

Informing the audit risk assessment for Chorley Borough Council 2023/24

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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 Chorley Borough Council's external auditors and Chorley Borough Council's Governance Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Governance Committee under auditing standards.

Background

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

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

Communication

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

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

Purpose

This report includes a series of questions on each of these areas and the response we have received from Chorley Borough Council's management. The Governance Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2023/24?</p>	<p>Utility costs pressures due to a variable contract.</p> <p>Timing of major capital schemes becoming operational has impacted on the revenue budget.</p> <p>Issues with a particular debt, which requires provision.</p> <p>Increases in interest rates leading to greater investment income than expected.</p> <p>Additional financial support provided to the wholly owned subsidiary, Chorley Leisure Ltd, due to the increased cost of utilities and the pay award for 23/24.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Chorley Borough Council?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>We have considered the accounting policies. There have not been any events or transactions that have caused us to change or adapt or accounting policies.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>No.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>See Question 1.</p>

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	Prevailing economic conditions may see temporary reductions in the valuation of some assets.
6. Are you aware of any guarantee contracts? If so, please provide further details	No.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Chorley Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<ol style="list-style-type: none"> 1. Piers Riley-Smith – open litigation (planning appeal) 2. Marsden Rawsthorn Solicitors Ltd 3. Forbes Solicitors - Closed 4. Ian Ponter (Kings Chambers) 5. Thompsons Solicitors 6. Brynmor Adams - Closed 7. Lisa Feng - Closed 8. KBL Solicitors LLP 9. Horwich Farrelly Ltd - Closed 10. Matthew Henderson – Open litigation (debt recovery claim) 11. Greenhalgh Kerr – Open (Business rates accounts)

General Enquiries of Management

Question	Management response
9. Have any of the Chorley Borough Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<i>(Detailed spreadsheet/workings provided to Grant Thornton under separate cover)</i>
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	None identified, however we await information from asset valuers before finalising our position on this.

Fraud

Matters in relation to fraud

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

The primary responsibility to prevent and detect fraud rests with both the Governance Committee and management. Management, with the oversight of the Governance Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Governance Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

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

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

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

Fraud risk assessment

Question	Management response
<p>1. Has Chorley Borough Council assessed the risk of material misstatement in the financial statements due to fraud?</p>	<p>Yes, and there is no indication that the financial statements have been materially misstated due to fraud. Internal Audit undertake their own proactive fraud detection work and the council fully participates in the National Fraud Initiative.</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>Based on its activity and work programme, the Internal Audit Team is responsible for reporting significant risk exposures and any identified control issues to the Governance Committee and to Senior Management Team, including fraud risks and governance issues.</p>
<p>How do the Council's risk management processes link to financial reporting?</p>	<p>The Internal Audit Team will undertake special investigations in cases of suspected fraud or irregularity. Financial Procedure Rules and the Council's Anti-Fraud and Corruption Policy require the Head of Audit to be notified immediately of all discovered or suspected cases of fraud, corruption or other financial irregularity.</p> <p>Fraud in relation to Revenues and Benefits is dealt with separately by specific investigation officers. The S151 Officer has the overall responsibility for assessing the risk of material misstatement in the financial statements and is supported by the services across the council who provide the appropriate evidence for this assessment.</p> <p>A review of all corporate risks forms part of report which is presented every 6 months to the Senior Management Team, of which the DoF/S151 Officer is a member, identifying risk levels, risk owners and mitigating actions.</p> <p>Reports submitted to Council Committees require financial comments to be added from the DoF/S151 Officer or their Deputy. In addition, a 'Risk' section has been added to the reports so that report authors outline the major risks associated with the decision(s) to be taken.</p> <p>The financial implications of future risks are discussed at Senior Management Team meetings, which are held weekly, as well as through interaction with Members at Leader Briefing and Committee meetings.</p>

Fraud risk assessment

Question	Management response
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>There is always a risk of error and fraud in relation to Benefits and Supplier payments, however we are confident this is mitigated through quality assurance processes, segregation of duties and internal checks within the systems / teams involved.</p> <p>An additional level of assurance is provided through the work of Internal Audit.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Chorley Borough Council as a whole, or within specific departments since 1 April 2023? If so, please provide details</p>	<p>No.</p>

Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Through the work carried out by internal audit.</p> <p>Reporting of Corporate Risks to Governance Committee.</p> <p>Specific fraud would be communicated to the Governance Committee when deemed material.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Chorley Borough Council where fraud is more likely to occur?</p>	<p>No.</p> <p>No.</p> <p>No.</p>
<p>6. What processes do Chorley Borough Council have in place to identify and respond to risks of fraud?</p>	<p>Internal Audit, in accordance with the Public Sector Internal Audit Standards considers the risk of fraud in every review.</p> <p>Fraud risks are included on the Council's dedicated risk management system GRACE and categorised as a fraud risk to allow for specific fraud risk monitoring.</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Chorley Borough 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)? If so, please provide details</p>	<p>A comprehensive internal audit plan is in place for the Council focusing on the overall control environment, to consider if it is effective. Where controls are deemed to be ineffective or need strengthening, a robust action plan is developed with the risk owner with agreed timescales for implementation of mitigating actions.</p> <p>Counter Fraud policies are in place and available on both the intranet and the website. These include:</p> <ul style="list-style-type: none"> Anti-Fraud, Bribery and Corruption Strategy Whistleblowing policy Anti money laundering policy. The Fraud Response plan <p>No specific areas for the over-ride of controls have been identified during 23/24.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>There is adequate separation of duties in place to prevent the potential for misreporting</p>

Fraud risk assessment

Question	Management response
<p>9. How does Chorley Borough 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? Have any significant issues been reported? If so, please provide details</p>	<p>The Code of Conduct includes ethical standards and expected behaviours which Officers are required to comply with. The Code is referenced in all Employee Appointment Letters and a link is provided in the letter to a number of relevant documents, including the Code of Conduct, the adherence to which is a condition of the individual's employment.</p> <p>The Information Security Policy is also in place and is provided to all new Employees, stating expectations and what is acceptable and what is unacceptable in terms of information security and the use the Council's IT systems.</p> <p>Council values provide an ethical framework and are used in the Recruitment process and during staff reviews.</p> <p>Awareness is raised in respect of probity policies – this is achieved in a variety of ways for example through specific postings on the Council's Intranet and through the Mandatory Fraud Awareness Training that has been rolled out to all Officers. There are a number of relevant courses available on the Learning Hub for all Officers.</p> <p>No significant issues have been reported.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>All posts with access to cash, authorisation of payments, awarding of contracts, planning and development permissions etc, present a risk of exposure to fraud and corruption, however the governance arrangements and internal controls in place e.g. levels of scrutiny, committee/management review, segregation of duties, financial management and budgetary control etc, mitigate and manage this risk; this is considered to be a low risk area.</p> <p>The recruitment process includes robust measures to ensure all relevant documents are obtained and reviewed prior to an offer of employment being made.</p>

Fraud risk assessment

Question	Management response
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No</p> <p>Major related party's risks are monitored and reported separately</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Governance Committee?</p> <p>How does the Governance 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>Governance Committee approve the Internal Audit Plan and receive interim reports throughout the year.</p> <p>Reports contain a summary of work undertaken and would include fraud risk and issues and breaches of internal control if identified.</p> <p>The Internal Audit reviews completed during 23-24 have not identified any fraud issues.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No.</p>

Law and regulations

Matters in relation to laws and regulations

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

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

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

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

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Chorley Borough Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>It is a requirement for the Director of Legal and Governance/Monitoring Officer, or his Deputy, to review and include comments on all Council and Executive decisions prior to their approval.</p> <p>Internal controls, segregation of duties, and the work of Internal Audit / risk management processes outlined previously</p> <p>None.</p>
<p>2. How is the Governance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Monitoring Officer (or deputy) attends all Governance Committee meetings.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2023 with an on-going impact on the 2023/24 financial statements? If so, please provide details</p>	<p>None.</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>None.</p>

Impact of laws and regulations

Question	Management response
<p>5. What arrangements does Chorley Borough Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>Litigation or claims may be identified by either the Legal Services Team or directly by individual Services themselves. Where necessary, these will be reported to the Leader of the Council through the Monitoring Officer. Any budget implications will be reported to the Executive Cabinet (or Council if necessary), either through a separate report or through the quarterly Corporate Revenue Budget Monitoring Report.</p> <p>The Council has set aside reserves to fund any possible future costs in relation to planning appeals.</p>
<p>6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details</p>	<p>None.</p>

Related Parties

Matters in relation to Related Parties

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

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

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [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 including those disclosed in Chorley Borough Council's 2023/24 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Chorley Borough Council whether Chorley Borough 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>South Ribble Council and Chorley Council have agreed, through their Shared Services Joint Committee, that consideration of potential shared service delivery models will be considered as opportunities present themselves.</p> <p>This will be done on an 'as and when' basis with recent examples being Shared Management Arrangements for Neighbourhoods, Waste and Streetscene services, and also delivery of a Shared Building Control service.</p>
<p>2. What controls does Chorley Borough Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>The Finance Team obtain lists of related parties and declarations of interest from;</p> <ul style="list-style-type: none"> Directors Staff Elected Members <p>Any potential conflicts are addressed.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>The Council has sufficient controls around separation of duties and appropriate authorisation limits to ensure purchase orders and invoices are paid as required. Monthly budget monitoring ensures that the Council can identify any variances to agreed payments with related parties.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Payments cannot be paid outside normal procedure rules – this is enforced through separation of duties in relation to invoices being authorised and payments made. There is no out of hours service.</p>

Going Concern

Matters in relation to Going Concern

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

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

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

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

Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Chorley Borough Council will no longer continue?</p>	<ul style="list-style-type: none"> • Development & continuing refresh of Corporate Strategy • Individual service and employee plans linked to Corporate Strategy • Regular reviews of service and corporate level risk registers • In year budget monitoring • Medium Term financial planning (Revenue) • Capital Strategy
<p>2. Are management aware of any factors which may mean for Chorley Borough Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>No – not aware of any factors.</p>
<p>3. With regard to the statutory services currently provided by Chorley Borough Council, does Chorley Borough Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Chorley Borough Council to cease to exist?</p>	<p>Yes – direct provision for the foreseeable future.</p>
<p>4. Are management satisfied that the financial reporting framework permits Chorley Borough Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>Yes – satisfied.</p> <p>Yes – satisfied.</p>

Accounting estimates

Matters in relation to accounting estimates

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

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

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

Specifically do Audit Committee members:

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

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

Accounting Estimates - General Enquiries of Management

Question	Management response
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 Valuations Property Plant and Equipment (PPE) Valuations Minimum Revenue Provision Material Creditor and Debtor transactions, including shared services charges between Councils Provision for Business Rates appeals.
2. How does the Council's risk management process identify and address risks relating to accounting estimates?	This is dealt with within the Finance Team Senior Finance staff maintain an up-to-date knowledge of changes in accounting practises, including regular review of the Code of Practice, and they attend relevant CIPFA training sessions and review the previous years' accounts to prepare for any changes.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Use of the CIPFA Code of Practice for Local Government Accounts and the review of source data provided to external experts (e.g. PP&E and pensions) and comparison of assumptions and results between financial years.
4. How do management review the outcomes of previous accounting estimates?	A comparison of previous estimates to the actual transactions is undertaken to inform future judgements. These are used to review and challenge current outcomes of estimates.
5. Were any changes made to the estimation processes in 2023/24 and, if so, what was the reason for these?	No changes made to the processes, however underlying assumptions are continually reviewed and changed as necessary.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Reviews are undertaken of the skills held by Officers, and any identified gaps are addressed through the use of knowledgeable, reputable and appropriate experts.</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>By review of the underlying assumptions and, where there is material change, analysis to understand this and/or challenge of the results.</p>
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>Answered above</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>Any substantial changes to the statement of accounts that result from changes in accounting estimates will be reported to Governance Committee alongside the draft statement.</p> <p>If any changes to accounting policy / estimation methods gave rise to a significant movement from previous years, then we would reference this in the covering report / when presenting the draft accounts</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?</p>	<p>No.</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>Yes.</p>
<p>12. How is the Governance Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>Any substantial changes to the statement of accounts that result from changes in accounting estimates will be reported to Governance Committee alongside the draft statement.</p> <p>If any changes to accounting policy / estimation methods gave rise to a significant movement from previous years, then this would be referenced in the covering report when presenting the draft accounts.</p>

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Valuations done by RICS surveyors.	Review of valuations done by surveyors – challenged as necessary.	RICS surveyors – work goes out to tender every 3 years. New valuer for 2023-24 pending a tender exercise for future years.	NA	No
Depreciation	As per financial policy/accounting convention.	NA	No	Refer to valuations/info returned by the surveyors.	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?
Deferred income	Bulk of these costs are lease arrangements so accounting requirements are prescribed.	Leases all flow through finance – other transactions would be monitored on the ledger	In house accounting team knowledge	Limited estimation so the level of uncertainty is not significant.	No
Provisions (Bad Debts)	Method agreed as part of accounting policy and process	Aged debt monitored and reported quarterly	No	Specific areas are examined by individual Finance Officers where there is greater risk e.g. rental income	No
Minimum Revenue Provision (MRP)	Based upon accounting principles	Capital monitoring reported during year including financing	No	Costs are based on actuals – assets lives from valuers. Relatively little uncertainty	Yes – as agreed at budget setting 22/23 – move to annuity basis in most instances

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?
Provisions (NNDR)	<p>For the 2017 List, a calculation is carried out based on the level of outstanding appeals, the grounds of the appeals, and the past experience of success rates and levels of reductions in RV. For the 2023 List, provision is based on an estimated percentage, derived with reference to comparator councils, adjusted for changes made at the 'Check' and 'Challenge' stages.</p> <p>No change.</p>	In house procedures /controls	Advice from specialists, LG Futures.	<p>A degree of estimation uncertainty is inherent even with the 2017 List, because although it is based on objective data and an established methodology, there is always the possibility of variation from previous percentage success rates and RV reduction. The uncertainty is higher in respect of the 2023 List, where there is very little evidence on which to assess the likely ultimate level of successful appeals. The percentage applied is judged to be within the range of likely outcomes, but towards the higher end of that range. Consideration has been given to applying a lower percentage, but this would expose the Council to the risk of future loss without the provision to cover it, with the possibility that this could be for a significant amount.</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?
Accruals	Based upon actual invoices or purchasing system or where this isn't available best relevant estimates.	Journals are authorised and listings with supporting evidence kept	NO	Relatively small uncertainty as most based upon invoices / evidence of trends	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?
Pension Liability	<p>Accounting estimates in respect of member data and payments into/out of the scheme, are made based on year to date actuals and management knowledge of future changes. Accounting estimates in terms of the actuarial process are made by Mercer. There are no changes to the accounting estimates made by the council.</p>	<p>Payments made into and out of the scheme in respect of employer and employee contributions are monitored on a monthly basis as part of the budget monitoring process. A month 10 data check is carried out on the figures provided by the Lancashire Pension Fund which is then supplied to the Actuary.</p>	<p>An Actuary (Mercer) is used. They are procured through the Lancashire Pension Fund although we have the option not to use them.</p>	<p>Reliance on the specialist knowledge and independent nature of the Actuary.</p>	<p>Advice is taken from the Actuary who provides their advice in two documents entitled “Pensions Accounting – Assumptions & Other Considerations” and “Pensions Accounting Employer Support”. We then choose to accept this advice or offer alternative assumptions. We have chosen to accept the Actuarial advice for the 2023-24 financial year. Any changes to the assumptions and the rationale are set out in the above documents.</p>



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