

Progress Report and Indicative Audit Risks

Year ending 31 March 2022

West Oxfordshire District Council

30 June 2022



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning 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 the Council or all 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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Introduction

This document provides an overview of the indicative planned scope and timing of the 2021/22 statutory audit of West Oxfordshire District Council ('the Council') for those charged with governance. It sets out the risks that we anticipate will drive the focus of our audit based on our knowledge of the Council from the prior year and discussions with management. It is important to note that our risk assessment is an iterative process and we will revisit our assessment on an ongoing basis bringing any new risks to your attention if and when they arise.

We will provide our formal Audit Plan for consideration subsequent to the completion of our 2020/21 VFM work to be reported in our 2020/21 Auditors Annual Report and our 2021/22 planning visit which commences week beginning 4 July 2022.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed engagement letter and addendum to the contract. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and General Purposes Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and General Purposes Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



Financial Statements Audit 2021/22

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.

We have not yet determined the materiality for the year ended 31 March 2022, but anticipate it being based on the Council's gross revenue expenditure for the year

Informing the audit risk assessment

To inform our planning we include later in this report, on pages 7 to 45, responses from management to a series of questions posed across the themes of fraud, laws and regulations, going concern, related parties and accounting estimates.

Significant risks

Although we have started our planning work we are not at a stage where we can formally confirm the significant risks that we will be auditing. However, the sections below indicate likely areas that we 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 no risk of material misstatement due to fraud relating to revenue recognition. We will consider the risk factors set out in ISA240 and the nature of the revenue streams at the Council to determine whether there is a risk of fraud from revenue recognition. We are cognisant that the funding for the Council this year continues to be different than in prior years as a result of Covid 19 and we will be documenting the business processes of these streams as part of our planning procedures to help inform our consideration of the revenue recognition risk.
- The risk of management over-ride of controls is present in all entities. The need to achieve a particular financial outturn could potentially place management under undue pressure in terms of how they report performance.

Valuation of land and buildings – The Council is required to revalue its land and buildings on a sufficiently frequent basis to ensure that the carrying value in the financial statements is not materially different from the current value at the financial statements date. To achieve this, the Council requests valuations from its valuation experts. This valuation represents a significant estimate by management in the financial statements due to the value involved and the sensitivity of this estimates to changes in key assumptions. It is expected that the valuation of land and buildings will continue to be identified as a significant risk.

Valuation of investment properties – The Council revalues its investment properties annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. As for the valuation of land and buildings, the Council requests valuations from its valuation experts for its investment property portfolio. It is expected that the valuation of investment properties will continue to be identified as a significant risk.

Valuation of the pension fund net liability – The Council's pension fund net liability, as reflected in its balance sheet represents a significant estimate in the financial statements. The pension fund net liability is significant due to its size and also the sensitivity of the estimate to the changes in key assumptions. Management use the services of an actuary to determine the valuation of this estimate. It is expected that the valuation of the pension fund net liability will continue to be identified as a significant risk.

Financial Statements Audit 2021/22

Other expected areas of focus

- In line with the Public Audit Forum Practice Note 10 in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition. We do not anticipate there being a significant risk in this regard, but will consider as part of our planning processes and again on receipt of the draft financial statements whether there is an increased level of risk associated with these transactions which would require additional audit effort to be made.
- We have previously provided information to the Committee on the new accounting standard on Estimates. This raises the bar in terms of what both we and management are required to do. Therefore while in the past, we have focussed on the valuation of land and buildings on the grounds that it is a large and complex estimate in the accounts, this will continue to occur to an even greater extent in 2021/22. This will also apply to any other material estimates made by management.

Informing the Audit Risk Assessment

- As part of our planning for 2021/22 we are required under auditing standards to enquire of management as to their assessment of processes and oversight in respect of Fraud, Laws and Regulations, Related Parties, Going Concern, and Accounting Estimates. Page 7 onwards sets out management's response for 2021/22 to each of these areas for consideration by committee. These responses will be used to inform our approach to discharging our opinion audit responsibilities.

Value for Money 2021/22

Approach to Value for Money (VFM) work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires 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:

Due to resourcing issues our VFM work for 2020/21 has been delayed. Once complete we will use the reports findings, to inform our VFM planning work for 2021/22. As part of this 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.



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

Informing the audit risk assessment

Purpose

The purpose of this report is to contribute towards the effective two-way communication between West Oxfordshire District Council's external auditors and West Oxfordshire District Council'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 Authority's oversight of the following areas:

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

This report includes a series of questions on each of these areas and the response we have received from West Oxfordshire District Council'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 |
|--|--|
| 1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22? | The continuing impact of Covid with the resulting pressure on the Council's income in relation to the Leisure Contract, Investment Properties, Car Parking and Land Charges. |
| 2. Have you considered the appropriateness of the accounting policies adopted by West Oxfordshire DC? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they? | 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. There have been no events or transactions that have caused us to change or adopt new accounting policies in 2021/22 |
| 3. Is there any use of financial instruments, including derivatives? If so, please explain | The Council's financial instruments include: investments, cash equivalents, debtors, designated equity investment, finance lease assets and liabilities. Financial instruments are accounted for as per the requirements of IFRS 9. 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 Audit and Governance Committee. The Council's financial instruments do not include any derivative arrangements. |
| 4. Are you aware of any significant transaction outside the normal course of business? If so, what are they? | There are no significant transactions outside the course of business |

General Enquiries of Management

| Question | Management response |
|--|---|
| 5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they? | There are no changes in circumstances leading to impairment of non current assets |
| 6. Are you aware of any guarantee contracts? If so, please provide further details | <p>The contract with Publica, guarantees the company against future LGPS pension liabilities. Costs are passed through from Publica to the Council.</p> <p>West Oxfordshire District along with 7 other partners in Gloucestershire are shareholders in Ubico Limited, a Teckal company designated to deliver environmental services. Ubico delivers environmental services on behalf of the Councils at a price which reflects the actual cost of service provision. These costs are passed directly back to the Council through the annual contract charge.</p> |
| 7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details | There are no loss contingencies and/or un-asserted claims affecting the financial statements |
| 8. Other than in house solicitors, can you provide details of those solicitors utilised by West Oxfordshire DC during the year. Please indicate where they are working on open litigation or contingencies from prior years? | The Council uses external legal advice for specialist areas of law that are not represented in-house. During 2021/22 we used No5 Chambers, Weightmans LLP, Trowers & Hamlin, Mischoon de Reya, Martin Evans and John Welsh & Stammers. The work done related to contracts & VAT. |

General Enquiries of Management

| Question | Management response |
|--|--|
| 9. Have any of the West Oxfordshire DC's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details | None |
| 10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted? | ArlingClose for Treasury Management services |
| 11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details | Consideration has been given to the loans made to Cottsway Housing Association & Southill Solar. Both loans are deemed to be at low risk of default, the borrowers have a strong capacity to meet the contractual cash flow obligations in the near term, adverse changes in economic and business conditions in the longer term will not necessarily reduce the ability of the borrower to fulfil the obligations and there are tangible assets to secure the loan. |

Fraud

Matters in relation to fraud

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

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

As West Oxfordshire DC'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 Governance Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Governance Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Governance Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from West Oxfordshire DC's management.

Fraud risk assessment

| Question | Management response |
|--|--|
| <p>1. Has West Oxfordshire DC assessed the risk of material misstatement in the financial statements due to fraud?</p> | <p>The Council has a robust financial control framework, supported by Financial Rules, Standing Orders, Scheme of Delegation and an independent and objective Internal Audit function and Counter Fraud and Enforcement Unit (CFEU). Responsibility for ensuring that fraud and corruption risks are addressed sits with the Deputy Chief Executive in their role as Chief Finance Officer. Internal processes require managers to identify and mitigate all risks within projects and services with escalation to the Corporate Risk Register where appropriate, which is monitored regularly by the Council's Leadership Team and Audit and General Purposes (now Audit and Governance) Committee. The year end risk registers contain information to identify possible contingent assets/liabilities and/or requirements to include provisions.</p> <p>The Audit and General Purposes (now Audit and Governance) Committee approved the risk based annual audit plan which 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 Management Team and the Audit and General Purposes (now Audit and Governance) Committee as part of the quarterly reporting cycle. The Audit and General Purposes (now Audit and Governance) Committee also approves the work plan of the CFEU which are developed with Internal Audit and Senior Management based on current fraud trends and risk areas.</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> |

Fraud risk assessment

| Question | Management response |
|---|--|
| <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 CFEU is a permanent shared support service reporting directly to the Deputy Chief Executive. 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>How do the Authority's risk management processes link to financial reporting?</p> | <p>The work of the CFEU is reported to the Audit and General Purposes (now Audit and Governance) 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 CFEU and appropriate action has been taken and reported where appropriate. 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. The Council also employs a number of Enforcement Officers within the various service areas who undertake work to tackle abuse of public funds. The risk registers are used to identify cost or resource pressures or income streams and any significant risks.</p> |

Fraud risk assessment

| Question | Management response |
|---|---|
| <p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p> | <p>Assets – rental properties.</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> |
| <p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within West Oxfordshire DC as a whole, or within specific departments since 1 April 2021? If so, please provide details</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 (now Audit and Governance) Committee (see CFEU reports for full details). Benefit fraud investigation is the responsibility of the DWP. Abuse of the Council Tax Reduction Scheme is supported by the Revenues and Benefit staff.</p> <p>The CFEU investigate all allegations of wrongdoing in relation to the abuse of public funds. These matters are managed in line with Council's policies, including disciplinary policy, and will be reported to the police where appropriate.</p> |

Fraud risk assessment

| Question | Management response |
|--|--|
| <p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p> | <p>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 (now Audit and Governance) 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 CFEU 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 (now Audit and Governance) Committee.</p> |

Fraud risk assessment

| Question | Management response |
|--|--|
| <p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within West Oxfordshire DC 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. The CFEU 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, Compliance and Governance Committee.</p> <p>Some high risk areas are no longer within the domain of the Council - depot services are managed by Ubico, Leisure matters are outsourced. There are low risk internal areas such as mileage expense abuse but this is not significant due to changes that working from home has introduced. Recruitment and payroll are also areas which are open to abuse. Procurement fraud, specifically within departments such as Property Services, remains an area susceptible to abuse because of the significantly high levels of expenditure. Regarding external fraud, both Internal Audit and the CFEU have undertaken work around serious and organised crime</p> <p>Cyber related crime remains a significant risk for the Council and this is managed and reported on by the ICT Team. 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 Business and Community Grant payments.</p> |

Fraud risk assessment

| Question | Management response |
|--|--|
| <p>6. What processes do West Oxfordshire DC have in place to identify and respond to risks of fraud?</p> | <p>The existence of the CFEU 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 work with HR re recruitment controls in place to ensure all new employees are vetted properly and that staff recognise fraudulent qualifications. Work has been completed in relation to gifts and hospitality procedures and is underway in relation to conflicts / declarations of interest by staff. The CFEU assist with NFI data matching and undertake our own data matching exercises where risk has been identified. 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>7. How do you assess the overall control environment for West Oxfordshire DC, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p> | <p>There remains a separation of duties, the Council's internal audit service is provided by SWAP Internal Audit Services (SWAP). SWAP provide the Council with an annual audit opinion 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 (now Audit and Governance) Committee as part of quarterly performance updates.</p> <p>There is a good working relationship between the CFEU and Internal Audit, which ensures that internal control weaknesses identified through counter fraud activities are followed up, following management action to address the weaknesses by internal audit reviews. External Audit also report their findings and recommendations to Audit and General Purposes (now Audit and Governance) Committee, which is subject to the same process of monitoring and challenge. Outcomes of audit work feed in to the Annual Governance Statement which is considered by the Councils Leadership Team and Audit and General Purposes (now Audit and Governance) Committee.</p> <p>Awareness training on a regular basis reduces the risks associated with internal abuse and fraud. The promotion of integrity and whistleblowing channels also mitigates this. Conflict of interest / declaration of interest processes also help identify those staff who are a potential risk so that appropriate training and management controls can be put in place. The CFEU submits data for the National Fraud Initiative (NFI) and assesses all matches for review and, where appropriate, mitigation. 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> |

Fraud risk assessment

| Question | Management response |
|--|--|
| <p>8. Are there any areas where there is potential for misreporting? If so, please provide details</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. The Council monitors budgets to cost centre level which would highlight any unexpected variances for further investigation. Financial rules govern what is required to be reported and controls the rules surrounding 'virement'. Reports produced by the CFEU are subject to auditable case files held on the case management system. These reports are then scrutinised by Governance staff, Members and Executive Leadership which therefore mitigates the risk of misreporting.</p> |
| <ul style="list-style-type: none"> 9. How does West Oxfordshire DC communicate and encourage ethical behaviours and business processes of it's staff and contractors? | <p>The Council communicates and encourages ethical behaviour and business processes of its staff and contractor through its policies and strategies including the Counter Fraud and Anti- 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. Staff and Member awareness sessions have been provided by the CFEU. Provision of refresher information and literature for new starters is being developed as are online training modules</p> |

Fraud risk assessment

| Question | Management response |
|--|---|
| <ul style="list-style-type: none"> How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details | <p>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. Publicity with regard to identified fraud and error will also be encouraged to act as a deterrent generally. Through the continued work the CFEU have delivered across the Council relating to awareness and through reputation, staff continue to approach the team. HR colleagues also ensure fraud reports come to the CFEU for assessment. No significant issues have been reported in 2021/22. 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>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p> | <p>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. Each role is assessed for the requirement to undertake post holder security checks. Many Local Government staff are susceptible to duress and corruption due to the nature of their duties - housing teams, council tax officers, planning staff; however there must be a level of trust within the organisation to promote a healthy working environment. 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. 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>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p> | <p>Organisations such as Ubico and Publica all give rise to fraud risk which may affect the Council. 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. Prevention methods for bribery and corruption form part of the CFEU work stream and are detailed within the Counter Fraud and Anti Corruption Policy. 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 to minimise any risk of conflict of interest. Transparency, audit and scrutiny practices across these partnerships and more generally Local Government. The CFEU were consulted by Publica in relation to the new procurement processes and fraud awareness training/updated documents were reviewed in relation to fraud risk.</p> |
| <p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> | <p>On a quarterly basis, the Audit and General Purposes (now Audit and Governance) 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. In addition, the CFEU report biannually to Committee. The Audit and General Purposes (now Audit and Governance) 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. The CFEU 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 (now Audit and Governance) Committee.</p> |

Fraud risk assessment

| Question | Management response |
|--|---|
| <p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit and Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p> | <p>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. Changes to the Council's Corporate Risk Register are also reported to the Audit and General Purposes (now 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. The Audit and General Purposes (now Audit and Governance) 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. See reports presented to Audit / Overview and Scrutiny Committee.</p> |
| <p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p> | <p>The CFEU has received referrals via whistleblowing. Reports are dealt with correctly and in line with the Whistleblowing Policy and with due consideration to sensitive referral sources. 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. If warranted a report would be made to the Audit, Compliance and Governance Committee and recommendations for improvements to internal controls issued to Corporate Management to be followed up by internal audit.</p> |
| <p>14. Have any reports been made under the Bribery Act? If so, please provide details</p> | <p>None</p> |

Law and regulations

Matters in relation to laws and regulations

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

Management, with the oversight of the Audit and General Purposes Committee, is responsible for ensuring that West Oxfordshire DC'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 body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

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

Impact of laws and regulations

| Question | Management response |
|--|--|
| <p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does West Oxfordshire DC 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 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.</p> <p>The Deputy Chief Executive in her role as Chief Finance Officer is responsible for preparing the Statement of Accounts in accordance with the relevant legal and regulatory requirements.</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 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p> | <p>There have been none</p> |
| <p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p> | <p>Businesses can appeal the Rateable Value for business premises through the Valuation Office Check, Challenge and Appeal process. The Council recognises this and makes a financial provision for potential NNDR appeals claims.</p> |

Impact of laws and regulations

| Question | Management response |
|---|---|
| <p>5. What arrangements does West Oxfordshire DC 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. Legal Services team provide 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. In 2021/22, the Council has engaged with its leisure services provider, GLL, and its Environmental Services provider, Ubico, in exactly this way. Contract performance is monitored by the use of management information including key performance indicators.</p> |
| <p>6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details</p> | <p>There have been none</p> |

Related Parties

Matters in relation to Related Parties

West Oxfordshire DC are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by West Oxfordshire DC;
- associates;
- joint ventures;
- a body 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 body 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 Authority'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 including those disclosed in West Oxfordshire DC's 2021/22 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 West Oxfordshire DC whether West Oxfordshire DC 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 2021/22.</p> |
| <p>2. What controls does West Oxfordshire DC 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. Members are reminded quarterly to update the register of interests.</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> <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> |

Related Parties

| Question | Management response |
|--|---|
| <p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p> | <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> |
| <p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p> | <p>Transactions outside of the normal course of business would be subject to approval of the Council Officer Leadership Team including the S.151 Officer and be reported to the appropriate Council, Cabinet or Committee meeting.</p> |

Going Concern

Matters in relation to Going Concern

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

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

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

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

Going Concern

| Question | Management response |
|--|---|
| <p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by West Oxfordshire DC will no longer continue?</p> | <p>Service performance is reported to Members on a quarterly basis with measurable KPIs e.g. Development Management caseloads per Planner, time to validate Planning Applications, the number of households in emergency temporary accommodation, the number of long term empty properties and the number of successful move ons from temporary to long term accommodation. Further, the Council formed a Risk Management Group in 2021/22 on which all Statutory Officers sit which along with the Corporate Risk Register focusses effort on plans that can be quickly implemented to ameliorate any identified issues.</p> |
| <p>2. Are management aware of any factors which may mean for West Oxfordshire DC that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p> | <p>Management are not aware of any factors which may mean for West Oxfordshire DC that either statutory services will no longer be provided or that funding for statutory services will be discontinued.</p> |
| <p>3. With regard to the statutory services currently provided by West Oxfordshire DC, does West Oxfordshire DC expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for West Oxfordshire DC to cease to exist?</p> | <p>Statutory services will continue to be delivered by West Oxfordshire DC for the foreseeable future, there are no plans for West Oxfordshire DC to cease to exist.</p> |
| <p>4. Are management satisfied that the financial reporting framework permits West Oxfordshire DC to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p> | <p>Management are satisfied that the financial reporting framework permits West Oxfordshire DC to prepare its financial statements on a going concern basis and doing so provides a faithful representation of the items in the financial statements</p> |

Accounting estimates

Matters in relation to accounting estimates

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

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

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

Specifically do Audit 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 |
|--|--|
| 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>Significant estimates expected to be included in the 2021/22 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 • Accruals • Finance leases • Pension Liability |
| 2. How does the Authority's risk management process identify and address risks relating to accounting estimates? | <p>The year end risk registers contain information to identify possible contingent assets, contingent liabilities and any requirement 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 the financial planning process.</p> <p>The Council's Risk Register contains significant risks from the Publica and the Transformation Programme risk registers. A separate Covid-19 risk register has also been in place from April 2020.</p> |
| 3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates? | See Appendix 1 for further details. |

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. Where there is a material difference to the accounts, estimates will be updated 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 2021/22 and, if so, what was the reason for these? | There were none |
| 6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates? | <p>See further detail in Appendix 1, 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 (External Valuer Carter Jonas (RICS)) • Depreciation – Useful Economic Lives (External Valuer Carter Jonas (RICS)) • Valuation of Investment Properties (External Valuer Carter Jonas (RICS)) • Fair value valuation of Financial Instruments (Arlingclose – Treasury Management Consultants) • Pension Liability (Hymans Robertson – Actuary) |

Accounting Estimates - General Enquiries of Management

| Question | Management response |
|--|---|
| <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 Appendix 1, 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 Gloucestershire Pension Fund</p> <p>External audit also obtain assurance that the experts are sufficiently qualified and independent.</p> |
| <p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p> | <p>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 S.151 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 Appendix 1.</p> |

Accounting Estimates - General Enquiries of Management

| Question | Management response |
|---|---|
| <p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <p>Management's process for making significant accounting estimates</p> <p>The methods and models used</p> <p>The resultant accounting estimates included in the financial statements.</p> | <p>The assumptions 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 S.151 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 Appendix 1.</p> |
| <p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix 1)? If so, what are they?</p> | <p>All significant accounting estimates that require significant judgement are disclosed in Appendix 1.</p> |
| <p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix 1, are reasonable?</p> | <p>Management are satisfied because they are reviewed on a regular basis by the S151 Officer, the assumptions are reviewed by the relevant audit committee, relevant experts provide specific information such as for valuations, treasury management and pension funds. These are then further reviewed and challenged by management before being approved. The finance team is an experienced team with knowledge of how to apply the regulations in terms of accruals, provisions etc. Further clarification is also sought from GT, the external auditors, where there is an issue that could be contentious.</p> |
| <p>12. How is the Audit and General Purposes Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p> | <p>The assumptions 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 Purposes Committee is provided with further assurance through the review of this paper and Appendix 1.</p> |

Appendix 1 Accounting Estimates

| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether management have used an expert | Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in year? |
|--|--|--|--|---|---|
| Land and buildings valuations | Valuations are made by a qualified valuer (local RICS/CIB Member) in line with RICS guidance on the basis of 5 year valuations with interim reviews | Finance team notifies the valuer of the programme of rolling valuations or of any conditions that warrant an interim revaluation through the valuation instruction, prepared in line with the CIPFA code of Practice and RICS guidance | Yes –use of local RICS/CIB Member for valuations | Valuations are made in line with RICS guidance and prevailing market conditions with reliance on expert. Valuations, by their very nature are subject to uncertainty due to market fluctuations. We employ professional, qualified valuers and rely on expert opinion. | No |
| Estimated remaining useful lives of land and buildings | The following asset categories have general asset lives: · Buildings 30-60 years · Car Parks – 20 years · Vehicles, Plant and Machinery - 4-7 years | Consistent asset lives applied to each asset category | Yes –use of local RICS/CIB Member for valuations | Assumptions are based on general asset lives and assessment undertaken by the valuer. 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. | No |

Appendix 1 Accounting Estimates

| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether management have used an expert | Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in year? |
|--------------------------------|---|--|---|--|---|
| Investment property valuations | Valuations are made by an appointed RICS/CIB qualified valuer each year. Valuations are based on relevant market data from properties with similar characteristics. | The qualified internal valuer is issued a valuation instruction in line with recommended practise. | Yes –use of local RICS/CIB Member for valuations | Valuations by their very nature are subject to uncertainty due to market fluctuations. Where significant variations occur, discussions are held with the valuer to understand the underlying reasons for change. | No |
| Depreciation | Depreciation is provided for on all relevant non-current assets with a finite useful life on a straight-line basis. | Consistent application of depreciation method across all assets | Yes –use of the Local RICS/CIB Member for valuation | The length of the life is determined at the point of acquisition or revaluation. Assets that are not fully constructed are not depreciated until they are brought into use. | No |

Appendix 1 Accounting Estimates

| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether management have used an expert | Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in year? |
|-------------------------|---|---|--|--|---|
| Fair Value Measurements | Council Values financial instruments at fair value based on classification and measurement approach that reflects the business model for holding financial assets and their cashflow characteristics. | Review service provided by treasury consultants | Yes –treasury consultants | Take advice from finance Professionals. | No |

Appendix 1 Accounting Estimates

| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether management have used an expert | Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in year? |
|---|--|---|--|--|---|
| Valuation of defined benefit net pension fund liabilities | The Council is an admitted body to Gloucestershire Pension Fund. The administering authority (Gloucestershire County Council) engages the actuary – Hymans Robertson – who provide the estimate of the pension liability and the calculated actuarial gains and losses figures. These figures are based on making % adjustments to the closing values of assets/liabilities. | Take advice from professionals. The Council are provided with an actuarial report from the consulting actuary - Hymans Robertson (LGPS). | Yes external actuary advice | As disclosed in the actuary's report. Complex judgements including the discount rate used, rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field. | No |
| Accruals | Finance team collate accruals of expenditure and Income from various sources including previous outturn and estimated usage. | Activity is accounted for in the financial year that it takes place, not when money is paid or received. Budget monitoring also provides analysis for accruals identification. | No. Accruals identified by finance team following discussion and accruals returns from officers. | Accruals for income and expenditure are principally based on known values. Where accruals are estimated the latest information is used and level of uncertainty is not deemed to be material. | No |

Appendix 1 Accounting Estimates

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

Appendix 1 Accounting Estimates

| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether management have used an expert | Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in year? |
|-------------------------------------|--|--|--|---|---|
| Provision for Business rates appeal | The non-domestic (NDR) appeals provision is estimated based on outstanding appeals losses and past experience of successful appeals and other RV reductions. | <p>The provision is calculated by the Business Partner Accountant and the calculation and assumptions applied are reviewed by the S151 Officer.</p> <p>The Valuation Office provides data on outstanding appeals. Source data is updated in-year to include appeals settled during the financial year.</p> | No. | <p>There is a significant level of estimation uncertainty in relation to business rates 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>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.</p> <p>An increase in the appeals provision reduces the Council's share of income. A decrease in the provision would increase the income distributed to the Council.</p> | No |

Appendix 1 Accounting Estimates

| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether management have used an expert | Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in year? |
|----------------|--|--|--|--|---|
| Finance leases | <p>As lessor, the Council has a number of Waste Collection and recycling vehicle leases with Ubico that are accounted for as finance leases.</p> <p>The Council has no finance lease liabilities</p> | The Finance team calculations and the minimum payments are made in line with the agreed lease terms. | No | <p>The minimum lease payments of the leases comprise settlement of the long-term debtor for the interest in the asset and finance income that will be earned for the period while the debt remains outstanding. The minimum lease payments do not include rents that are contingent on events occurring after the lease was entered into.</p> <p>The Council has not set-aside an allowance for uncollectable debts, in relation to its finance leases. Any outstanding debts would be accounted for within the Sundry Debtors impairment allowance.</p> | No |

Appendix 2

Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits_October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

| Grade | Number 2018/19 | Number 2019/20 | Number 2020/21 |
|---|----------------|----------------|----------------|
| Good with limited improvements (Grade 1 or 2) | 1 | 1 | 6 |
| Improvements required (Grade 3) | 2 | 5 | 3 |
| Significant improvements required (Grade 4) | 1 | 0 | 0 |
| Total | 4 | 6 | 9 |

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

Conclusion

Local audit plays a critical role in the way public sector audits an society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

