

Comprehensive Income and Expenditure Statement (CI&ES)

	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Adults, Health & Wellbeing	154,881	(84,977)	69,904
Children, Young People & Families	248,199	(139,042)	109,157
Corporate Resources	115,859	(74,795)	41,064
Council Wide Budgets	18,817	(1,290)	17,527
Economy & Environment	124,294	(27,933)	96,361
Public Health	37,091	(26,479)	10,612
Housing Revenue Account	64,908	(81,539)	(16,631)
Net Cost of Services	764,049	(436,055)	327,994
Other operating expenditure			40,663
Financing and investment income and expenditure			26,035
Taxation and non-specific grant income			(319,056)
(Surplus) / Deficit on Provision of Services			75,636
(Surplus) / Deficit on revaluation of non current assets			(98,127)
Actuarial (gains) / losses on pension assets / liabilities			(401,256)
(Gains) / Losses on revaluation of financial instruments			426
Other Comprehensive Income and Expenditure			(498,957)
Total Comprehensive Income and Expenditure			(423,321)

Income and expenses allocated to Directorates per management reporting structure

Income and expenses not allocated to service lines, e.g. council tax, capital grants (which would distort service lines if included there)

In the private sector this would be the profit / loss of a company. Agrees to Movement in Reserves Statement

Gains / losses in the measurement of assets and liabilities. Arise due to changes in market valuations, interest rates or measurement assumptions in relation to pensions assets and liabilities

Agrees to movement in the Balance Sheet

Movement in Reserves Statement

(only 2 columns shown for illustration)

	General Fund £'000	HRA £'000
Balance at 31st March 2022 brought forward	(131,668)	(6,690)
<u>Movement in reserves during 2022/23</u>		
Total Comprehensive Income and Expenditure	54,577	21,059
Adjustments between accounting basis and funding basis under regulations	(27,970)	(20,429)
(Increase) / Decrease in 2022/23	<u>26,607</u>	<u>630</u>
Balance at 31st March 2023 carried forward	<u>(105,061)</u>	<u>(6,060)</u>

(Surplus) or deficit for the year. Note the joint position for GF and HRA of £75,636 (which equals the figure in CI&ES)

Statutory adjustments such as replacing depreciation with MRP, pension liabilities with contributions (IAS19) etc.

Gives the change in the General Fund balance over the year. This agrees to the final GF outturn position as reported to Cabinet in June and contribution to Earmarked and General Reserves.

Balance Sheet – Assets and Liabilities

The largest asset. PPE includes all the Council's property asset portfolio.

Property, Plant & Equipment	1,554,673	1,497,216	
Heritage Assets	8,939	9,050	
Investment Property	1,777	1,696	
Intangible Assets	1,558	2,478	
Long Term Investments	2,812	3,238	
Long Term Debtors	6,666	6,894	
Asset related to defined benefit pension scheme	36,232	0	
Long Term Assets	1,612,657		1,520,572
Short Term Investments	10	25,010	
Assets Held for Sale	19,393	21,829	
Inventories	1,068	1,253	
Short Term Debtors	92,747	88,765	
Cash & Cash Equivalents	37,659	67,558	
Current Assets	150,877		204,415
Cash & Cash Equivalents	0	(27)	
Short Term Borrowing	(48,302)	(63,790)	
Short Term Creditors	(77,649)	(83,078)	
Provisions	(1,742)	(1,593)	
Revenue Grants Receipts in Advance	(7,638)	(31,749)	
Capital Grants Receipts in Advance	(3,775)	(1,860)	
Current Liabilities	(139,106)		(182,097)
Provisions	(7,535)	(16,282)	
Long Term Borrowing	(383,801)	(398,902)	
Other Long Term Liabilities	(39,711)	(40,400)	
Donated Assets Account	0	0	
Revenue Grants Receipts in Advance	0	0	
Capital Grants Receipts in Advance	(5,133)	(6,063)	
Liability related to defined benefit pension scheme	0	(216,316)	
Long Term Liabilities	(436,180)		(777,963)
Net Assets	1,188,248		764,927

Long term assets i.e. those expected to provide benefits to the Council beyond 12 months.

Current assets i.e. those anticipated to be consumed in 12 months, the normal operating cycle for the Council

Current liabilities i.e. those liabilities anticipated to be settled within 12 months

This has traditionally been the largest liability but this year is an asset. This figure is highly volatile and is dependent upon the actuary's assumptions e.g. a 0.1% increase in the inflation rate would result in a £20.2m increase.

Long-term liabilities i.e. these liabilities that are anticipated to be settled beyond 12 months.

Agrees to total reserves figure. The balance as at 31st March 2023 of £1,188,248 has increased by £423,321 which is the surplus in the CI&ES for 2022/23

Informing the audit risk assessment for City of Doncaster Council 2022-23



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 City of Doncaster Council's external auditors and City of Doncaster Council's Audit 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 Committee under auditing standards.

Please consider the questions in this document from both a standalone Council and group accounts perspective

Background

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

This two-way communication assists both the auditor and the Audit 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 Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

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

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

Purpose

This report includes a series of questions on each of these areas and the response we have received from City of Doncaster Council's management. The Audit 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 2022/23?</p>	<p>In March 2022, the Council took the decision to give notice to DCST to end the contract for the delivery of specified children's social care services. The contract ended on 31st August, 2022 and at that point DCST ceased trading. DCST's staff were transferred to the Council on 1st September, 2022 and since that date all children's social care has been provided by the Council or by 3rd parties commissioned by the Council. From 1st September, 2022 contracts with providers and other suppliers were novated to the Council. As a result of the transfer of staff, South Yorkshire Pensions Authority (SYPA) transferred the former DCST pension scheme into the City of Doncaster Council pension scheme. From 2022/23, DCST is no longer consolidated in the Group Accounts.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by City of Doncaster Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>Accounting policies are reviewed on an annual basis, the only change in 2022/23 was the useful economic lives of infrastructure assets being changed from a standard 40 year life. Different lives are now applied to the asset types within infrastructure, such as roads, signs and street lighting, which were assessed by the Head of Highways Infrastructure. This approach was agreed with Grant Thornton following the 2021/22 audit.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>Yes all financial instruments are shown in the note in the Statement Of Accounts (SOA). There are no derivatives.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>The Council paid out c£19m in energy bill payments in 2022/23 funded by Government grants. These payments were made on an agency basis so are not included in the Council's accounts.</p>

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	None
6. Are you aware of any guarantee contracts? If so, please provide further details	Only those disclosed in the Financial Instruments note in relation to pension guarantees
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by City of Doncaster Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	BrowneJacobson Forbes Geldards Kennedy's Womble Bond Dickinson Trowers Shoosmiths DLA Through Insurance Team:- Weightmans Kennedys Dawson & Burgess DAC Beachcroft

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

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

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

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit 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 Committee oversees the above processes. We are also required to make inquiries of both management and the Audit 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 City of Doncaster Council's management.

Fraud risk assessment

Question	Management response
<p>1. Has City of Doncaster Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the council's risk management processes link to financial reporting?</p>	<p>Fraud risks are identified in the counter fraud report and risk assessment. Annual fraud report identifies low incidence of fraud and nothing of impact on the financial statements</p> <p>Risk of fraud impacting upon financial reporting is classified as low.</p> <p>Annual assessment also provided by Head of Internal Audit and Chair of Audit Committee – previous low risk assessment still stands</p> <p>Fraud risks are identified in the counter fraud report and risk assessment</p> <p>These are assessed as part of quarterly finance and performance reporting including oversight by the Governance Group</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>These are all set out in the Fraud risk register – cyber fraud is identified as the highest risk.</p> <p>There are a series of measures to manage all risks identified.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within City of Doncaster Council as a whole, or within specific departments since 1 April 2022? If so, please provide details</p>	<p>Not aware of any significant instances.</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>These are identified, collated and then raised and rated through the Governance Group before being considered further as part of quarterly Finance and Performance Reporting. Significant weakness or risk are ultimately reported through to Audit Committee.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within City of Doncaster Council where fraud is more likely to occur?</p>	<p>There is a detailed fraud risk register maintained by Internal Audit</p> <p>These are identified in the Fraud Risk Register</p> <p>These are identified in the Fraud Risk Register</p>
<p>6. What processes does City of Doncaster Council have in place to identify and respond to risks of fraud?</p>	<p>Internal audit plan and progress reports and annual reports all cover both proactive and reactive work covering fraud</p> <p>Some proactive fraud work covers data matching, continual analytics, fraud awareness training, specific anti-fraud and corruption reviews</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for City of Doncaster Council, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Positive opinion given in previous Head of Internal Audit Annual reports and was again for 22/23 year</p> <p>Positive opinion given in previous Head of Internal Audit Annual reports the Annual Governance Statement and again for 22/23 year</p> <p>These are set out in Internal Audit progress reports and individual internal audit reports and other forms of correspondence</p> <p>All are covered in previous responses</p> <p>There is always this risk present especially with collusion but this is low risk and especially in the public sector</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>Set out in counter fraud report</p> <p>Assessed as low risk</p>

Fraud risk assessment

Question	Management response
<p>9. How does City of Doncaster Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>Monitor Contract Procedure Rules and elements of the Financial Procedure Rules and report to audit committee. Annual Modern Slavery Statement published.</p> <p>Communication through the annual Performance and Development Review (PDR) scheme, Doncaster charter and sections of the council constitution states the code of conduct for employees.</p> <p>Members of professional bodies agree to ethical standards. Staff are expected to report their concerns to their manager or if inappropriate , elsewhere as set out in whistleblowing policy / Antifraud and corruption policy Such concerns have been low level for several years and have remained so throughout 22/23</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>All set out in the Fraud risk Register</p> <p>All set out in the Fraud risk Register</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No.</p> <p>Declaration of interest completed by all officers and members. Some counter fraud checks detailed in the counter fraud report, e.g. data matching Payroll to Creditors payments.</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 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>Annual Report of the Head of Internal Audit and Annual Fraud report</p> <p>Has oversight and awareness through the above report and seek assurance over the outcomes of these including management implementing actions to address weaknesses</p> <p>These arrangements have continued as normal during the 22/23 year.</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>Whistle blowing has traditionally been very low and this has continued in 22/23. All such incidents follow the appropriate processes.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

Law and regulations

Matters in relation to laws and regulations

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

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

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit 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 City of Doncaster Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the council's regulatory environment that may have a significant impact on the council's financial statements?</p>	<p>Service managers ensure service is compliant with relevant laws and regulations. Annually, assurances provided to this for the Annual Governance Statement (AGS) which is then thoroughly checked and challenged as required</p> <p>Service managers ensure service compliant with relevant laws and regulations. Legal services team help and support as required</p> <p>None</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Through the AGS, Internal Audit progress and annual reports. Reports on compliance with Contract and Financial procedure rules and other reports from management</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial statements? If so, please provide details</p>	<p>None identified</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>All potential items are shown in the contingent liabilities, provisions and earmarked reserves notes in the Statement of Accounts.</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does City of Doncaster Council have in place to identify, evaluate and account for litigation or claims?	These are referred to Legal Service team and Insurance teams as required
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	None

Related Parties

Matters in relation to Related Parties

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

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

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the council's perspective but material from a related party viewpoint then the council must disclose it.

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

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in City of Doncaster Council'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 City of Doncaster Council • City of Doncaster Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	<p>Process the same as in previous years looking at all members and Heads of Service and above Officers declaration forms. Please refer to related parties working paper for members and Officers for more details.</p>
<p>2. What controls does City of Doncaster Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Declarations of Interest completed by all officers annually or when a change in circumstance arises. Reviewed and approved by line management.</p> <p>Members complete the form termly or when a change in circumstance arises.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Forms are reviewed and approved by line management - any issues will be highlighted</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>As above</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
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 City of Doncaster Council will no longer continue?	Budgets are monitored on a regular basis with quarterly Finance and Performance reports taken to Cabinet and reports taken to Executive Leadership Team in periods 2,4,7 and 10.
2. Are management aware of any factors which may mean for City of Doncaster Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No
3. With regard to the statutory services currently provided by City of Doncaster Council, does City of Doncaster Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for City of Doncaster Council to cease to exist?	It is expected these services will be delivered by the Council for the foreseeable future
4. Are management satisfied that the financial reporting framework permits City of Doncaster Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes

Accounting estimates

Matters in relation to accounting estimates

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

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

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

Specifically do Audit Committee members:

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

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

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	<p>Material classes of transaction - Property, plant and equipment and pension.</p> <p>Material conditions – Pandemic, natural disaster</p>
2. How does the council's risk management process identify and address risks relating to accounting estimates?	<p>Appendix A lists all the significant uses of accounting estimates, e.g. valuations, provisions, accruals etc. All are reviewed as part of the closure of accounts process. The possibility of misstatement is mitigated by quality assurance checks. Provisions are reviewed regularly and reserve balances are in place to mitigate any potential shortfall.</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?	<p>Evidence and assumptions used to form the basis of estimates is reviewed to ensure it is still relevant and suitable for use.</p>
4. How does management review the outcomes of previous accounting estimates?	<p>Rolling reviews of assets, review asset population not revalued in year based on current year revaluations, asset verification exercise carried out on a rolling programme. Schools identified as a large value asset group and are therefore now revalued annually.</p> <p>Pension assumptions reviewed annually.</p> <p>Provisions reviewed annually</p>
5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	<p>The useful economic lives of infrastructure assets being changed from a standard 40 year life. Different lives are now applied to the asset types within infrastructure, such as roads, signs and street lighting, which were assessed by the Head of Highways Infrastructure. This approach was agreed with Grant Thornton following the 2021/22 audit.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Use actuary for pension information. Qualified officers used for asset valuations. District Valuer used for dwelling valuations. Link used to supply fair value for financial instruments.</p>
<p>7. How does the council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>Valuers are issued with instruction letter and contract with requirements is in place with the District Valuer. Pension – the Council participates in the annual bulk exercise to obtain the IAS19 disclosures. Quality Assurance is carried out.</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>Valuations – variances over a certain % are reviewed and challenged, District Valuer beacon sheets reviewed Pensions – finance officers review assumptions to ensure they are in line with expectations Quality Assurance is carried out.</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>Audit committee – unaudited and audited accounts presented to audit committee with report highlighting high risk areas Audit Committee chair – briefed before meeting Training offered to new audit committee members and refresher training offered to existing members</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	None
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	The Council keeps up to date with changes in regulations, reviews its methods of making estimates, and reviews the use of experts. Previous audits have not found issues with use of estimates and the Council's use of estimates is consistent with other local authorities.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate?	Audit committee – unaudited and audited accounts presented to audit committee with report highlighting high risk areas Detailed training and awareness sessions also provided

Appendix A - Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of other land & buildings	Depreciated Replacement Cost (DRC), Existing Use Value (EUV), Fair Value, Historic Cost. Valued as at 31 st March	Building Cost Information Service (BCIS) rates, local information such as sale prices, rental income	Valuations reviewed by Royal Institution of Chartered Surveyors (RICS) qualified officers	Stated on individual valuation certificates	No
Valuation of council dwellings	Current value, determined using the basis of Existing Use Value for Social Housing (EUV-SH). Valued as at 31 st March	Value based on achievable sale prices then reduced	Yes – District Valuer	41% EUV – use of this % is supported by local evidence.	No
Fair value of debt instruments	Valuations made using comparable investments or for Public Works Loan Board (PWLB) loans new borrowing (certainty) rates	PWLB rates published by Debt Management Office	Yes – fair value estimates provided by Link (treasury advisors)	Accrued interest included – assuming PWLB rates are comparable with market rates	No
Depreciation (useful economic life – UEL)	Straight line method, based on opening value as at 1 st April.	Treatment of asset classifications and UEL applied as per policy	Only in obtaining the most recent asset valuations used.	Asset is still in use, useful economic life.	No

Appendix A - Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	Liabilities have been assessed on an actuarial basis using the projected unit credit method.	An estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.	The liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Council fund being based on the latest full valuation of the scheme	Rates of inflation, longevity, increase in salaries, increases in pension and rate for discounting liability.	No
Expenditure accruals	Automatic system accruals, manual – guidance provided	Budget holder monitoring, significant variances, review of new year transactions	N/A	Potential uncertainty around value Most appropriate estimate used	No
Provisions estimate (specifically business rates & insurance fund)	Appeals provision model based on previous appeals success %. Insurance – based on previous claims data	Insurance Team	N/A	Methods used and associated % used is changed each year.	No
Private Finance Initiative (PFI) liabilities	Waste – based on Rotherham due to being lead authority Schools – PFI model	Based on model used	The original models were created by experts (big 4 accountancy firms).	PFI model is most appropriate estimate	No

Appendix A - Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Credit loss and impairment allowance (bad debt provision)	Rules based around age of account and indicators on account.	All information is system generated	N/A	Provision provided based on age and indicators reviewed by officers and can be over ridden based on additional information	N/A