

# Informing the audit risk assessment for Warwick District Council 2020/21

**Year ending 31 March 2021**

July 2021

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 Authority's external auditors and the Authority's Finance and Audit Scrutiny 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 Finance and Audit Scrutiny Committee under auditing standards.

## Background

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

This two-way communication assists both the auditor and the Finance and Audit Scrutiny 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 Finance and Audit Scrutiny Committee and supports the Finance and Audit Scrutiny 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 Finance and Audit Scrutiny Committee oversight of the following areas:

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

This report includes a series of questions on each of these areas and the response we have received from Authority's management. The Finance and Audit Scrutiny 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?	The impact of COVID-19, with a number of grants received during the financial year and a number of programmes of work set up to support the organisations response. The pandemic has also impacted on many items of income and expenditure, so requiring additional use of reserves.
2. Have you considered the appropriateness of the accounting policies adopted by the Authority? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	Yes, policies reviewed with no changes required so far. As the Statements are compiled, changes may become appropriate and will be duly disclosed.
3. Is there any use of financial instruments, including derivatives?	Whilst the Council does not 'use' Financial Instruments such as derivatives it does hold financial instruments (as reported in Note 16 to the 2019/20 Statement of Accounts). Borrowings and some investments are held at amortised cost and investments in money market funds, corporate equity funds, certificates of deposit and bonds (no CDs or bonds in 20/21) are held at fair value through profit and loss. Various MMFs and 2 corporate equity funds are the main financial instruments. The Council also makes 'cash' investments to other local authorities. The Council uses experts (Link Asset Services as Treasury Management Consultants and King & Shaxson Ltd as custodian) to provide prices and advice on fair value valuations.
4. Are you aware of any significant transaction outside the normal course of business?	Management are not aware of any significant transactions outside the normal course of business.

## 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?	No, but all members of the Senior Management Team are aware that they should notify Finance if there has been a change in circumstances that would lead to impairment.
6. Are you aware of any guarantee contracts?	Some of the Council's contracts do include guarantees. The Council has insurances in place which may be regarded as a form of guarantee.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	Management is not aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements.
8. Other than in house solicitors, can you provide details of those solicitors utilised by the Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Legal Services are provided by Warwickshire County Council (WCC). Some items of work may be contracted out, with this work placed by WCC solicitors. Current areas of litigation are considered as part of our financial close process as part of the review of provisions and contingencies. Current issues include the establishment of a Local Housing Company, and the settlement agreement with PSP LLP.

## General Enquiries of Management

Question	Management response
9. Have any of the authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No, with this having been ascertained as part of annual Service Assurance Statements.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Consultants appointed for many Council projects, many being reported to Executive. Key projects include the set up of a Local Housing Company, to which KPMG, Trowers Hamblins and Bevan Britain have provided consultancy. VAT advice is provided by KPMG to the Council, given to support work relating to the May '21 Elections. The Council has a service level agreement with Warwickshire County Council for the provision of legal services.

# 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 Finance and Audit Scrutiny Committee and management. Management, with the oversight of the Finance and Audit Scrutiny 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 Finance and Audit Scrutiny Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As the Authority'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 Finance and Audit Scrutiny 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 Finance and Audit Scrutiny Committee oversees the above processes. We are also required to make inquiries of both management and the Finance and Audit Scrutiny 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 Authority's management.



## Fraud risk assessment

Question	Management response
<p>1. Have the Authority 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 Authority's risk management processes link to financial reporting?</p>	<p>The financial statements are subject to internal quality assurance checks which are carried out by the Head of Finance and Strategic Finance Manager, and other members of the Finance Team.</p> <p>The monthly review of Service Revenue and Capital budgets will identify any material risk of material misstatement. Risk management processes drive good financial reporting.</p> <p>Each Service Area has a Risk Register which is considered regularly throughout the year. Alongside this, Services will be considering their Budget Monitoring.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The transactions most at risk of fraud relate to Benefit Payments and Council Tax Reduction. The Business Grants and other payments over the year in respect of the pandemic have been subject to additional assurance framework.</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 Authority 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>Management are not aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Authority as a whole or within specific departments since 1 April 2020.</p> <p>The Council's Significant Business Risk Register is reviewed quarterly by the Senior Management Team and reported to the Executive and Finance &amp; Audit Scrutiny Committee. The Finance &amp; Audit Scrutiny Committee receive annual reports on the work of the anti-fraud team. Any specific internal fraud investigations would be reported to the Committee also.</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 Authority where fraud is more likely to occur?</p>	<p>Investigations of suspected fraud, as a result of cases brought to the attention of the Head of Finance or Audit and Risk Manager, are carried out by the Internal Audit team.</p> <p>No Significant Fraud risk identified. However, we are not complacent and are constantly looking to improve procedures.</p> <p>Locations handling income, particularly in the form of cash, are more likely to be at risk of fraud. However, cash is not significant, and has reduced over the last year. Procurement fraud is also identified as an area at risk of fraud.</p>
<p>5. What processes do the Authority have in place to identify and respond to risks of fraud?</p>	<p>All suspected cases of fraud, theft, corruption should be notified to Head of Finance or the Audit &amp; Risk Manager.</p> <p>Anti Fraud &amp; Corruption and Whistle Blowing Policies in place.</p> <p>Risk Registers in place for all services, where the potential for fraud is included, with controls and mitigations.</p> <p>The annual Internal Audit Plan has audits determined by risk ratings.</p> <p>Procurement fraud is mitigated through guidance issued on 'Preventing Procurement Fraud' and a 'Conflict of Interest' form that must be completed and signed by Officers for each individual procurement exercise they are involved in. All Procurement card activity is checked by the FSTeam and reviewed by Procurement to identify areas of misuse or disaggregation.</p>

## Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for the Authority, 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>By a systematic and ongoing process of internal audits together with a process for production of the Annual Governance Statement, supported by the Audit and Risk Manager's Annual Report that provides an opinion on the Council's control environment.</p> <p>Sound systems of internal control with roles and responsibilities are defined in various places such as the Constitution, Code of Financial Practice and Code of Procurement Practice.</p> <p>None known. Miscoding occurs to enable purchases to be made when budgets are not available. Training provided to seek to stop this. New Financial Management System should help to redress miscodings.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>None known. Internal control systems are in place to ensure robust reporting procedures are adhered to.</p>

## Fraud risk assessment

Question	Management response
<p>8. How do the Authority 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 Codes of Conduct for members and employees outline the Council's expectations for business practice and ethical behaviour.</p> <p>The Code of Conduct for Employees, was updated and agreed by Council in July 2019. Much of this Code is concerned with working practices and matters of ethical behaviour. The revised Code was extensively consulted on, including with staff, and was the main topic at a Managers Forum meeting. The presentation at Managers Forum ended with a group-based question and answer session covering various elements of the Code to promulgate and reinforce learning. A 'meta training' exercise took place on the Council's intranet on this topic which was mandatory for all employees to complete.</p> <p>Within procurement there is the Equality in Procurement Policy and Ethical Procurement Statement, which identifies ethical behaviours expected of officers when undertaking procurement.</p> <p>There is also the Local Code of Corporate Governance, which was approved by Executive in March 2018.</p> <p>Training sessions on 'Social Media Discrimination and the Law' have been delivered to the majority of staff across the Council and to some Members. This has included an overview of the responsibilities of staff in using Social media and the behaviour expected together with the repercussions from a law perspective relating to the Equality Act and protected characteristics. This also links with our Dignity at work Policy relating to ethical behaviour.</p> <p>Management also takes the opportunity to promote the Council's organisational values as and when appropriate values feature on the lanyard device that employees wear to hold their ID badges.</p> <p>Employees should be aware of the anti-fraud and corruption strategy and Whistle Blowing Policy, details are available on the Intranet and induction training for all new staff covers fraud and corruption awareness.</p> <ul style="list-style-type: none"> <li>• Staff undertake CPD, with ethics being a key element for professionals such as accountants.</li> <li>• Audits of Organisational Culture and, separately, Ethics have been completed by Internal Audit in recent years.</li> <li>• Staff are expected to report any and all concerns. When concerns are raised, these are investigated.</li> </ul>

## Fraud risk assessment

Question	Management response
<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>Those that have the scope to perpetrate fraud and corruption on a significant scale. Roles that are considered high risk include those in Benefits, Finance and Housing.</p> <p>Through the risk assessment process performed by Internal Audit when drawing up its Annual and Strategic Plans.</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>None known.</p> <p>Risks are mitigated by Councillors' declaration of interests and non-participation in debates. Officers are also expected to declare any potential interest or conflict. Senior Managers complete an annual Related Party Declaration. Officers and other individuals involved in tender processes over £50k are required to sign a declaration of interests and will not participate if any potential conflict.</p>

## Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Finance and Audit Scrutiny Committee ?</p> <p>How does the Finance and Audit Scrutiny Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The reporting of fraud issues to Finance &amp; Audit Scrutiny Committee is made by various methods:</p> <ul style="list-style-type: none"> <li>i) investigation reports by the Audit and Risk Manager, as a result of the Whistleblowing Policy;</li> <li>ii) reports by the Head of Finance; and</li> <li>iii) Annual Governance Statement report for Internal Control to mitigate fraud risk.</li> </ul>
<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 reports have been made.</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 with the Finance and Audit Scrutiny Committee, is responsible for ensuring that the Authority'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 with the Finance and Audit Scrutiny 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 Authority have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Authority's regulatory environment that may have a significant impact on the Authority's financial statements?</p>	<p>Through effective governance processes and review mechanisms such as internal audit. The Monitoring Officer will advise the Council's Corporate Management team and Councillors as appropriate.</p> <p>The Council has arrangements in place for legal advice to be provided by Warwickshire County Council. Employees are expected to keep themselves updated of laws and regulations related to their area of work. Suspected non-compliances with laws and regulations will be investigated.</p> <p>No</p>
<p>2. How is the Finance and Audit Scrutiny Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Through audit reviews carried by Internal Audit and by the completion of self-assessment Service Assurance Statements performed by services as part of the Annual Governance Statement.</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>None known.</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>Any litigation or claims will be considered on a case by case basis as part of the financial statements preparation process.</p>



## Impact of laws and regulations

Question	Management response
5. What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims?	All potential insurance claims should be notified by officers to the Council's Insurance and Risk Officer.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	WDC received a HMRC Penalty Explanation Letter dated 13/01/21, regarding Invoices relating to election expenses being incorrectly processed and the liability being treated incorrectly, as a result of a loss of knowledge due to staff change. Processes have subsequently been reviewed with a view of ensuring that compliance is maintained.

# Related Parties

## Issue

### Matters in relation to Related Parties

Local Authorities 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 by the authority (i.e. subsidiaries);
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the the authority;
- 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 authority or of any entity that is a related party of the authority .

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 authority 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 Authority's 2019/20 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and the Authority whether the Authority 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>During 2020/21 the Council has commenced to work closely with Stratford on Avon District Council, with the intention of formally becoming a single Council in due course. During the course of the year, a number of shared Senior Manager posts have been created.</p> <p>The formal disclosure of this relationship in the Accounts is yet to be determined.</p>
<p>2. What controls does the Authority have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Officers and Councillors do not participate in decisions where they are a related party. Annual accounts disclosures for related parties and transactions are reviewed for completeness by the General Fund Accountant. Officers and other individuals involved in tender processes over £50k are required to sign declaration of interests and will not participate if any potential conflict.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Controls exist within the Code of Financial Practice and Code of Procurement Practice. Appropriate thresholds are agreed for entering into contracts and raising orders.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Again, the codes will cover these. The Code of Procurement Practice has a section over when exemptions to normal procedures may be applicable, and the processes that should be entered into in such cases.</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 Finance & Audit Scrutiny 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 Finance & Audit Scrutiny 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?	<ul style="list-style-type: none"> <li>• Pension Fund Actuarial gains/losses.</li> <li>• PP&amp;E – Estimated remaining useful lives / property valuations / impairments</li> <li>• COVID-19 SFC Income loss Compensation Scheme – tranche 3 for periods 9-12.</li> </ul>
2. How does the Authority's risk management process identify and addresses risks relating to accounting estimates?	Identification of key processes where significant accounting estimation is required, and where that can be managed internally within the Authority. Work with key Specialist stakeholders such as valuers and actuaries, ensuring that they are given an appropriate brief to work from. Sharing relevant information to allow them to provide the most up to date accounting estimates.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	An open positive line of communication is maintained with the providers of specialist information, allowing the Authority to review and challenge where necessary. The data and methods used are reviewed in line with the most up to date code of practice and guidance.
4. How do management review the outcomes of previous accounting estimates?	Accrual estimates reviewed as part of current year budget monitoring, with significant variances needing further consideration, especially with approach to be made for the future.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	No material changes have been made to the estimation processes for 2020/21. The Authority continually reviews processes and procedures as part of a process of continuous improvement.

## 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?	Management identify the need for specialist skills or knowledge where estimates are a result of external factors, and where the relevant knowledge is not available in-house within the Authority.
7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The Authority procures relevant support from suppliers in Specialist fields. The Authority draws up a brief and agrees an appropriate scope of work to be carried out on behalf of WDC.
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?	Review information returns and challenge where appropriate. Ensure appropriate timely deadlines are agreed to ensure sufficient time to review, and challenge / return for clarification and update as required.
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	<p>Set procedures agreed prior to reporting and communicated with relevant stakeholders. Working papers used to support estimates.</p> <p>Processes reviewed internally, with input by specialist and qualified members of the team.</p> <p>Significant judgements referred to Strategic Finance Manager and S.151 Officer.</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)?	The 3rd round of the COVID Income Compensation scheme grant submission is due in April, and will run for 4 weeks, covering periods 9-12 of the 2020/21 financial year. An LGF update in March confirmed that there had been a delay to payments for the 2nd round, with the payment only being received in April. Therefore in the Statements, we will assume that the values included within our returns will be received when payments are made. However, these will be subject to confirmation from MHCLG once they have completed their checks and samples.
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes. Where estimation is necessary, appropriate estimating methodology is utilised. Estimates will be prepared by those best qualified, e.g. Pension Fund Actuary to supply estimates relating to IAS 19 – Employee Benefits, assets are professionally valued. In line with discussions with auditors, further evidence of challenge will be provided by the Accountants.
12. How is with the Finance and Audit Scrutiny Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Details of estimates disclosed in accounting policies within Accounts. Finance & Audit Scrutiny Committee is responsible for agreeing the audited Statement of Accounts.

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property Valuations	<ul style="list-style-type: none"> <li>Property valuations are made by the external valuer from Carter Jonas.</li> <li>Significant Heritage Assets valued by external valuer. Minor valuations provided by Art Gallery &amp; Museum staff.</li> </ul>	Valuer notified of changes to the estate from the prior year	Use the external valuer (RICS qualified) from Carter Jonas for PPE. Significant Heritage Assets valued by external valuer.	Valuations are made in-line with the CIPFA Code of Practice guidance - reliance on expert	No
Estimated remaining useful lives of PP&E	Assets are assigned to asset categories with appropriate asset lives.	Consistent asset lives applied to each asset category.	Use the external valuer (RICS qualified) from Carter Jonas	The useful lives of property are recorded in accordance with the recommendations of the external RICS qualified valuer.	No
Depreciation	Depreciation is provided for on property plant and equipment with a finite useful life on a straight-line basis	Consistent application of depreciation method across assets	No	The length of the life is determined at the point of acquisition or revaluation.	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 the external valuer (RICS qualified) from Carter Jonas. Reliance on Art Gallery & Museum staff to assess whether or not a Heritage Asset needs to be impaired. If necessary, revised valuation will be provided by suitably qualified person.	Valuations are made in-line with the CIPFA Code of Practice guidance - reliance on expert	No
Expected loss model	Forward looking expected loss model. IFRS 9 removes delayed recognition in relation to credit losses, replacing it with a forward-looking expected loss model.	The finance team calculate.	No	Consistent proportion used across debt. Expected loss model is used.	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?
Measurement of Financial Instruments	Measurements are obtained from appropriate sources. The Authority follows the requirements of the CIPFA Code of Practice.	The financial instruments are measured by the Treasury Accountant and the accounts are reviewed by the Strategic Finance Manager .	No	The measurements are based upon the best information held at the current time and are provided by experts in their field.	No
Creditor accruals	Accruals are estimated by reviewing goods and services received prior to the end of the financial year for which an invoice has not been received.	The date of receipt of the goods and services is used in the estimation of the accrual.	No	The use of actual dates of receipt of goods and services gives a low degree of uncertainty.	No. No change to de-minimis introduced for 2018/19.

## 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?
Net Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>There is a full triennial valuation every three years with annual updates through actuarial gains and losses calculated by the actuarial experts. Warwickshire County Council utilise a firm of consulting actuaries Hymans Robertson LLP to provide all Warwickshire authorities with expert advice about the assumptions to be applied.</p>	For the LGPS the Authority responds to queries raised by the administering authority Warwickshire County Council.	The Authority 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
Overhead allocation	The accountants apportion central support costs to services based on appropriate bases.	All support service cost centres are allocated according to the agreed processes.	No	Appropriate bases are reviewed each year to ensure equitable.	No

