

Public Document Pack



10 March 2021

e-mail democratic.services@westoxon.gov.uk

AUDIT AND GENERAL PURPOSES COMMITTEE

You are summoned to a meeting of the Audit and General Purposes Committee to be held remotely, via Cisco Webex on **Thursday, 18 March 2021 at 6.00 pm.**



Giles Hughes
Chief Executive

To: Members of the Audit and General Purposes Committee

Councillors: Councillor Jane Doughty (Chairman), Councillor Andy Graham (Vice-Chair), Councillor Jake Acock, Councillor Luci Ashbourne, Councillor Andrew Beaney, Councillor Mike Cahill, Councillor Louise Chapman, Councillor Harry Eaglestone, Councillor Duncan Enright, Councillor Gill Hill, Councillor Ed James, Councillor Richard Langridge, Councillor Martin McBride, Councillor Kieran Mullins, Councillor Elizabeth Poskitt, Councillor Alex Postan and Councillor Harry St John

Due to the current social distancing requirements and guidance relating to Coronavirus Regulations 2020 – Part 3 – Modification of meetings and public access requirements this meeting will be conducted remotely using Cisco Webex.

Members of the public will be able to follow the proceedings through a broadcast on [West Oxfordshire District Council Facebook account](#) (You do not need a Facebook account for this).

Recording of Proceedings – The law allows the public proceedings of Council, Cabinet, and Committee Meetings to be recorded, which includes filming as well as audio-recording. Photography is also permitted. By participating in this meeting, you are consenting to be filmed.

As a matter of courtesy, if you intend to record any part of the proceedings please let the Committee Administrator know prior to the start of the meeting.

AGENDA

1. **Minutes of Previous Meeting**
Minutes of the meeting held on 28 January 2021 (previously circulated)
2. **Apologies for Absence**
Apologies for Absence and Temporary Appointments
3. **Declarations of Interest**
To receive any declarations of interest from Councillors relating to items to be considered at the meeting. In accordance with the provisions of the Council's Local Codes of Conduct, and any from Officers.
4. **Participation of the Public**
Purpose:
To receive any submissions from members of the public, in accordance with the Council's Rules of Procedure.
5. **Audit Progress Report and Sector Update (Report of Grant Thornton external auditors) (Pages 5 - 20)**
Purpose:
To provide the Audit and General Purposed Committee with an update from the Council's external auditor.

Recommendation:
That the report be noted.
6. **Internal Audit Plan 2021/22 and Proposed Internal Audit Charter (Report of the Chief Finance Officer) (Pages 21 - 40)**
Purpose:
To present the Internal Audit Plan for consideration and approval.
To present the updated Internal Audit Charter for consideration and approval.

Recommendation:
That the Proposed 2021/22 Internal Audit Annual Plan and Internal Audit Charter be approved.
7. **Informing the Audit Risk Assessment 2020/21 (Report of the Chief Finance Officer) (Pages 41 - 94)**
Purpose:
To present the Audit Risk Assessment for consideration.

Recommendation:
That the Committee confirms that the management response to the auditor risk assessment is a true reflection of the council's management processes.
8. **Exclusion of the Public**
Recommendation:

That, in view of the likely disclosure of exempt information, as defined in paragraphs 3 and 7 of Part 1 of Schedule 12A to the Local Government Act 1972 , (information relating to the financial or business affairs of any particular person), the public be excluded from the meeting for the following item of business.

9. **Cyber Security Update (Report of ICT Audit and Compliance Manager - Data Protection Officer - copy attached)** (Pages 95 - 102)

Purpose:


To provide the Committee with a Cyber Security progress update on the agreed action plans during 2020 and what activities are planned for 2021.

Recommendation:

That the report and the mitigations put in place to provide assurances around cyber security be noted.

(END)

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 WEST OXFORDSHIRE DISTRICT COUNCIL	WEST OXFORDSHIRE DISTRICT COUNCIL
Council name	West Oxfordshire District Council
Name and date of Committee	Audit and General Purposes Committee Thursday 18 March 2021
Report Number	Agenda Item No. 5
Subject	External Auditor's Progress Report and Sector Update
Wards affected	All indirectly
Accountable member	Councillor Toby Morris, Cabinet Member for Resources Email: toby.morris@westoxon.gov.uk
Accountable officer	Elizabeth Griffiths, Chief Finance Officer Tel: 01993 861188 623313 Email: elizabeth.griffiths@westoxon.gov.uk
Summary/Purpose	To provide the Audit and General Purposes Committee with an update from the Council's external auditor.
Annexes	Annex A – Grant Thornton Audit Progress Report and Sector Update
Recommendation	That the report be noted
Corporate priorities	Delivering excellent modern services whilst ensuring the financial sustainability of the Council.
Key Decision	N/A
Exempt	No
Consultees/ Consultation	Not applicable.

1. BACKGROUND

- 1.1. An update report from the Council's external auditor, Grant Thornton, is attached at Annex A.
- 1.2. The update report includes an update of progress on the audit deliverables for 2020/21, highlights emerging issues and development including revisions to auditing standards in relation to accounting estimates. The report also includes details of a revised approach to the auditor's value for money work in 2020/21 following the introduction of a new Code of Audit Practice from 1 April 2020.
- 1.3. Representatives from Grant Thornton will attend the meeting and be available to answer any questions on the report.

2. FINANCIAL IMPLICATIONS

- 2.1. No specific financial implications. Grant Thornton are still in discussions with Public Sector Audit Appointments regarding audit fees for 2020/21 and will provide further detail in their Audit Plan which will be presented at the next Audit and General Purposes Committee meeting.

3. LEGAL IMPLICATIONS

- 3.1. The Council is required to comply with the Accounts and Audit Regulations when preparing the statement of accounts.

4. RISK ASSESSMENT

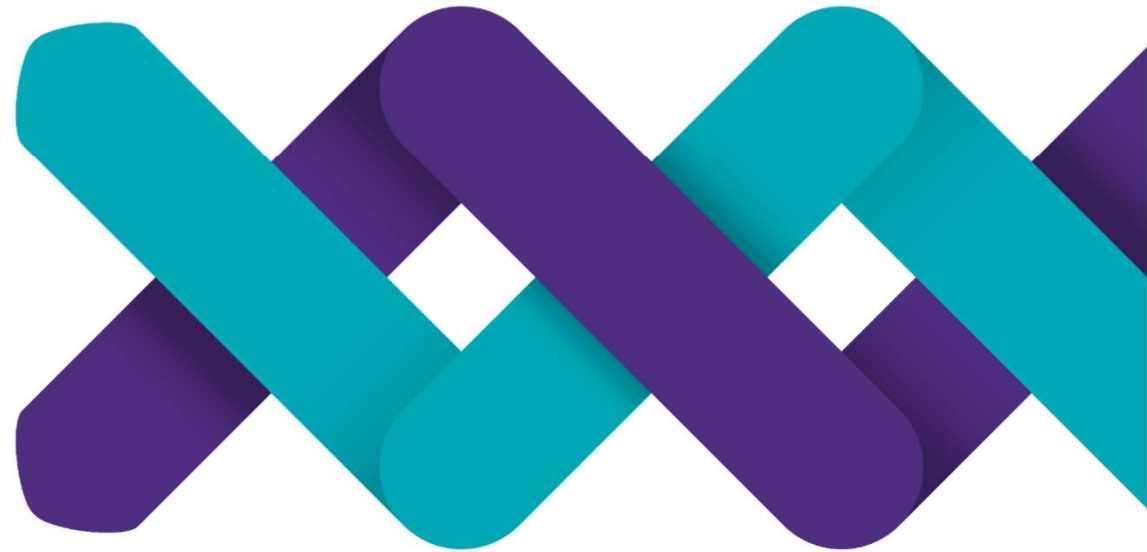
- 4.1. None.

5. BACKGROUND PAPERS

None

Audit Progress Report and Sector Update

West Oxfordshire District Council
Year ending 31 March 2021
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18 March 2021



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Introduction



Peter Barber
Engagement Lead
T: 0117 305 7897
E: Peter.A.Barber@uk.gt.com

This paper provides the Audit and General Purposes Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)



Siobhan Barnard
Engagement Manager
T: 0121 232 5121
E: Siobhan.Barnard@uk.gt.com

Members of the Audit and General Purposes Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at March 2021

Working with You

Meetings

We will continue discussions with management regarding emerging developments and to ensure the audit process is smooth and effective. This includes the new approach to VFM, and the timing of audit deliverables.

Working Arrangements

With the Country still in lockdown we envisage having to continue to work completely remotely for some time. Working with the Council, we managed this well at the last audit and we will seek to be in regular contact with your finance team in respect of the logistics of these arrangements, recognising that staff, service provision and resident welfare during the pandemic will be your priorities.

Our planning work is underway and our interim audit is planned for March 2021. We are in discussions about this with the finance team to ensure we maximise the use of this time and ensure limited impact on your staff at this busy time.

2020/21

The delivery of 2019/20 financial statements audits presented a significant challenge. Whilst West Oxfordshire District Council's opinion was signed by the end of November 2020 deadline, a number of opinions regionally and nationally have not yet been given. This is largely due to the impact of Covid19. This, and delayed Housing Benefit certification work, has had a significant impact on our ability to complete enough audit planning to issue a 2020/21 Audit Plan in time for the March Audit and General Purposes Committee.

Whilst we will formally present the Audit Plan at the next Audit and General Purposes Committee, we will look to issue the Plan in early April 2021 after we have completed sufficient audit planning to allow this.

Our interim audit is also due to take place in late March. This work will be focused on:

- Review of the Council's control environment;
- Updating our understanding of the Council's financial systems and business processes;
- Review of Internal Audit reports on core financial systems;
- Early work on any emerging accounting issues;
- Early substantive testing in significant risk areas where possible.

We will report any findings from our interim audit in these progress reports.

Events

Our annual accounts workshop for Chief Accountants took place in February 2021 and your finance team attended. This took place remotely due to the current homeworking requirements and covered topical issues and technical areas pertinent to the 2020/21 statutory accounts.

Value for Money

As communicated in our previous sector updates, on 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The most significant change in the Code is the introduction of a new 'Auditor's Annual Report', which brings together the results of all the auditor's work across the year. The Code also introduced a revised approach to the audit of Value for Money. These changes are set out in more detail in the NAO's Auditor Guidance Note 03 which was published on 15 October 2020.

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering governance, financial sustainability and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified /unqualified) approach to VfM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

We will complete our initial risk assessment in March 2021 and we will report any risks of significant weakness, in our Audit Plan.

Audit logistics and team



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Peter Barber, Key Audit Partner

Peter is responsible for the overall delivery of the audit. He will meet regularly with senior management of the Council and will attend Audit and General Purposes Committee meetings.



Siobhan Barnard, Audit Manager

Siobhan oversees day to day planning and manages the work of the Audit Incharge and associates to ensure that the audit work is focussed on the key areas of the financial statements risks and compliance with relevant accounting standards and guidance.



Francesca Hitchman, Audit Incharge

Francesca is responsible for the on-site delivery of the audit work. He assigns activities across the team and ensures it is completed satisfactorily.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit of Financial Statements

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.000m (PY £0.920m) for the Council, which equates to approximately 1.9% of your prior year gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £0.050m for senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit and General Purposes Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and General Purposes Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.050m (PY £0.046m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and General Purposes Committee to assist it in fulfilling its governance responsibilities.

Significant risks

We have not yet to complete all our planning work so cannot confirm at this stage the significant risks that we will be auditing. However, the section below are likely areas that we will expect our work to focus on.

Presumed significant risks

ISA (UK) 240 includes two presumed risks as follows:

- Revenue recognition may be misstated due to the improper recognition of revenue. This is a rebuttable risk if the auditor concludes that there is a low risk of material misstatement due to fraud relating to revenue recognition. We have determined that the risk of fraud arising from revenue recognition can be rebutted. This is because there is little incentive to manipulate revenue recognition, opportunities to manipulate revenue recognition are very limited and the culture and ethical framework of the Council means that all forms of fraud are seen as unacceptable.
- The risk of management over-ride of controls is present in all entities. We therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of normal business as a significant risk.

Other expected areas of focus

- Valuation of land and buildings.
- Valuation of investment properties.
- Valuation of the pension fund net liability
- Covid -19 – the on-going impact that this is having on the Council.

Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness

More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach

- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Risks of significant VFM weaknesses

As part of our planning work, we will consider whether there are any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we need to perform further procedures on. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Audit fees

The 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging, as well as rewarding, for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, in relation to the revised ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Further detail on our proposed work and fees are set out below.

We are still in discussions with Public Sector Audit Appointments regarding fees for 2020/21 and will provide more detail in the Audit Plan.

	Actual Fee 2018/19	Actual Fee 2019/20	Proposed fee 2020/21
Council Audit	£40,027	£46,777	£TBC
Total audit fees (excluding VAT)	£40,027	£46,777	TBC

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit Deliverables

2020/21 Deliverables	Planned Date	Status
<p>Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Audit and General Purposes Committee setting out our proposed approach in order to give an opinion on the Council's 2020-21 financial statements. This also includes the findings of our value for money initial risk assessment.</p>	April 2021	Not yet due
<p>Interim Audit Findings</p> <p>We will report to you the findings from our interim audit in our Audit Progress Report.</p>	June 2021	Not yet due
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the September Audit and General Purposes Committee.</p>	September 2021	Not yet due
<p>Auditors Report</p> <p>This is the opinion on your financial statements and annual governance statement.</p>	September 2021	Not yet due
<p>Auditor's Annual Report</p> <p>Under the new Code of Audit Practice this replaces the Annual Audit Letter and is the key output from local audit work on arrangements to secure VFM.</p>	September 2021	Not due yet

Sector update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with Audit and General Purposes Committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Revised auditing standard: Auditing Accounting Estimates and Related Disclosures

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

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

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

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

Specifically do Audit and General Purposes 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?

Additional information that will be required for our March 2021 audits

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021 in all areas summarised above for all material accounting estimates that are included in the financial statements.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, and investment properties
- Depreciation
- Year end provisions and accruals,
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that::

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

Estimation uncertainty

Under ISA (UK) 540 (Revised December 2018) we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to include:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.


How can you help

As part of our planning risk assessment procedures we routinely make a number of enquiries of management and those charged with governance, which include general enquiries, fraud risk assessment questions, going concern considerations etc. Responses to these enquiries are completed by management and confirmed by those charged with governance at an Audit and General Purposes Committee meeting. For our 2020/21 audit we will be making additional enquiries on your accounting estimates in a similar way (which will cover the areas highlighted above). We would appreciate a prompt response to these enquiries in due course.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

 WEST OXFORDSHIRE DISTRICT COUNCIL	WEST OXFORDSHIRE DISTRICT COUNCIL
Name and date of Committee	AUDIT AND GENERAL PURPOSES COMMITTEE – 18th MARCH 2021
Report Number	ALLOCATED BY DEMOCRATIC SERVICES
Subject	INTERNAL AUDIT PLAN 2021/22 AND INTERNAL AUDIT CHARTER
Wards affected	N/A
Accountable member	Cllr Toby Morris, Cabinet Member for Resources Email: toby.morris@cloud.westoxon.gov.uk
Accountable officer	Elizabeth Griffiths, Chief Finance Officer Tel: 01993 861188 Email: Elizabeth.Griffiths@westoxon.gov.uk
Summary/Purpose	To present the Internal Audit Plan for consideration and approval. To present the updated Internal Audit Charter for consideration and approval.
Annexes	Annex A – PROPOSED INTERNAL AUDIT PLAN 2021/22 Annex B – INTERNAL AUDIT CHARTER
Recommendation/s	<i>a) That the Proposed 2021/22 Internal Audit Annual Plan and the Internal Audit Charter be approved</i>
Corporate priorities	Delivering excellent modern services whilst ensuring the financial sustainability of the Council.
Key Decision	NO
Exempt	NO
Consultees/ Consultation	N/A

1. **BACKGROUND**

Internal Audit Plan

The primary role of Internal Audit is to provide assurance that the Council's systems provide for a proper administration of its affairs. To this end, Internal Audit carries out a programme of audits that is agreed annually with the Council's Management Team and the Audit and General Purposes Committee. The Internal Audit service is provided to the Council by SWAP Internal Audit Services (SWAP).

In order to satisfy the requirements of the Public Sector Internal Audit Standards (PSIAS) and to reflect changes within the Council, SWAP needs to focus upon areas where the organisation now requires assurance. This reinforces the requirement for Internal Audit to follow a more flexible and risk-based plan.

The core financial systems delivered to the Council by Publica are covered within the Core Financials section of the Audit Plan. The scope of audits will include both Publica and client-side activities providing;

- Assurance to the client (West Oxfordshire District Council) over the controls, and system controls, operated by Publica Officers, for each financial module
- Periodic assurance over the other services provided by Publica.
- The required support to the External Auditor.

Internal Audit Charter

The Internal Audit Charter is a requirement of the arrangement between West Oxfordshire District Council and SWAP. The charter ensures compliance with good practice as set out in the International Professional Practices Framework of the Institute of Internal Auditors and the Public Sector Internal Audit Standards (PSIAS).

The Charter demonstrates how the Internal Audit service will operate, and forms part of the requirements of the Public Sector Internal Audit Standards.

The Charter provides guidance on authority, accountability, customer care (quality control), independence, reporting, responsibility and audit standards.

2. **MAIN POINTS**

Internal Audit Plan

A summary of the Proposed Internal Audit Plan for 2021/22 is included in the Annex 'A'. This lists the risk-based assurance and consultancy work planned for the year. Counter fraud related audit work has not been included in this audit plan.

The Plan outlines a programme of work for 2021/22 as developed throughout January and February 2021 but due to the pace of change within Local Authorities, it is becoming increasingly difficult to accurately predict longer-term key organisational risks. Our approach to internal audit planning recognises this through a strategic 12 month rolling plan, whereby we have prepared an agile, risk assessed work plan containing key areas of coverage. This approach will ensure we are auditing the right areas, with the correct scope, at the right time.

We will revisit and adjust our programme of work on at least a quarterly basis to ensure alignment with the changing risk profile of the organisation's operations,

systems and controls and with regard to sector risks. The regular input of Senior Management, and the Chief Financial Officer and review of the Authority's risk register will be considered in this process.

The audit plan contains an element of contingency in order that the plan can remain flexible and respond to new and emerging risks as and when they are identified and may include unannounced activity.

Internal Audit Charter

Without an approved charter there is a risk that SWAP will not have:

- The support of management and the Council
- Direct access and freedom to support senior management including the Head of Paid Service and the Audit and General Purposes Committee
- Access to any records, personnel or physical property of the Council for audit work.

3. FINANCIAL IMPLICATIONS

3.1. The Internal Audit Service is operating within the contract sum.

4. LEGAL IMPLICATIONS

4.1. None directly from this report. Internal Audit reviews consider compliance with legislation relevant to the service area under review.

5. RISK ASSESSMENT

The weaknesses in the control framework, identified by the Internal Audit activity, continues to threaten organisational objectives if recommendations are not implemented.

6. BACKGROUND PAPERS

6.1. Internal Audit Reports

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West Oxfordshire District Council

Proposed Internal Audit Plan 2021/22

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The internal audit plan represents a summary of the proposed audit coverage that the internal audit team will deliver throughout the 2021/22 financial year.

Introduction and Objective of the Audit Plan

Internal audit provides an independent and objective opinion on the Authority's risk management, governance, and control environment by evaluating its effectiveness.

Prior to the start of each financial year, SWAP, in conjunction with senior management, put together a proposed plan of audit work. The objective of our planning process and subsequent plan is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each of the audits in our planned programme of work, will provide senior management and Members with assurance that the current risks faced by the Authority in these areas are adequately controlled and managed.

When reviewing the proposed internal audit plan (as set out in Appendix 1), key questions to consider include:

- Are the areas selected for coverage this coming year appropriate?
- Does the internal audit plan cover the organisation's key risks as they are recognised by the Senior Management Team and Audit and General Purposes Committee?
- Is sufficient assurance being received within our annual plan to monitor the organisation's risk profile effectively?

Internal Audit Planning 2021/22

The proposed 2021/22 plan presented in Appendix 1 provides coverage of the Authority's key corporate objectives and risks as well as core areas of recommended coverage.

Internal audit is only one source of assurance and should be considered as such.

Update to Approach

Due to the pace of change within Local Authorities, it is becoming increasingly difficult to accurately predict longer-term key organisational risks. Our approach to internal audit planning recognises this through a strategic 12 month rolling plan, whereby we have prepared an agile, risk assessed work plan containing key areas of coverage. This approach will ensure we are auditing the right areas, with the correct scope, at the right time.

We will revisit and adjust our programme of work on at least a quarterly basis to ensure alignment with the changing risk profile of the organisation's operations, systems and controls and with regard to sector risks. The regular input of Senior Management and review of the Authority's risk register will be considered in this process. Our 2021/22 audit plan will contain an element of contingency in order that the plan can remain flexible and respond to new and emerging risks as and when they are identified and may include unannounced activity.

The proposed audit plan at Appendix 1 provides coverage of the Authority's key corporate objectives and risks, as well as our core areas of recommended audit activity.

Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain fully with management. Internal audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.

Internal Audit Planning 2021/22

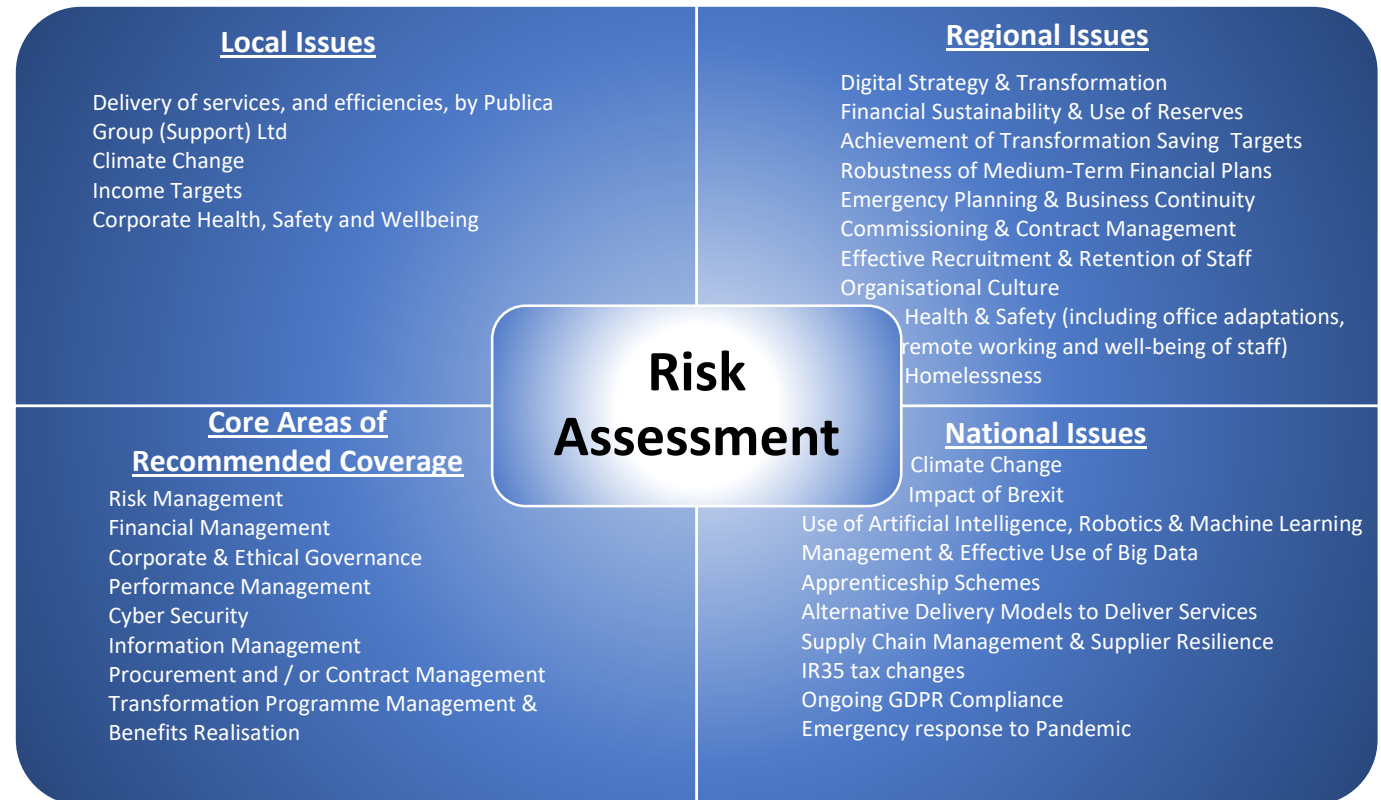
Our documented risk assessment helps to ensure that sufficient and appropriate areas are identified for consideration in our internal audit programme of work.

As above, it is the responsibility of the Authority's Senior Leadership Team, and the Audit and General Purposes Committee to ensure that, with consideration of our risk assessment, the overall programme of work throughout the year contains sufficient and appropriate coverage.

Internal Audit Risk Assessment (updated)

Our 2021/22 internal audit programme of work is based on a documented risk assessment, which SWAP will revisit regularly, but at least annually. The input of senior management as well as review of the Authority's risk register has been considered in this process.

Below we have set out a summary of the outcomes of the risk assessment for West Oxfordshire District Council



It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific Terms of Engagement for the piece of work, which includes the objective and scope for the review.

Areas of Coverage and Brief Scope	Responsible Officer
Core Audit Areas	
<p>Core Financials – Publica Controls and Transactional Testing A review of the controls operating within Publica in respect of the Core Financial systems:</p> <ul style="list-style-type: none"> • Payroll • Accounts Payable (Creditors) – to include regular check of potential duplicate payments and reporting to AP service for investigation • Accounts Receivable (Debtors) • Treasury Management and Bank Reconciliations • Main Accounting, Capital Accounting and Budgetary Control <p>Depending on previous years audit assurances a high-level review may be deemed appropriate.</p>	<p>Group Finance Director</p>
<p>Human Resources A review of an element of the Human Resources (HR) service – Suggested area to be reviewed is the Recruitment Process following changes to the system.</p>	<p>Group Manager Business Support</p>
<p>Other Publica Area Review to be undertaken of either Procurement / Health and Safety / Insurance. Suggested area for review is Procurement, following update to the strategy, changes to limits / thresholds, ensuring BMs are complying with strategy.</p>	<p>Group Manager Business Support</p>
<p>Revenues and Benefits A review of the controls operating in respect of:</p> <ul style="list-style-type: none"> • Council Tax • National Non-Domestic Rates • Housing Benefit and Council Tax Support <p>Scope to be confirmed</p>	<p>Group Manager Resident Services</p>

<p>ICT Audits <i>Proposed audits, following completion of Cyber Security review in 2020/21 include:</i></p> <ul style="list-style-type: none"> • <i>Existence and Maintenance of an Inventory of Hardware Assets</i> • <i>Inventory of Software Assets (Including Data Assets)</i> • <i>Control of Accounts with Administrative Privileges</i> • <i>Vulnerability Management</i> 	<p>Group Manager Business Support</p>
<p>Risk Management <i>To review a specific element of the Council's Risk Management process</i> <i>Review to follow-up 2020/21 audit</i></p>	<p>Group Manager Strategic Support</p>
<p>Performance Management <i>A review of an element of Performance Management</i> <i>Scope to be confirmed</i></p>	<p>Group Manager Strategic Support</p>
Proposed Audit Areas	Proposed Audit Areas
<p>Leisure and Culture Facilities <i>Review to determine how the Council ensures the leisure service provider(s) are adhering to statutory Health and Safety regulations. Review to test requested confirmations for tests such as fixed wire testing, fire alarm systems and emergency lighting tests.</i></p>	
<p>Property Related Health and Safety <i>Review to assess the Health and Safety arrangements at the Council's properties including compliance with Fixed Wire, Emergency Lighting and PAT testing.</i></p>	
<p>Use of Third-Party Workers <i>Review of the recruitment and on-going personnel management of agency / contractor / temporary / third-party workers who work at / on behalf of the Council. Are HR related considerations, processes and controls robust enough within individual service areas?</i></p>	
<p>Climate Change <i>Review to assess what business areas are doing to support the Council's commitment to the Climate Emergency.</i></p>	
<p>Environmental Regulatory Services (ERS) Flooding and Drainage Team <i>Request to review the service area – full scope to be determined with the Business Manager for the service.</i></p>	
<p>Building Control <i>Review of the Building Control process offering suggestions for improvement where appropriate.</i></p>	
<p>Reporting of Statutory Planning Application Data <i>Review to assess the accuracy and timeliness of statutory data published in respect of planning applications.</i></p>	

<p>Section 106 Agreements and Funds (to include CIL) <i>Audit to revisit area following implementation of Exacom to ensure recommendations from previous audit have been actioned.</i></p>	
<p>Asset Management and Commercial Property <i>Follow-up assurance review of the audit completed in 2020/21.</i></p>	
<p>Mechanism for Charging Councils <i>Assessment of the revised framework for the recharging of Publica services to the Council(s) to include Support Cost Recharges and Contract Variations.</i></p>	
<p>Monitoring the Performance of Strategic Partnerships <i>Non-opinion review to assess how the Council monitors performance and risks of strategic partnerships.</i></p>	
<p>Publica Performance Information <i>Analysis of performance information presented to the Council.</i></p>	
<p>Recovery Investment Strategy <i>Support to the Council on the Recovery Investment Strategy. Scope to be confirmed.</i></p>	
<p>Election Expenses <i>Review to ensure election expenses are appropriately processed, including the treatment of VAT.</i></p>	
<p>Emergency Planning <i>Review of The Council's Emergency Planning. Audit to include procedures, co-ordination team stand-up / stand-down triggers, communication within teams etc to gain assurance that the framework is strong to support communities when any future emergency occurs.</i></p>	
<p>Ubico <i>Support in respect of undertaking due diligence on Ubico's Business Case for the introduction of a new shareholder.</i></p>	
<p>Ubico <i>Service Improvement Programme. Scope to be confirmed.</i></p>	
<p>Return to Work (following the easing of Lockdown Restrictions) <i>Assessment of the approach for ensuring the safety of officers when returning to the offices as and when restrictions are lifted.</i></p>	
<p>Business Grant Post Payment Assurance <i>Post payment assurance on business grants applied for, and paid, during December 2020 – March 2021.</i></p>	
<p>Covid-19 Related Assurance <i>Provision to allow for any assurance work required in respect of Covid-19.</i></p>	

<p>Further requested assurance / advisory / support work, as required which could include any Covid-19 related matters</p>	
<p>Other Audit Involvement</p>	
<p>Management <i>Preparation of IA Monitoring Reports and preparation and attendance at Audit, Compliance and Governance Committee. Annual Audit Planning. Attendance at Governance and Risk Groups. High level programme monitoring. Liaison meetings with CFOs and Management Teams.</i></p> <p>Follow-Up Audits <i>Follow-Up of Previous Year's recommendations. Follow-Up audit of all High Priority Recommendations.</i></p> <p>Grant Certification <i>Review (income and expenditure) and certification of Disabled Facilities Grants and Additional Funding, ensuring finding requirements have been met.</i></p> <p>Working with the Counter Fraud Unit <i>Provision to ensure collaborative working with the CFU and to ensure control weaknesses, identified during CFU activity, are being actioned. Regular liaison meetings.</i></p> <p>Contingency <i>Provision for new work based on emerging risks and Investigations.</i></p>	

West Oxfordshire District Council

Internal Audit Charter 2021/22

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The Internal Audit Charter

Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within West Oxfordshire District Council (WODC), and to outline the scope of internal audit work.

Provision of Internal Audit Services

Internal Audit is provided by SWAP Internal Audit Services (SWAP). This Charter forms part of the legal agreement between SWAP partners and should be read in conjunction with the Service Agreement and other key documents including the Data Sharing Protocol.

The budget for the provision of the internal audit service is determined by WODC, in conjunction with the SWAP Members Meeting. General financial provisions are laid down in the legal agreement, including the level of financial contribution, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment which is reviewed each year by the S151 Officer in consultation with the Chief Executive of SWAP.

Role of Internal Audit

The Accounts and Audit (England) Regulations, state that: *“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance.”*

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Organisation’s operations. It helps WODC accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Responsibilities of Management, the Audit and General Purposes Committee and of Internal Audit

Management¹

Management is responsible for ensuring SWAP has:

- the support of management and the Council; and
- direct access and freedom to report to senior management, including the Council’s Chief Executive and the Audit and General Purposes Committee.

Management is responsible for establishing (including the tracking and implementation of Internal Audit recommendations) and maintaining internal controls, including proper accounting records and other management information and is also responsible for the appropriate and effective management of risk.

¹ In this instance Management refers to the Senior Management Team

Audit and General Purposes Committee²

The Audit and General Purposes Committee is responsible for approving the scope of internal audit work, receiving communications from the SWAP Assistant Director (as Chief Audit Executive³) on the progress and outcomes of work undertaken, reviewing the independence, objectivity, performance, professionalism and effectiveness of the Internal Audit function, and obtaining reassurance from the SWAP Assistant Director as to whether there are any limitations on scope or resources.

Internal Audit

The SWAP Assistant Director is responsible for determining the scope, except where specified by statute, of internal audit work and for recommending action to be taken on the outcome of, or findings from, their work designed to provide assurance and add value.

Internal audit is responsible for operating under policies established by management in line with good practice. A range of SWAP policies exist to underpin staff and service development, including to seek out and implement new innovative audit techniques and increase technological solutions to ensure provision of an efficient and effective service and consolidate the role of Trusted Advisor.

Internal audit is responsible for conducting its work in accordance with the mandatory elements of the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. SWAP has been independently assessed and found to conform with the Standards.

Internal Audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. Members of SWAP who have transferred in to the department from other areas in West Oxfordshire District Council and / or Publica Group (Support) Ltd will not be asked to review any aspects of their previous department's work until one year has passed since they left that area.

Relationship with the External Auditors/Other Regulatory Bodies

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

Status of Internal Audit in the Organisation

*The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

The Chief Executive for SWAP and Assistant Director also report to the Section 151 Officer, and to the Audit and General Purposes Committee as set out below.

² In this instance Audit and General Purposes Committee relates to "The Board" referred to in the PSIAS.

³ PSIAS refers to the 'chief audit executive'.

The Assistant Director is the first and primary contact point for the organisation on matters relating to the Audit and General Committee, including the provision of periodic reports, as per company policy. The Assistant Director is also responsible for design, development and delivery of audit plans, subject to agreement of WODC.

Scope and authority of Internal Audit work

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of the organisation.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information used for operational and strategic decision making, and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management and communication of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls regarding the objectives of the organisation and its services;
- reviewing systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the organisation complies;
- reviewing, as appropriate, the means of safeguarding and verifying assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether they are being carried out as planned, with performance and accountabilities established;
- reviewing the operations of the organisation in support of their anti-fraud and corruption policy (and investigating where necessary), ethical expectations and corporate, social and environmental values and responsibilities; and
- at the request of management, internal audit may provide consultancy services (e.g. data analytics, benchmarking, strategic/project reviews/investigations etc) provided that:
 - independence is not compromised;
 - necessary skills exist to conduct the assignment, or which can be obtained without undue cost or delay;
 - the assignment scope is clearly defined and management can resource the work; and
 - there is clarity that the activity being undertaken is not internal audit work although the outcomes may contribute to the annual opinion.

Planning and Reporting

SWAP will submit an internal audit plan to Management and the Audit and General Purposes Committee for approval, setting out the recommended scope of work and which will be developed with reference to current and emerging risks. The plan will be reviewed quarterly to ensure it remains relevant and adequately resourced.

SWAP will carry out the work as agreed, report the outcomes and findings both during and on completion of reviews, and make recommendations on action to be taken to the appropriate officers and copied to the S151 Officer. SWAP will present a regular summary of their work to Management and the Audit and General Purposes Committee, including assessing the organisation's implementation of previous recommendations along with any significant, persistent and outstanding issues.

Internal audit reporting will normally comprise a brief presentation to relevant officers and accompanied by an appropriately detailed written report, with the format tailored as necessary to the nature of the work.

The Assistant Director will submit an annual report to Management and the Audit and General Purposes Committee providing an overall opinion of the status of risk and internal control within WODC based upon, and limited to, internal audit activity conducted during the year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and Assistant Director (Chief Audit Executive) have the unreserved right to report directly to the Leader of the Council, the Chair of the Audit and General Purposes Committee, the Chief Executive Officer and the External Audit Manager.

A Move to Agile Auditing

When delivering the 2020/21 Internal Audit Programme of work, as presented, we will be looking to embrace the concept of Agile Auditing.

What is Agile Auditing?

Agile Auditing breaks a typical audit engagement down into several shorter stages, with us reporting any findings as we go. It involves increased communication and collaboration with stakeholders throughout the audit process, with greater speed but also transparency. It is likely to involve a team of audit staff instead of one individual.

Why the move to it?

- We recognise that the speed of change (and subsequent risk) is increasing within our Partners. As auditors we therefore need to adapt in order to be able to react and respond quicker.
- We constantly seek ways in which we can add value to our Partners, in order to help them succeed. Increased communication and collaboration through Agile Auditing will support this.
- We also want to move towards shorter and more impactful audit reports; Agile Auditing will facilitate this.



What will it involve?

As above, an Agile audit engagement is likely to involve a small team of audit staff as opposed to one individual. This will ensure that the audit proceeds and concludes with greater pace.

Although we are likely to require more frequent interaction with staff in the area we are auditing, the interaction will be quicker and more focussed. We are confident that the overall time required from staff will actually be less than through a traditional audit approach.

We will look to discuss any audit findings with staff throughout the stages of the audit. This will ensure that by the time we come to report, we already have agreement to any proposed actions required, and even provide the opportunity for any findings to be actioned prior to the completion of our audit.


What will be the benefits?

- Ability to provide faster assurance**
- Enhanced ability to add value**
- Audit observations resolved more quickly**
- Shorter, more impactful audit reports**
- Reduced negotiations at audit report start**

We hope you support our move towards Agile Auditing.

If you would like to discuss the concept in more detail, please speak to your SWAP contact.

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 WEST OXFORDSHIRE DISTRICT COUNCIL	WEST OXFORDSHIRE DISTRICT COUNCIL
Council name	West Oxfordshire District Council
Name and date of Committee	Audit and General Purposes Committee Thursday 18 March 2021
Report Number	Agenda Item No. 7
Subject	Informing the Audit Risk Assessment 2020/21
Wards affected	All indirectly
Accountable member	Councillor Toby Morris, Cabinet Member for Resources Email: toby.morris@westoxon.gov.uk
Accountable officer	Elizabeth Griffiths, Chief Finance Officer Tel: 01993 861188 623313 Email: elizabeth.griffiths@westoxon.gov.uk
Summary/Purpose	For the Audit and General Purposes Committee to discuss its response to the Council's external auditors (Grant Thornton LLP) regarding how the Committee gains assurance on matters such as fraud, breaches of internal control, compliance with laws and regulations and accounting estimates.
Annexes	Annex A – Informing the Audit Risk Assessment 2020/21 Annex B – Accounting Estimates management summary
Recommendation	That the Committee confirms that the management response to the auditor risk assessment is a true reflection of the council's management processes.
Corporate priorities	To meet the current and future needs and aspirations of residents and to provide efficient and value for money services, whilst delivering quality front line services.
Key Decision	N/A
Exempt	No
Consultees/ Consultation	Not applicable.

1. BACKGROUND

1.1. As part of external audit's risk assessment procedures they are required to obtain an understanding of management processes and this Committee's oversight of the following areas;

- General enquiries of Management
- Fraud
- Laws and Regulations
- Related Parties
- Accounting Estimates

1.2. The report at Annex A includes a series of questions on each of these areas and the responses received from management. This Committee should consider whether the responses are consistent with its understanding and whether there are any further comments it wishes to make.

1.3. Annex B includes a series of specific questions in relation to management's methods, assumptions and controls in respect of material accounting estimates included in the accounts.

1.4. A revision to auditing standard ISA (UK) 540 (Auditing Accounting Estimates and Related Disclosures) has resulted in significant enhancements in respect of the audit risk assessment process for accounting estimates. Auditors are required to understand and assess an entity's internal controls over accounting estimates, including ensuring that those charged with governance can satisfy itself that arrangements for accounting estimates are adequate. There are consequently a number of more detailed questions in respect of accounting estimates in Annex B than have been included in previous years.

2. FINANCIAL IMPLICATIONS

2.1. This report has no financial implications.

3. LEGAL IMPLICATIONS

3.1. None directly from this report.

4. RISK ASSESSMENT

4.1. None.

5. BACKGROUND PAPERS

5.1. None

Informing the audit risk assessment for West Oxfordshire District Council 2020/21

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Peter Barber
Engagement Lead
T 07880 456 122
E peter.a.barber@uk.gt.com

Siobhan Barnard
Manager
T 0121 232 5121
E Siobhan.barnard@uk.gt.com



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

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between the Authority's external auditors and the Authority's Audit and General Purposes 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 Audit and General Purposes Committee under auditing standards.

Background

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

This two-way communication assists both the auditor and the Audit and General Purposes 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 Audit and General Purposes Committee and supports the Audit and General Purposes 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 Audit and General Purposes Committee's oversight of the following areas:

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

Purpose

This report includes a series of questions on each of these areas and the response we have received from the Authority's management. The Audit and General Purposes 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 2020/21?</p> <p>Page 48</p>	<p>The pandemic has had a considerable impact on the Council, lockdown has meant that many local businesses across the district have had to close – impacting on the local economy. Staff had been redeployed to work on covid related tasks including the processing and distribution of business grants.</p> <p>The Council has dealt with significant challenges in the year as it deals with the continuing crisis.</p> <p>Covid-19 will have a significant impact on several areas of the financial statements including reductions in the level of investment income received, the level of aged debt held by the Council will be considered for impairment and the accounting treatment of significant grant funding from central government.</p> <p>Land and property valuations are also expected to be affected by the uncertainty caused by the pandemic.</p>

General Enquiries of Management

Question	Management response
<p>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?</p>	<p>Accounting policies are reviewed and updated on an annual basis as part of closedown process to ensure that any new policies are incorporated and that existing policies are correct.</p> <p>The Government Grants and Contributions policy will be updated in the 2020/21 statement to reflect the treatment of Covid-19 business grants and an assessment of whether the Council is acting as agent or principal. Will also consider disclosure of this as a critical judgement within the statement of accounts.</p> <p>The implementation of IFRS 16 has been delayed by a further year, the policy has therefore not been updated.</p>
<p>3. Is there any use of financial instruments, including derivatives?</p>	<p>The Council's financial instruments include: investments, cash equivalents, debtors, designated equity investment, finance lease assets and liabilities.</p> <p>Financial instruments are accounted for as per the requirements of IFRS 9.</p> <p>Financial instruments are per approved investment strategy developed with Arlingclose. Strategic investment reviews take place during the year with senior officers including consequent report and consultation with the Finance and Management Overview and Scrutiny Committee (FMOS).</p> <p>The Council's financial instruments do not include any derivative arrangements.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business?</p>	<p>A pension lump sum deficit contribution of £4m was made to Oxfordshire Pension Fund in April 2021.</p> <p>A potential significant year end debtor or creditor with central government in respect of Covid Business Grants where the Council has acted as agent.</p>

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	None in 2002/21.
6. Are you aware of any guarantee contracts?	The contract with Publica, guarantees the company against future LGPS pension liabilities. Costs are passed through from Publica to the Council.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by the Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>A number of external solicitors are engaged on an ad hoc basis when there is no capacity in house. However none are engaged on a contentious matters. The external solicitors are used to support the in house team on non contentious matters such as property transactions and S 106 work.</p> <p>Firms engaged include Trowers and Hamlins, Weightmans LLP, and Martin Evans & Co</p>

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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?	None reported.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Tax Advice (operational) provided by EY Arlingclose – Treasury advice Hymans Robertson – Pension Actuary Pixel Financial Management and LG Futures – Financial Advisory Service regarding government funding including Business Rates.

Fraud

Issue

Matters in relation to fraud

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

The primary responsibility to prevent and detect fraud rests with both the Audit and General Purposes Committee and management. Management, with the oversight of the Audit and General Purposes 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 Audit and General Purposes 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 Audit and General Purposes 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 Audit and General Purposes Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and General Purposes 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 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>The Council has a robust financial control framework, supported by financial regulations, standing orders, scheme of delegation and an independent and objective Internal Audit function and Counter Fraud Unit. Responsibility for ensuring that fraud and corruption risks are addressed sits with the Chief Finance Officer. The Internal Audit plan includes a risk based audit of the core financial systems that are used in the compilation of the financial statements. These core systems are audited annually, any risks that are identified that may result in the financial statements being materially mis-stated due to fraud will be reported to the Council’s leadership team and the Audit and General Purposes Committee as part of the quarterly reporting cycle.</p> <p>The finance team comprises skilled, qualified accounting officers responsible for regular monitoring of management accounts to report actual income and expenditure against budgeted and forecast performance. This process includes discussions with service leads and review of variances to identify any instances of fraud and error. The annual budget is risk assessed and reported, and then monitored as part of the revenue and capital budget monitoring process. All reports to Cabinet include a section on financial implication and risk assessment to ensure that members are aware of the financial risks of making a decision.</p> <p>The Counter Fraud and Anti-Corruption Policy, the Corporate Enforcement Policy, the Whistleblowing Policy, and the Internal Audit Charter are formally agreed by the Council (at a meeting of the appropriate Committee/Executive). These documents set out the role of Internal Audit in the prevention and investigation of fraud.</p> <p>The Audit and General Purposes Committee also approves the risk-based annual audit plan and counter fraud plan which includes allocation of resources to respond to fraud allegations and prepare audits to consider possible areas where fraud may be a risk.</p>

Fraud risk assessment

Question	Management response
<p>1. Cont. 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>Page 54</p> <p>How do the Authority's risk management processes link to financial reporting?</p>	<p>The work of the Counter Fraud Team is reported to the Audit and General Purposes Committee on a biannual basis. The overall remit is to prevent, detect and deter the abuse of public funds within the Council by working closely with other public sector organisations. The team can undertake reactive investigation work where a referral is received and where necessary, proactive fraud drives in high risk areas. Internal investigations have taken place by the Counter Fraud Unit and appropriate action has been taken and reported where appropriate.</p> <p>Where an investigation takes place due to the suspicion of fraud, any areas of risk or poor control that are identified will also be reported to the appropriate manager with remedial recommendations. Internal Audit will include a follow up audit in the Audit Plan to ensure the recommendations have been implemented.</p> <p>A number of Enforcement Officers are employed within the various service areas who undertake work to tackle abuse of public funds.</p> <p>The year end risk registers contain information to identify possible contingent assets/liabilities and/or requirements to include provisions. The data in the register is used to identify cost or resource pressures or income streams. The information can be used to inform the financial planning process. The Council's risk register contains any significant risks from the Publica and/or Transformation Programme risk registers. A separate Covid-19 risk register is also in place from April 2020</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Revenue – streams such as Council Tax, Business Rates and any rental income</p> <p>Grants / Benefits – Business Grants, Council Tax Reduction Scheme (and Housing Benefit), Track and Trace Support Payments</p> <p>Expenditure – procurement and contract management. The procurement policy has recently been updated and the procurement threshold raised to £25,000 above which a full competitive procurement shall be undertaken using an Invitation to Tender.</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>Any instances of actual, suspected or alleged fraud, error or other irregularities that are identified are reported to Corporate Management and the Audit and General Purposes Committee.</p> <p>Benefit fraud is dealt with by the DWP. Abuse of the Council Tax Reduction Scheme is supported by the Revenues and Housing Support Department.</p> <p>The Counter Fraud team investigate allegations of wrongdoing. These matters are managed in line with Council's policies, including disciplinary policy, and will be reported to the police where appropriate. A criminal case relating to fraud and theft that is awaiting trial relates to a previous member of staff who was dismissed for gross misconduct.</p> <p>In some instances recommendations have been made in respect of control procedures and reports are issued to the appropriate Service Leads and Governance Group.</p> <p>The Audit and General Purposes Committee approves the risk based Annual Audit Plan which includes a risk based system audit of core financial systems and resources for auditing non financial systems on a risk basis.</p> <p>The Counter Fraud team has a similar annual plan for its work which includes an allocation of resources to investigate any alleged fraud. Performance against the Internal Audit Plan and Counter Fraud Plan and any specific issues identified are reported quarterly/half yearly to the Audit and General Purposes Committee. The Council's Finance and Management Overview and Scrutiny Committee also receives the Council's quarterly performance reports, which includes risk registers and financial performance.</p>
<p>4. Have you identified any specific fraud risks? Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within Authority where fraud is more likely to occur?</p>	<p>The main areas of abuse relate to fraud associated with benefits to include the Councils Council Tax Reduction Scheme although reviews and verification processes within the department keep this to a minimum. In addition abuse relating to Council Tax and Business Rates avoidance / evasion affects a main revenue stream and due to the pandemic, abuse of Business Grants is a significant fraud risk area.</p>

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Fraud risk assessment

Question	Management response
<p>4. Cont. Have you identified any specific fraud risks? Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Authority where fraud is more likely to occur?</p> <p>Page 56</p>	<p>Some high risk areas are no longer within the domain of the Council - depot services are managed by Ubico, leisure matters are contracted out and the Council does not retain housing stock therefore Tenancy Fraud is not a concern although Housing Application abuse remains an area that requires monitoring.</p> <p>There are low risk internal areas such as mileage expense abuse but this is not significant due to the pandemic. Recruitment and payroll are also areas which are open to abuse.</p> <p>Procurement fraud, specifically within departments such as Property Services, remains an area susceptible to abuse because of the significantly high levels of expenditure.</p> <p>Regarding external fraud, both Internal Audit and the Counter Fraud Unit have undertaken work around serious and organised crime but this is not recognised as a significant issue affecting West Oxfordshire.</p> <p>Cyber related crime remains a significant risk for the Council and this is managed and reported on by the ICT Team.</p> <p>It cannot be stated that fraud will not occur, but I would not consider one area being significantly at risk. I would add that there is a current increased risk of fraud across the Council due to the pandemic, especially with the payment of NNDR and Community Grant payments.</p>

Fraud risk assessment

Question	Management response
5. What processes do the Authority have in place to identify and respond to risks of fraud?	<p>The existence of the Counter Fraud Unit as a permanent dedicated service significantly mitigates fraud risk generally. The overall remit is to prevent, detect and deter the abuse of public funds within the Council by working closely with other public sector organisations and referring to recommendations by the Home Office and other professional bodies. The team undertakes reactive investigation work where a referral is received and where necessary, proactive fraud drives in high risk areas.</p> <p>The Counter Fraud Unit have promoted and introduced processes for internal and external reporting for both staff and by members of the public. Whistleblowing is becoming more effective as a result.</p> <p>There are many financial controls around the validity and payment of invoices and we are working with HR re recruitment controls in place to ensure all new employees are vetted properly and that staff recognise fraudulent qualifications</p> <p>Work is developing in relation to gifts and hospitality procedures and conflicts / declarations of interest by staff.</p> <p>The CFU assist with NFI data matching and undertake our own data matching exercises where risk has been identified.</p> <p>The Council also employs a number of Enforcement Officers within the various service areas who undertake work to tackle abuse of public funds.</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">• the existence of internal controls, including segregation of duties; and• the process for reviewing the effectiveness the system of internal control?	<p>The Council's internal audit service is provided by SWAP Internal Audit Services (SWAP). SWAP provide the Council with an audit opinion for 2019/20 using findings from review work carried out across the Council services. At the point of preparing this response, it is expected that the Council will have a "Reasonable" internal audit opinion, confirming that internal control processes are effective. As part of the core audit of systems, appropriate internal controls (or their absence/non-compliance) is considered by internal audit. Appropriate testing by internal audit, enables advice to be produced on the effectiveness of internal controls. The outcome of internal audit reviews are reported to management through audit reports and to the Audit and General Purposes Committee as part of quarterly performance updates.</p> <p>There is a good working relationship between the Counter Fraud Unit and Internal Audit, which ensures that internal control weaknesses identified through CFU reviews are followed up, following management action to address the weaknesses by internal audit reviews.</p> <p>Internal Audit Plans are approved at Council's leadership team and subsequently Audit and General Purposes Committee. Internal Audit then reports their findings and recommendations to both bodies and Audit and General Purposes Committee has a monitoring and challenge role to ensure the system of internal control is robust.</p> <p>External Audit also report their findings and recommendations to Audit and General Purposes Committee, which is subject to the same process of monitoring and challenge.</p>

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Fraud risk assessment

Question	Management response
<p>6. Cont. How do you assess the overall control environment for the Authority, 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 outcome of internal and external audit work, together with Assurance Statements prepared by senior managers feed into the preparation of the Annual Governance Statement which is considered by Council's leadership team and the Audit and General Purposes Committee. Internal Audit provides assurance on the robustness of the arrangements for production of the AGS.</p> <p>In summary, internal controls work effectively, including segregation of duties.</p> <p>N/A</p> <p>The Counter Fraud team submits data for the National Fraud Initiative (NFI) and assesses all matches for review and, where appropriate, mitigation.</p> <p>On occasions such issues have been raised by both internal and external audit as part of the audit work. Appropriate recommendations for changes to internal controls are made on these occasions for management to implement.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>The financial reporting process is subject to review and challenge by both the Deputy S151 Officer and Chief Finance Officer.</p> <p>There is always the potential but we believe appropriate checks and balances are in place within the shared Finance Team to ensure mis-reporting does not occur.</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 Council communicates and encourages ethical behaviour and business processes of its staff and contractor through its policies and strategies including Anti Fraud and Corruption Policy, Employee Code of Conduct and Whistleblowing policy all of which are available on the intranet site. Updates are communicated through induction and refresher training and other channels such as 'Keeping You Connected', emails or staff training events.</p> <p>The Audit and General Purposes Committee approves the risk-based annual audit plan. The annual plan includes resource allocation to core financial and governance audits as well as service audits which will include a review of various policies and strategies such as: the Counter Fraud and Anti-Corruption Policy, Employee Code of Conduct and Whistle-Blowing Strategy. The various strategies will be reviewed for timeliness and completeness as well as how well they are communicated to employees through processes such as induction training, appraisals and refresher training. Any areas of concern are reported to the Audit and General Purposes Committee through the SWAP quarterly monitoring reports.</p> <p>In terms of contractors, significant contracts are let following a robust process which seeks assurance from the potential contractor that the organisation has appropriate policies and processes in place. The Council monitors performance and quality and adherence to standards of service delivery. The Procurement Team have included statements on all tender / quote documentation detailing the Councils approach to modern slavery, ethical procurement and supporting local businesses</p> <p>The Counter Fraud Team remit includes staff and member awareness sessions and alerts where necessary to encourage reporting which is further complemented by the Whistle-Blowing Policy. Training and briefings are provided by the Counter Fraud Unit to highlight activity and their role. Publicity with regard to identified fraud and error will also be encouraged to act as a deterrent.</p>

Fraud risk assessment

Question	Management response
<p>8. Cont. 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>No significant issues have been reported in 2020/21. Staff are expected to report any concerns they have about fraud or the misuse of public funds. Any allegations received are referred to the Counter Fraud Unit for investigation. These matters are managed in line with the Council policies, including disciplinary policy, and will be reported to the Council's leadership team where appropriate. In some instances, recommendations will be made in respect of control processes.</p>
<p>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>Contract procurement posts, high level budget controllers/approvers, ICT staff with high level system access, Marketing Teams. Officers with significant operational financial responsibilities, such as roles in the Treasury Management team, Chief Finance Officer/Deputy Finance Officer, and roles in Revenues and Benefits are subject to regular security checks, at recruitment and then regularly every three years.</p> <p>Each role in the Council or Publica, as the Council's service provision body, is assessed for the requirement to undertake post holder security checks.</p> <p>Many Local Government staff are susceptible to duress and corruption due to the nature of their duties - housing teams, CTAX officers, Planning staff, however there must be a level of trust within the organisation to promote a healthy working environment.</p> <p>Conflict of interest / declaration of interest process development to make it a more risk based one - identifying high risk staff and ensuring the correct controls are in place.</p> <p>Better recruitment checks to vet staff and prevent them entering the workplace - prevention is always the best control.</p>

Fraud risk assessment

Question	Management response
<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>Organisations such as Ubico and Publica all give rise to fraud risk which may affect the Council.</p> <p>The risks associated with fraud related to related party relationships and transactions are mitigated through the requirement within the Constitution for members to make declarations of all relevant relationships and transactions and update their declarations on a quarterly basis. They are also required to disclose any relevant interests at Committee meetings and where appropriate withdraw and disclose any gifts and/or hospitality received via the Council register. Officers are also required to declare any related party transactions.</p> <p>Prevention methods for bribery and corruptions are detailed within the Counter Fraud and Anti Corruption Policy.</p> <p>With the establishment of Publica, the Council reviewed the appointment of Statutory Officers to ensure that they are employed by the Council (or shared with a partner Council) rather than Publica and to minimise any risk of conflict of interest. Transparency, audit and scrutiny practices across these partnerships and more generally Local Government.</p>

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Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit and General Purposes Committee?</p> <p>How does the Audit and General Purposes 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 far this year?</p>	<p>On a quarterly basis, the Audit and General Purposes Committee receives monitoring reports from the South West Audit Partnership regarding work carried out by the internal audit team. The report details the work carried out compared to the plan, the level of assurance resulting from the audit, the key issues regarding internal controls or fraud including any breaches. Reporting includes the outcome of internal audit follow-up reviews of the implementation of audit recommendations.</p> <p>In addition, the Counter Fraud Team report biannually to Committee.</p> <p>The Audit and General Purposes Committee approves the risk based Annual Audit Plan which includes a risk based system audit of core financial systems and resources for auditing non financial systems on a risk basis.</p> <p>The Counter Fraud Unit has a similar annual plan for its work which includes an allocation of resources to investigate any alleged fraud. Performance against the Internal Audit Plan and Counter Fraud Plan and any specific issues identified are reported quarterly/half yearly to the Audit and General Purposes Committee.</p> <p>The Committee is consulted on any proposed changes to relevant Council Policy – e.g. Whistle Blowing Policy, Counter Fraud and Anti-Corruption Policy, Money Laundering Policy, RIPA Policies etc.</p> <p>Changes to the Council's Corporate Risk Register are also reported to the Audit and Governance Committee on a quarterly basis. The Council's Overview and Scrutiny Committee also receives the Council's quarterly performance reports, which includes changes to the Council's risk registers and details of financial performance.</p> <p>The Audit and General Purposes Committee exercise oversight over management processes for identifying and responding to risks of fraud and breaches of internal control through challenge of internal audit and counter fraud, monitoring the implementation of recommendations and seeking additional assurances from operational management.</p> <p>See reports presented to Audit and General Purposes / Overview and Scrutiny Committee.</p>

Fraud risk assessment

Question	Management response
12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	<p>Reports from whistle blowers are investigated by the Counter Fraud Team. Once the investigation is complete, appropriate recommendations are made for action which may include prosecution, civil penalties, improvements to internal controls, and (where an employee is the subject), consideration of disciplinary action.</p> <p>There have been no whistle blowing reports of fraud during the year. Where there are reports, appropriate action would be taken, and if warranted a report would be made to the Audit and General Purposes Committee and recommendations for improvements to internal controls issued to Corporate Management to be followed up by internal audit.</p>
13. Have any reports been made under the Bribery Act?	None.

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Law and regulations

Issue

Matters in relation to laws and regulations

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

Management, with the oversight of the Audit and General Purposes Committee, is responsible for ensuring that 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 the Audit and General Purposes 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>Internal Audit reviews are designed to ensure that services are complying with internal and external policies and procedures and all legislation. Where non compliance is identified, this is reported to Management and Members via the Council's Audit and General Purposes Committee.</p> <p>There is a dedicated legal services team that provides advice to members and officers in relation to laws and regulations. The Council's Legal Services, Counter Fraud Team, Revenues and Benefit Team and Enforcement Teams for various services receive regulatory updates and changes via their own services sources e.g. CIPFA, MHCLG and DWP statutory regulations, RIPA updates, newsletters and best practice guidance. The implications of such changes are fed to the Council's leadership team for advice and to gain approval and, when necessary, recommend approval from Committee/Cabinet.</p> <p>In addition, the Whistle-blowing Strategy provides staff with the ability to report to management where laws and regulations have not been complied with. Any allegations that relate to criminal offences can be investigated by the Counter Fraud Team with appropriate legal action being taken by the Council where appropriate. The Chief Finance Officer is responsible for preparing the Statement of Accounts in accordance with the relevant legal and regulatory requirements.</p> <p>Not aware of any significant changes to regulatory environment.</p>

Impact of laws and regulations

Question	Management response
<p>2. How is the Audit and General Purposes Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Internal Audit review are designed to ensure services are complying with internal and external policies and procedures and all legislation. Where non compliance is identified, this is reported to Management and Members via the Council's Audit and General Purposes Committee. Management actions are agreed where non compliance is identified.</p> <p>Senior managers within Publica and the Council complete an Annual Assurance Statement at the end of the financial year. These governance declarations provide appropriate management assurance that key area of the system of internal control are in place and working effectively. In addition, training sessions are used to explain new legislation. Where the changes would have a significant impact on the Council they will appear on the Corporate Risk Register which is reported to the Audit and General Purposes Committee on a quarterly basis. Any accounting requirements are explained to members as part of the approval of the accounts. For any specific cases a special report is prepared for the Audit and General Purposes Committee.</p> <p>Any allegations that relate to criminal offences can be investigated by the Counter Fraud Team with legal action being taken by the Council where appropriate.</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>Only issues identified as part of Internal Audit reviews which have been reported to Management and the Audit and General Purposes Committee. Management have agreed actions to ensure compliance.</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>Potential NNDR appeals claims.</p>

Impact of laws and regulations

Question	Management response
<p>5. What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims?</p>	<p>Legal services team works with management when potential claims or litigation identified. The Group Manager of Legal Services provides details of litigation and claims for inclusion in the financial statements.</p> <p>The Council has a customer complaints process which aims to resolve issues before they escalate.</p> <p>The Council has robust risk management arrangements which include recording risks of litigation or claims either within service areas or corporately.</p> <p>The Council has processes in place to manage significant contracts so they operate on a partnership basis so issues can be raised and managed and any issues can be raised and managed with the aim of minimising litigation or claims. Contract performance is monitored by the use of management information including key performance indicators.</p>
<p>6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?</p>	<p>No significant findings.</p>

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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 the Authority (i.e. subsidiaries);
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over 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 West Oxfordshire District Council's 2019/20 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> 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 the type and purpose of these transactions 	<p>No, subject to the receipt of management and member declarations for 2020/21.</p>
<p>What controls does the Authority have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>All elected Members are required to complete a questionnaire detailing any areas where potential conflicts of interest may occur between their private interests and their position as the elected representatives of the Council. Details are recorded in the register of members' interest.</p> <p>Declarations are made at meetings by Members and Officer where appropriate and are recorded in the minutes of the meeting. The Members code of conduct requires Members to make declaration of interest when necessary which are also recorded. Registers of interest are updated annually by Members and Officers and a register of gifts and hospitality is also maintained.</p> <p>By virtue of the Officer Code of Conduct, employees of the Council are required to declare any relationship with individuals, organisations or companies that might prejudice, or could be viewed as influencing, their professional judgement. On an annual basis, senior officers and officers within positions of influence within the Council are required to complete a related party declaration to highlight any potential conflicts of interest.</p>

Related Parties

Question	Management response
	<p>The above is reviewed as part of the accounts closedown process and are disclosed in the statement of accounts where the interest would be material to either party.</p>
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	<p>Members are required to withdraw from the decision making process where they have declared a related party interest.</p> <p>With the establishment of Publica, the Council reviewed the appointment of Statutory Officers to ensure that they are employed by the Council rather than Publica and to minimise any risk of conflict of interest.</p> <p>Historically there have been no other related party transactions in relation to officers.</p>
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	<p>Transactions outside of the normal course of business would be subject to S151 approval and be reported to full Council.</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:

- Page 72
- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
 - How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
 - How the entity's risk management process identifies and addresses risks relating to accounting estimates;
 - The entity's information system as it relates to accounting estimates;
 - The entity's control activities in relation to accounting estimates; and
 - How management reviews the outcomes of previous accounting estimates.

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

Specifically do Audit and General Purposes 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 and General Purposes Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>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?</p>	<p>Significant estimates expected to be included in the 2020/21 statement of accounts include:</p> <ul style="list-style-type: none"> • Valuation of PPE • Useful economic life of PPE • Valuation of Investment Properties • Depreciation • Financial Instruments Fair Value • NNDR appeals provision • Expected Credit Loss provision • Accruals • Pension Liability
<p>2. How does the Authority's risk management process identify and addresses risks relating to accounting estimates?</p>	<p>The year end risk registers contain information to identify possible contingent assets/liabilities and/or requirements to include provisions. The data in the register is used to identify costs or resource pressures or income streams. The information can be used to inform financial planning process.</p> <p>The Council's Risk Register contains significant risks from the Publica and/or the Transformation Programme risk registers. A separate covid 19 risk register is also in place from April 2020.</p>
<p>3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>See annex B for further details.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
4. How do management review the outcomes of previous accounting estimates?	The outcome of previous accounting estimates is reviewed as part of the estimation process in the following year and is considered up to the date that the accounts are authorised for issue following review by external audit.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	<p>The 2020/21 accounts have not yet been prepared but we will undertake further challenge and scrutiny of the reports received from the internal valuers than we was undertaken in prior years.</p> <p>We engaged with the internal valuation team in December 2020 and have been in regular communication with the internal valuer to provide instructions on the assets that require valuation in 2020/21 and the need to provide assurance that assets not valued as part of the rolling programme in 2020/21 are not materially misstated.</p>

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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>See further detail in Annex B, experts with specialist skills are used for the following areas of estimation in the financial statements:</p> <ul style="list-style-type: none"> • Valuation of PPE (Internal Valuers – Valuer and Estates Surveyor (RICS)) • Depreciation – Useful Economic Lives (Internal Valuers- Valuer and Estates Surveyor (RICS)) • Valuation of Investment Properties (Internal Valuers) • Fair value valuation of Financial Instruments (Arlingclose – Treasury Management Consultants) • Pension Liability (Hymans Robertson – Actuary)
<p>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?</p>	<p>See further detail in Annex B, assurances are sought from the Council’s internal valuers in relation to their independence, objectivity and professional qualifications. Regular communication between the finance team and Property team ensures that the valuers have access to the information they require to undertake detailed valuations in accordance with RICS guidance.</p> <p>Arlingclose are appointed as the Treasury management consultants and are sufficiently qualified to undertake the fair value valuations of the Council’s financial instruments.</p> <p>Hymans Robertson (Actuary) provide the Council with details of their experience, qualifications and independence through correspondence with Oxfordshire Pension Fund</p> <p>External audit also obtain assurance that the experts are sufficiently qualified and independent.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
<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>Management ensure that experts appointed are independent, professional, suitably experienced and qualified.</p> <p>For areas of estimation where experts are not used including accruals and the NNDR appeals provision, these are subject to review by the S151 Officer. Control arrangements are reviewed by internal audit and external audit and any findings reported to the Audit and General Purposes Committee.</p> <p>See further detail in Annex B.</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>The assumption which underpin the figures reported in the Statement of Accounts are reviewed in advance of preparation and such estimates and assumptions are reviewed by the S151 Officer and disclosed in the notes to the Accounts for transparency.</p> <p>Methods and assumptions are reported within this paper and Annex B to the Audit and General Purposes Committee as those charged with governance.</p> <p>See further detail in Annex B.</p>

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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 Annex B)?	All significant accounting estimates that require significant judgement are disclosed in Annex B
11. Are the management arrangements for the accounting estimates, as detailed in Annex B reasonable?	Yes
12. How is the Audit and General Purposes Committee provided with assurance that the arrangements for accounting estimates are adequate ?	<p>The assumption which underpin the figures reported in the Statement of Accounts are reviewed in advance of preparation and such estimates and assumptions are disclosed in the notes to the Accounts for transparency.</p> <p>The Audit and General Purpose Committee is provided with further assurance through the review of this paper and Annex B.</p>

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Annex B

Property, plant, and equipment valuation estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	<p>Impact of Covid-19 on the property market deemed to be a risk potentially resulting in uncertain or reduced valuations.</p> <p>Risk mitigated by independent, objective, suitably qualified in house valuation team.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p>	<p>Valuations are made by a qualified valuer (RICS) Member in line with RICS guidance based on 5 year valuations with interim reviews.</p> <p>We are currently awaiting the results of the 2020/21 valuation exercise from the Council's internal valuation team. Not aware of any changes in method or models in 2020/21.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>Rolling programme of valuations, the finance team issue term of engagement covering specific issues for the year.</p> <p>Valuations are performed to ensure that the current value of a revalued asset does not differ materially from its carrying amount.</p> <p>No changes in assumptions identified in 2020/21.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>Source data in respect of floor areas, useage and condition is held internally by the Property Services team and is provided to the valuer as part of the valuation exercise.</p> <p>Market trends are considered by the valuer as part of the valuation process.</p> <p>Not aware of any changes to the source data.</p>
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Yes, Publica internal valuer (Valuer and Estates Surveyor (RICS))
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	<p>All valuations provided to management will be subject to robust review and challenge if appropriate. This will ensure any significant movements or assumptions are understood and consistent with the knowledge and experience of the team.</p> <p>Management ensure that valuers appointed are independent, professional, suitably experienced and qualified.</p>

<p>7. In management's opinion, are there adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>We will undertake more robust challenge and scrutiny of the reports received from the internal valuers than was undertaken in prior years as is appropriate in the current Covid context.</p> <p>We engaged with the internal valuation team in December 2020 and have been in regular communication with the internal valuer to provide instructions on the assets that require valuation in 2020/21 and the need to provide assurance that assets not valued as part of the rolling programme in 2020/21 are not materially misstated.</p> <p>Controls are subject to review from both internal and external audit.</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>No changes made to the key control activities.</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Valuations are made in line with RICS guidance. Degree of uncertainty inherent with any revaluation. We employ professional, qualified valuers and rely on expert opinion.</p> <p>We have not yet received the results of the 2020/21 valuation exercise but we are not anticipating that the covid-19 pandemic and impact on the global economy will mean that valuations provided will be on the basis of material uncertainty.</p> <p>Assets are reviewed on a rolling 5 year programme and all assets are reviewed annually to ensure values reflect current values.</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>Valuations are made in line with RICS guidance. Degree of uncertainty is inherent with any revaluation. We employ professional valuers and rely on expert opinion.</p> <p>Any valuation uncertainty reported by our internal valuers as a result of Covid-19 will be adequately disclosed as such in the financial statements.</p> <p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and/ or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £30m (based on 2019/20 statement of accounts)</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and/ or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and/or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p>

Estimated Remaining Useful Lives of PPE

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No risks identified.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	<p>The following asset categories have general asset lives:</p> <ul style="list-style-type: none"> - Buildings – 30 to 60 years - Car Parks – 20 years - Vehicles, Plant and Machinery – 5 to 7 years. <p>Estimated useful remaining lives of PPE is recorded in accordance with the qualified RICS internal valuer and can vary dependent upon specific examples.</p> <p>Where items or property plant and equipment are revalued, and the valuer identifies an asset which has component parts that have significantly different useful lives, where one or more parts represent a significant proportion of the overall asset, then the asset may be componentised. With componentisation, one or more constituent parts may be identified, and the component parts separately valued for the accounts and depreciated over different useful lives to the main asset. Useful economic lives (and therefore depreciation calculations) will be based upon the asset lives recommended by the Council's valuers.</p> <p>No changes in methods or models proposed for 2020/21.</p>
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Assumptions are based on general asset lives and assessment undertaken by the valuer.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Estimated useful life is based on category of asset and condition of asset, which for property is based upon assessment by the RICS qualified valuer.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Yes, Publica internal valuer (Valuer and Estates Surveyor (RICS))
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Standard asset lives are included in the asset register and are updated on receipt of the valuation report received from the RICS internal valuer.
7. In management's opinion, are there adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	<p>Adequate controls are in place over the calculation of this accounting estimate. General asset lives are used and are varied where the valuer assesses that a different life is more appropriate.</p> <p>Assurances are sought and provided on the qualifications, independence and experience of the valuers as management's experts.</p> <p>Controls are subject to review from both internal and</p>

	external audit.
8. Were any changes made to the key control activities this year? If so please provide details.	We will undertake more robust challenge and scrutiny of the reports received from the internal valuers than was undertaken in prior years as is appropriate in the current Covid context. .
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	<p>Assets are depreciated over useful lives that are dependent upon assumptions about usage, obsolescence and the level of repairs and maintenance that will be incurred in relation to individual assets. The assumptions applied in determining the useful life will be considered to determine whether there has been any general or specific change that might have had the effect of changing useful lives materially.</p> <p>All valuations provided to management, which include assessment of useful lives are subject to robust review and challenge if appropriate. This will ensure any significant movements or assumptions are understood and consistent with the knowledge and experience of the team.</p> <p>Management ensure that experts appointed are independent, professional, suitably experienced and qualified.</p>
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Management reviews any changes in estimated useful life proposed and would undertake a sensitivity analysis of the impact. Changes in useful lives applied would be disclosed in the financial statements.

Investment Property Valuations

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	<p>Impact of Covid-19 on the property market deemed to be a risk potentially resulting in uncertain or reduced valuations.</p> <p>Risk mitigated by independent, objective, suitably qualified in house valuation team.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p>	<p>Valuations undertaken by a qualified valuer (RICS member) in line with RICS guidance on an annual basis.</p> <p>We are currently awaiting the results of the 2020/21 valuation exercise from the Council's internal valuation team. Not aware of any changes in method or models in 2020/21 although Publica's internal valuers are undertaking the valuations of Investment Properties this year.</p>

	The finance team issue terms of engagement to the internal valuer.
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>Valuations are made in line with RICS guidance.</p> <p>Values will be based upon assumptions of rental income expected in 2021/22 adjusted to</p> <p>Values will be based on assumptions of rental income expected in 2021/22 adjusted to account for Coronavirus considerations and potential void periods.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	The valuers have access to source data such as rental income received and void periods held by the Property team at Publica.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Yes, Publica internal valuer (Valuer and Estates Surveyor (RICS))
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	<p>All valuations provided to management will be subject to robust review and challenge if appropriate. This will ensure any significant movements or assumptions are understood and consistent with the knowledge and experience of the team.</p> <p>Management ensure that valuers appointed are independent, professional, suitably experienced and qualified.</p>
7. In management's opinion, are there adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	<p>Adequate controls are in place, assurances are sought and provided on the qualifications, independence and experience of the valuers as management experts.</p> <p>Controls are subject to review from both internal and external audit.</p>
8. Were any changes made to the key control activities this year? If so please provide details.	<p>We will undertake more robust challenge and scrutiny of the reports received from the internal valuers than was undertaken in prior years as is appropriate in the current Covid context.</p> <p>We engaged with the internal valuation team in December 2020 and have been in regular communication with the internal valuer to provide instructions on the assets that require valuation in 2020/21 and the need to provide assurance that assets not valued as part of the rolling programme in 2020/21 are not materially misstated.</p>

<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Valuations are made in line with RICS guidance. Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion.</p> <p>We have not yet received the results of the 2020/21 valuation exercise but we are not anticipating that the covid-19 pandemic and impact on the global economy will mean that valuations provided will be on the basis of material uncertainty.</p> <p>All investment properties will be valued in 2020/21 to minimise the inherent uncertainty.</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>The Council's internal valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best data available.</p> <p>Valuations are made in line with RICS guidance. Degree of uncertainty is inherent with any revaluation. We employ professional, qualified valuers and rely on expert opinion.</p> <p>Any valuation uncertainty reported by our internal valuers as a result of Covid-19 will be adequately disclosed as such in the financial statements.</p> <p>Estimated fair values may differ from actual prices that could be achieved in an arm's length transaction at the reporting date.</p>

Depreciation and Amortisation

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>No risks identified.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p>	<p>Depreciation is provided for all Property, Plant and Equipment with a finite useful life (except investment properties) on a straight-line basis by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.</p> <p>There were no changes made to the method or models in 2020/21.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>Depreciation is calculated based on useful economic lives.</p> <p>Assets are not depreciated until they are available for use and each significant part of property, plant and equipment is depreciated separately. Asset lives are determined at acquisition/revaluation as recommended by the Council's valuers.</p>

	Asset lives are based upon assumed repair and maintenance being carried out to maintain an asset.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Depreciation is calculated based on general asset lives for different categories of assets and assessment undertaken by valuer. We are awaiting the results of the 2020/21 valuation exercise from our internal valuers, which could identify changes in asset lives.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Yes, Publica internal valuer (Valuer and Estates Surveyor (RICS))
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Standard asset lives are included in the asset register and are updated on receipt of the valuation report received from the RICS internal valuer.
7. In management's opinion, are there adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Adequate controls are in place, assurances are sought and provided on the qualifications, independence and experience of the valuers as management experts. Controls are subject to review from both internal and external audit.
8. Were any changes made to the key control activities this year? If so please provide details.	We will undertake more robust challenge and scrutiny of the reports received from the internal valuers than was undertaken in prior years as is appropriate in the current Covid context.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Assets are depreciated over useful lives that are dependent upon assumptions about usage, obsolescence and the level of repairs and maintenance that will be incurred in relation to individual assets. The assumptions applied in determining the useful life will be considered to determine whether there has been any general or specific change that might have had the effect of changing useful lives materially. All valuations provided to management, which include assessment of useful lives are subject to robust review and challenge if appropriate. This will ensure any significant movements or assumptions are understood and consistent with the knowledge and experience of the team. Management ensure that experts appointed are independent, professional, suitably experienced and qualified.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Management reviews any changes in estimated useful life proposed and would undertake a sensitivity analysis of the impact. Changes in useful lives applied would be disclosed in the financial statements. If the useful economic life of an asset is reduced, depreciation increases and the carrying value of an asset will fall. Depreciation charges for operational buildings will

	change in direct relation to changes in estimated current value. The net book value of non-current assets subject to potential revaluation is over £63m.
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Impairments

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No risks identified.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired due to obsolescence, damage or an adverse change in the statutory environment. 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.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	This assessment is made by the internal valuer and capital accountant (and other relevant officers for the asset type) for other assets. No changes in assumptions identified in 2020/21.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Assessment based on knowledge of finance team and internal valuer, no specific source data used.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Yes, Publica internal valuer (Valuer and Estates Surveyor (RICS))
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	All valuations provided to management will be subject to robust review and challenge if appropriate. This will ensure any significant movements or assumptions are understood and consistent with the knowledge and experience of the team. Management ensure that valuers appointed are independent, professional, suitably experienced and qualified.
7. In management's opinion, are there adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Adequate controls are in place, assurances are sought and provided on the qualifications, independence and experience of the valuers as management experts. Controls are subject to review from both internal and external audit.

8. Were any changes made to the key control activities this year? If so please provide details.	We will undertake more robust challenge and scrutiny of the reports received from the internal valuers than was undertaken in prior years as is appropriate in the current Covid context.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Valuations are made in line with RICS guidance. Degree of uncertainty inherent with any revaluation. We employ professional, qualified valuers and rely on expert opinion.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Valuations are made in line with RICS guidance. Degree of uncertainty is inherent with any revaluation. We employ professional, qualified valuers and rely on expert opinion.

Provision for Liabilities (NNDR appeals provision)

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No specific risk identified other than inherent estimation uncertainty
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	The NNDR provision has been set aside for the potential cost to the Council for outstanding appeals against property valuations. The non- domestic (NDR) appeals provision for the 2010 valuation list is estimated based on past experience of successful appeals and other RV reductions. Following the introduction of the Check, Challenge and Appeal process a lower level of appeals have been received. The process has reduced the number of vexatious claims. The provision is based on the percentage of successful appeals over the past three years and the basis of calculation has not changed since last year.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	The provision is calculated based on outstanding appeals losses and past experience of successful appeals. The assumptions will be revisited as part of the 2020/21 accounts process to ensure that they remain prudent and soundly based.

<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>Source data includes appeals settled during the financial year.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>No specialised skills or knowledge required but a review of the process and level of provision was undertaken by the S151 officer in conjunction with the Business Partner Accountant who has many years of experience in this area.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>The provision is calculated by the Business Partner Accountant, the calculation and assumptions applied are reviewed by the S151 Officer.</p>
<p>7. In management's opinion, are there adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Adequate controls are in place in respect of the calculation of the estimate. The S151 officer reviews the work of the Business Partner Accountant and reasonableness of assumptions applied.</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>No changes in key control activities planned.</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>There is a significant level of estimation uncertainty in relation to business rate appeals due to the volume of outstanding appeals, which are processed by the Valuation Office.</p> <p>The value of provision is assessed using information on outstanding appeals rates.</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>Where appeals are successful, refunds of business rates are generally repayable back to the latest valuation date which reduces the business rate yield in the year in which the refund is made. Management disclose there is significant estimation uncertainty surrounding this estimate in the statement of accounts.</p> <p>An increase in the appeals provision reduces the Council's share of income. A decrease in the size of the provision would increase the income distributed to the Council.</p>

Expected Credit Losses

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>Uncertainty risk that expected credit losses recognised in respect of Trade Debtors (specifically commercial rental income) will be insufficient.</p> <p>Review of methodology used for calculation of expected credit losses in respect of these debtors.</p>

<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p>	<p>Collective lifetime expected credit losses are calculated based on the credit risk, the credit status of the instrument and whether there has been any change in the credit risk since initial recognition.</p> <p>There have been no changes to these methods but specific factors in the calculation will be reviewed in light of the risks identified.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>Assumptions are based on the reasonable and supportable credit risk information available e.g. the nature of the debt, the age of the debt and the likelihood of recovery.</p> <p>The assumptions will be revisited as part of the 2020/21 accounts process to ensure that they remain prudent and soundly based.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>Source data available from Accounts Receivable combined with intelligence from service managers.</p> <p>No changes.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>No.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Debt is being monitored as part of the quarterly revenue budget monitoring; controls are in place.</p>
<p>7. In management's opinion, are there adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Yes – management has oversight of the source data and assumptions.</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>No.</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Management consider the potential materiality and risk as part of their review process.</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>We will undertake a sensitivity analysis to assess the impact of changes in assumption and other factors in the calculation of the expected losses.</p>

Accruals

Question	Management response
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1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No risks identified.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	We use standard accruals accounting. Accruals are based on expenditure incurred that has not yet been paid or income due that has not yet been received. Activity is accounted for in the year it takes place, not when money is paid or received. Quarterly budget monitoring provides analysis so that accruals are identified. Accruals for income and expenditure are principally based on known values. Where accruals are estimated they are based on the latest information available.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Procedures for identifying accruals are included in the closedown instructions distributed to budget holders. No changes in assumptions.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Various sources of data are used in calculating accruals including previous outturn and estimated usage. No changes identified.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	No specialised skills or knowledge used. Accruals identified by finance team and through discussion and return of accruals forms from officers.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Significant accruals are reviewed by the Chief Accountant as part of the accounts preparation process. Supporting documentation is maintained to support accruals and any assumptions made in the estimation process.
7. In management's opinion, are there adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Adequate controls are in place Controls are subject to review from both internal and external audit.
8. Were any changes made to the key control activities this year? If so please provide details.	No changes to the key control activities.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Accruals are largely based on known values, where estimates are used the level of uncertainty is not deemed to be material.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	See above, the level of uncertainty in respect of estimates made is not deemed to be material.

Non-Adjusting Events- events after the balance sheet date

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No risks identified.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	Non adjusting events (both favourable and unfavourable) which occur between the Balance Sheet date and the date on which the Accounts are signed by the S151 Officer are included in the accounts if deemed by management to be of such materiality that their disclosure is required for the fair presentation of the Statement of Accounts. The Chief Finance Officer makes an assessment as part of the year end process The Chief Finance Officer is aware of any potential events through discussions with Group Managers and the senior leadership team.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Assumptions used will depend upon the post balance sheet event identified, no such potential events have yet been identified.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Any source data used will depend upon the post balance sheet identified; no events have yet been identified.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	This would be considered on individual circumstances.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	The identification of such events forms part of the closedown process. The S151 officer will make an assessment based upon discussion with officers across the Council and Publica.
7. In management's opinion, are there adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Adequate controls are in place. The Chief Finance Officer makes an assessment as part of the year end process The Chief Finance Officer is aware of any potential events through discussions with Group Managers and the senior leadership team.
8. Were any changes made to the key control activities this year? If so please provide details.	None expected.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Estimation uncertainty to be considered and disclosed in the financial statements dependent upon events identified.

10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	The sensitivity of the estimate to the methods and assumptions used will be considered and disclosed in the financial statements dependent upon events identified.
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Pension Fund Actuarial Gains/Losses

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	<p>The pension fund liability and any in year actuarial gain/loss is inherently risky due to its material nature and sensitivity to small changes in assumptions.</p> <p>The risk is addressed by placing reliance on the actuarial expert, Hymans Robertson and ensuring the data and assumptions used by the actuary are reasonable.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p>	<p>The Council is an admitted body to the Oxfordshire County Local Government Pension Scheme. The administering body (the County Council) engage Hymans Robertson (the actuary) who provide the estimate of the pension liability.</p> <p>Payroll data is provided to the actuary. Management reconcile this estimate of contributions to the actuals paid out in the year.</p> <p>No changes in methods/model used for 2020/21</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>The assumptions used for estimating actuarial gains and losses are calculated by Hymans Robertson as the actuarial expert.</p> <p>Assumptions include discount rate used, rate of salary increases, changes in retirement age, mortality rates and expected return on Pension Fund Investments.</p> <p>Assumptions are updated on an annual basis and are shared with the Council.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>The source data is held by Oxfordshire Pension Fund, payroll data is submitted on a monthly basis from the Publica payroll team to Oxfordshire Pension Fund.</p> <p>A questionnaire is completed by the finance team and returned directly to the Actuary confirming any major changes in membership of the pensions scheme and updating details of any unfunded pensions and premature non ill health retirements.</p>
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	The administering body (the County Council) engage Hymans Robertson (the actuary) who provide the estimate of the pension liability.

<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Reliance is placed on the work of the Actuary as an expert. Terms of engagement have been provided by the actuary to the Council in respect of the basis of appointment, scope and methodology of the work undertaken.</p> <p>Data disclosed in the IAS 19 report provided by the Actuary to the Council is reviewed by the finance team for reasonableness and any unexplained variances challenged or queried with the actuary and Oxfordshire Pension Fund.</p> <p>Assurances are provided to both the Council and External audit in respect of the qualifications, independence, professionalism and experience of Hymans Robertson.</p>
<p>7. In management's opinion, are there adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Adequate controls are in place.</p> <p>The Council challenges any unusual movements or assumptions with the actuary and responds to any queries raised by the administering body.</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>No changes made to key control activities in year.</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Management recognise that there is a large degree of estimation uncertainty in relation to the pension liability. The estimate is based upon a number of factors and judgements applied by the scheme's actuary including discount rate used, rate of salary increases, changes in retirement age, mortality rates and expected return on Pension Fund Investments. Estimates are made upon judgements and conditions, as seen by the actuary, at a point in time.</p> <p>The Council engage Hymans Robertson as its consulting actuary to provide expert advice about the assumptions to apply.</p> <p>The statement of accounts will disclose estimates in respect of the pension liability as a major source of estimation uncertainty in the statement of accounts.</p> <p>The Council have requested that a report is provided by the actuary in April 2021 which will include the estimated liability based upon projected contributions for February and March 2021 and estimated investment returns. A further request was made to receive an updated report in May 2021 based on final outturn investment returns at 31 March 2021 and actual contributions for February and March 2021. This will provide the finance team with further assurance that the estimates disclosed in the account are materially correct and are not understated or overstated as a result of major market fluctuations in the last three months of the financial year.</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>The effect of changing assumptions will result in changes in the valuation of the pension fund's assets and liabilities.</p> <p>Further details of the impact of variations in key assumptions will be disclosed in note F1 to the financial statements. The sensitivities regarding the principal</p>

assumptions used to measure the scheme liabilities as at 31/3/20 were as follows:

- 0.5% increase in the real discount rate could result in approximate 9% increase in employer liability (approximately £7.5m)
- 0.5% increase in the salary increased rate could result in approximate 1% increase in employer liability (approximately £0.7m)
- 0.5% increase in pension increase rate could result in approximate 8% increase in pension liability (approximately £6.5m).

By virtue of paragraph(s) 3, 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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