any deviation is of an immaterial nature. The accounting policies for 2020/21 are likely to be adapted to provided clarification in relation to the receipt and administration of Covid related grants and funding from Central Government.
3. Is there any use of financial instruments, including derivatives?	The council continues to utilise the standard financial instruments that you would generally expect to see in a local authorities accounts.
4. Are you aware of any significant transaction outside the normal course of business?	The Council has received £3m in grant funding from the GBSLEP as accountable body and this has been pass ported to the Environment Agency, inline with the funding agreements.

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	None that I am currently aware of.
6. Are you aware of any guarantee contracts?	The Council guarantees the leisure pension liabilities associated within those staff that transferred to SLM (also known as Everyone Active) in 2018.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	There are a number of contingencies disclosed in the 2019/20 accounts and these largely remain valid.
8. Other than in house solicitors, can you provide details of those solicitors utilised by the Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>Solicitors engaged by the LGA in respect of the NHS Trust Claim (judgement made in LA favour, potentially subject to appeal).</p> <p>To the end of December the Council has spent up to. £32k in external legal fees, of which approx. £30k relates to planning advice and claimant payments and the remainder relates to a range of low risk areas mainly covering Licensing and Housing.</p>

General Enquiries of Management

Question	Management response
<p>9. Have any of the Council service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?</p>	<p>No</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 will routinely utilise the services of various professionals (i.e. legal, finance, planning, valuers and quantity surveyors) for specialist ad-hoc advice as and when required. It is more cost effective to do this than carry these specialist skills throughout the year.</p>

Fraud

Issue

Matters in relation to fraud

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

The primary responsibility to prevent and detect fraud rests with both the Scrutiny (Audit & Value for Money Council Services) Committee and management. Management, with the oversight of the Scrutiny (Audit & Value for Money Council Services) 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 Scrutiny (Audit & Value for Money Council Services) Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

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

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

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

Fraud risk assessment

Question	Management response
<p>1. Have the Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>Although there is an on-going risk of fraud being committed against the Council arrangements are in place to both prevent and detect fraud. These include work carried out by Internal Audit on overall fraud risk areas, on Council Tax and Housing Benefit fraud.</p> <p>The risk of material misstatement of the accounts due to undetected fraud is low.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The areas within the accounts most at risk to fraud are Council Tax and housing benefit.</p>

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 Council 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>The Council is currently investigating a potential fraud in relation to housing benefit / supported housing.</p> <p>There are some areas that are inherently at risk from fraud such as:</p> <ul style="list-style-type: none"> ■ Council Tax ■ Benefit fraud ■ Single person discount <ul style="list-style-type: none"> • Covid-19 Support Payments (Business grants or track and trace support payments) ■ Social housing tenancy fraud <p>Whilst benefits fraud investigation has largely been transferred to the DWP, the council has processes in place in order to prevent and detect fraud, including externally commissioned reviews of single person discounts and empty homes reviews as well as participating in the national fraud initiative (NFI).</p>
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within the Council where fraud is more likely to occur?</p>	<p>See response to Question 3</p>
<p>5. What processes do the Council have in place to identify and respond to risks of fraud?</p>	<p>Work is carried out by Internal Audit on overall fraud risk areas and they provide Audit Committee with updates of their work on fraud prevention and detection, including any significant identified frauds and the action taken.</p>

Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for the Council, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>The overall control environment for the Council is generally very good. This is reflected within both the internal and external audit reports and also the Annual Governance Statement.</p> <p>Evidence published by the National Fraud Authority amongst others, suggests that fraud is committed in all organisations to varying degrees, so it is likely that some fraud is occurring in the Council. The Internal Audit plan incorporates consideration of potential fraud. In addition to this management is expected to identify and record fraud risks where necessary on the corporate risk register.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>See response to question 3</p>

Fraud risk assessment

Question	Management response
<p>8. How do the Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>The Anti-fraud and corruption Strategy forms part of the Council's Constitution. It sets out the Culture of the organisation in respect of fraud and the expectations of management and staff in terms of reporting, prevention, detection and investigation of fraud.</p> <p>No significant issues have been reported during 2020/21 to date.</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>A number of posts such as Chief Officers as key decision makers, treasury staff, budget/contract managers and payments staff may be considered high risk. However the controls the Council as put in place mitigate the risk level to a much lower level.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No</p>

Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Scrutiny (Audit & Value for Money Council Services) Committee? How does the Scrutiny (Audit & Value for Money Council Services) Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?</p>	<p>Work is carried out by Internal Audit on overall fraud risk areas and they provide the Audit Committee with updates of their work on fraud prevention and detection, including any significant identified frauds and the action taken.</p> <p>In addition to this management is expected to identify and record fraud risks where necessary on the corporate risk register.</p> <p>Any issues of significance would also be reported as part of the Annual Governance Statement.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>No</p>

Law and regulations

Issue

Matters in relation to laws and regulations

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

Management, with the oversight of Scrutiny (Audit & Value for Money Council Services) 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 Scrutiny (Audit & Value for Money Council Services) Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

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

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does the Council. have in place to prevent and detect non-compliance with laws and regulations?</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>The Monitoring Officer reports to full Council, where any action taken, or likely to be taken by the Council, its executive members, committee or officers is likely to be contrary to law or result in maladministration.</p> <p>The Monitoring Officer is responsible for ensuring the Council is compliant with laws and regulations. The Constitution notes that these responsibilities cover:</p> <ul style="list-style-type: none"> ■ complying with the law of the land (including any relevant Codes of Conduct); ■ complying with any General Guidance issued, from time to time, by the Monitoring Officer; ■ making lawful and proportionate decisions; and ■ generally, not taking action that would bring the Council, their offices or professions into disrepute. <p>This officer has access to all Council committee reports. The Monitoring Officer raises awareness on legal requirements at meetings where needed. In addition in terms of any specific legal issues the monitoring officer would get involved at an early stage.</p> <p>Further information on how the Monitoring Officer carries out these responsibilities are detailed in the Constitution.</p>
<p>2. How is the Scrutiny (Audit & Value for Money Council Services) Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>As set out in the response to Question 1 above. In addition, The S151 officer is responsible for preparing the accounting statements in accordance with relevant legal and regulatory requirements. The Monitoring Officer (or representative) attends the majority of Council meetings and advises members on any areas of concern.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 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>There is currently a national case in relation to NHS trusts who are claiming backdated mandatory charitable NNDR Relief. A judgement has been made in this regard that favours local authorities, but this may be subject to appeal. There is also the likelihood of a claim in respect of truck cartels which is being co-ordinated at a national level by the LGA.</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	Appropriate legal advice is sought as necessary. In practice the Monitoring Officer is responsible for ensuring that the Council is compliant with laws and regulations and will raise awareness of legal matters / requirements where needed.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	We have corresponding with HMRC in relation to the treatment of a small amount of VAT in relation to Election Expenses.

Related Parties

Issue

Matters in relation to Related Parties

The Council are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the Council.
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Council
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council or of any entity that is a related party of the Council. A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Council must disclose it.

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

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties disclosed in the Council's 2019/20 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> • the nature of the relationship between these related parties and the Council • Whether the Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	<p>No</p>
<p>2. What controls does the Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none"> • Maintenance of a Register of interests for Members, a register for pecuniary interests in contracts for Officers and Senior Managers requiring disclosure of related party transactions. • Annual return from senior managers and members requiring confirmation that read and understood the declaration requirements and stating details of any known related party interests/transactions. • Review of in-year income and expenditure transactions with known identified related parties from prior year or known history. • Review of the accounts payable and receivable systems and identification of amounts paid to/from assisted or voluntary organisation • Review of year end debtor and creditor positions in relation to the related parties identified. • Review of minutes of decision making meetings to identify any member declarations and therefore related parties.
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>All non- treasury financial transactions/payments must be authorised by a Chief Officer before payments can be made, in addition any transactions above £50k must be counter-signed by a senior member of the finance team.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>As per 3 above.</p>

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 Scrutiny (Audit & Value for Money Council Services) 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 Scrutiny (Audit & Value for Money Council Services) Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Pension liabilities and associated transactions; PPE Valuations; Impairment Allowances for doubtful debts; Business Rate Appeal Provisions; Fair Value Measurements
2. How does the Council's risk management process identify and addresses risks relating to accounting estimates?	These risks are identified and addressed as part of the preparation for closing the accounts and finalised during the closure of accounts, including management oversight.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	This will vary for each class of transaction, where external professionals are utilised management will discuss and challenge the approach being suggested, as and when appropriate.
4. How do management review the outcomes of previous accounting estimates?	This will vary for each class of transaction.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	This will vary for each class of transaction, but are nevertheless subject to annual review.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Management apply their knowledge of the organisation, the associated transactions and internal expertise to determine whether specialist external skills are required to support the accounting estimates.</p> <p>This predominately relates to Pensions and Assets, although other specialist expertise may be necessary from time to time.</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>For the few external advisors that the Council commissions, their work is clearly specified and reviewed and challenged (where appropriate) by internal professionals and management.</p>
<p>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?</p>	<p>See response to question 7.</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"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>Oversight is provided by the Scrutiny (Audit and Value for Money Council Services) Committee.</p> <p>Members receive training on the Statement of Accounts in advance of their approval and have any opportunity to ask questions, challenge any assumptions etc.</p>

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)?	No
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes
12. How is the Scrutiny (Audit & Value for Money Council Services) Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Members receive training on the Statement of Accounts in advance of their approval and have any opportunity to ask questions, challenge any assumptions etc.

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 & Buildings Valuations	Valuations are made by an externally appointed valuer. The valuations are made in line with the Code requirements using RICS guidance on the basis of 5 year valuations with interim reviews	<p>Valuations are performed annually to ensure that the fair value of a revalued asset does not differ materially from its carrying amount..</p> <p>Principal Accountant notifies the valuer of the program of rolling valuations or of any conditions that warrant an interim revaluation.</p> <p>The valuer undertakes a desk top review of assets not due for full revaluation.</p>	Use professional valuers – an externally appointed valuer (RICs qualified)	Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion.	No
Investment Property Valuations	Valuations are made by an externally appointed valuer each year.	Valuations are performed annually inline with the Code requirements	Use professional valuers – an externally appointed valuer (RICs qualified)	Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion.	No

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 and Amortisation	<p>Depreciation is calculated on the following bases:</p> <ul style="list-style-type: none"> ▪ Buildings – straight line allocation over the useful life of the property as estimated by the valuer. ▪ Vehicles, plant, furniture and equipment – straight line allocation over the useful life of the asset. ▪ Infrastructure – straight line allocation over the useful life of the asset. <p>Each part of an item of property, plant and equipment with a significant cost in relation to the total cost is depreciated separately.</p> <p>Depreciation methods, useful lives and residual values are reviewed each financial year and adjusted if appropriate.</p>	Consistent application of depreciation method across all assets.	Use professional valuers – (an externally appointed valuer, RICs qualified)	<p>Depreciation is calculated on a straight line basis as this reflects consumption of assets and is a reasonable assumption.</p> <p>The length of the life is determined at the point of acquisition or revaluation according to:</p> <ul style="list-style-type: none"> ■ Assets acquired in the financial year are not depreciated until the following financial year. ■ Assets that are not fully constructed are not depreciated until they are brought into use. <p>Useful life would be recorded in accordance with the qualified RICs members valuation and this would be cross checked to ensure this accords with the accounting policy for the Council.</p>	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?
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.	Use professional valuers – an externally appointed valuer (RICs qualified) for non current assets.	Valuations are made in-line with the Code and RICS guidance - reliance on expert.	No
Fair Value Measurements	Council values financial instruments at fair value based on the advice of their externally appointed treasury consultants and other finance professionals.	Take advice from finance professionals.	Yes	Take advice from finance professionals.	No.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	The actuarial gains and losses figures are calculated by the actuarial expert Hymans Robertson. These figures are based on making % adjustments to the closing values of assets/liabilities.	The Council responds to queries raised by the administering body, Staffordshire County Council	The Council are provided with an actuarial report by Hymans Robertson (LGPS).	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No.
Impairment allowance for doubtful debt	A provision is estimated using a proportion basis of an aged debt listing.	Revenues provide the aged debt listing and Finance calculate the provision.	No	Consistent proportion used across aged debt as per the Code	No.

Appendix A Accounting Estimates (Continued)

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

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Business rates appeals provision	Based on outstanding appeals lodged with the VOA and any other outstanding claims. Takes into account the historical loss experience plus any other known or verified source information (such as VOA notifications).	Oversight and checks by management	This is under consideration due to the scale of MCC Claims.	This would be considered on individual circumstances.	No, but consideration being given to approach in relation to MCC Claims
Accruals	We use standard accruals accounting –accruals are based on expenses incurred that have not yet been paid. Activity is accounted for in the financial year that it takes place, not when money is paid or received.	Finance, in conjunction with budget managers collate accruals of income and expenditure.	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest available information has been used.	No.

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Non Adjusting events – events after the balance sheet date	Through consultation with Chief Officers, the Chief Accountant makes the assessment. If the event is indicative of conditions that arose after the balance sheet date then this is an un-adjusting event. For these events only a note to the accounts is included, identifying the nature of the event and where possible estimates of the financial effect.	Chief Officers and the monitoring officer notify the Chief Accountant	This would be considered on individual circumstances.	This would be considered on individual circumstances.	N/A
Accumulated absence account	Accrual is based on estimated outstanding leave as at 31 March 2021	Finance contact a sample of employees directly in order to calculate the estimate	No	Finance assume that the sample is representative of the population.	No.

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Finance Lease Liabilities	. n/a Finance lease liabilities will all have been written down by 31/3/21.				



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