

Informing the audit risk assessment for Bristol City Council 2021/22

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

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Bristol City Council's external auditors and Bristol City 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. This assessment should include any issues relevant to the group entities.

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 local authority'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 Bristol City 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 |
|--|--|
| 1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22? | <p>Continued uncertainty in relation to local government finance and the ongoing impact of COVID-19 on the Council and its finances.</p> <p>The key issues are disclosed in note 3, 4 and 6 in the accounts.</p> |
| 2. Have you considered the appropriateness of the accounting policies adopted by Bristol City 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>Yes – the accounting policies was reviewed and approved by the Audit Committee on 8 March 2022.</p> <p>Due to its materiality, a policy for Inventories (Stock) has been included in the 2021/22 accounts.</p> <p>There are no other material changes proposed to the accounting policies for the 2021/22 accounts.</p> |
| 3. Is there any use of financial instruments, including derivatives? If so, please explain | <p>The Council have financial instruments as disclosed in note 24 (2020/21 accounts), with no significant changes in 2021/22. The Council do not hold any derivatives apart from those embedded within the Council's LOBO's.</p> |
| 4. Are you aware of any significant transaction outside the normal course of business? If so, what are they? | <p>1. Covid -19 related expenditure and income including grant income, as disclosed in note 6 in the accounts.</p> <p>2. Losses in the collection fund due to business rates relief offset by General Fund reserves (S31 grant to compensate to losses in the collection fund).</p> <p>3. Gorman homes –during the year, the Council approved Goram Homes joint venture plans for 268 new homes at Romney House, Lockleaze. The site was transferred during 2021/22 to Goram Homes joint venture in return for £12.9m of repayable loan notes.</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? | No |
| 6. Are you aware of any guarantee contracts? If so, please provide further details | Pensions only. |
| 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 | None other than those disclosed in the accounts |
| 8. Other than in house solicitors, can you provide details of those solicitors utilised by Bristol City Council during the year. Please indicate where they are working on open litigation or contingencies from prior years? | <p>Ashford's LLP</p> <p>Burges Salmon LLP</p> <p>Bevan Brittan – One litigation matter</p> <p>DWF Law LLP – litigation</p> <p>Freeths LLP– litigation</p> <p>Keoghs LLP – litigation</p> <p>Osborne Clark LLP</p> <p>TLT LLP</p> <p>Trowers and Hamlins LLP</p> <p>Warwickshire County Council (registered as an ABS with the SRA as Warwickshire Legal Services Ltd) - Child Protection/Family Court and Court of Protection cases</p> <p>Womble Bond Dickinson UK LLP</p> |

General Enquiries of Management

| Question | Management response |
|---|--|
| 9. Have any of the Bristol City Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details | No |
| 10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted? | The Council uses external advisors from time to time to advise on various aspects of its operations. These are all part of normal business operations. Link Asset Services – Treasury Management and CBRE for property valuations are the only ones relevant to the Statement of Accounts. |
| 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 | Yes – disclosed in note 25 Nature and Extent of Risks Arising from Financial Instruments. |

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 Bristol City 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 Bristol City Council's management.

Fraud risk assessment

| Question | Management response |
|--|---|
| <p>1. Has Bristol City 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 local authority's risk management processes link to financial reporting?</p> | <p>Internal audit provides assurance regarding the adequacy and effectiveness of internal controls and where these are not considered robust, the S151 Officer is informed to enable this assessment to be made. Fraud updates, routinely provided to senior management (including s151 Officer) and Audit Committee include details of fraud risks.</p> <p>Fraud is recognised as a corporate risk and the councils response to this risk regularly updated and reported to senior management, members and the Audit Committee. In addition, where Internal Audit report areas of weakness, management agree actions that will improve controls.</p> <p>Regular bank and control account reconciliations overseen by Corporate Finance.</p> <p>Information from the Council's risk management process includes financial 'flags' that are used in financial planning and reporting processes to identify financial pressures and issues.</p> |
| <p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p> | <p>High fraud risk areas: Covid Business Grants, Procurement, Social Care/Direct Payments, Tenancy, Council Tax Single Persons Discount, mandate fraud.</p> |
| <p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Bristol City Council as a whole, or within specific departments since 1 April 2021? If so, please provide details</p> | <p>Internal fraud cases investigated and outcomes are detailed in the Annual Fraud Report 2021/22. The report includes details of all suspected, alleged and actual fraud experienced by the Council in 2021/22. Appendix 1 provides details of internal investigations. Appendix 2 provide details of whistleblowing allegations, some of which refer to alleged fraud. The Annual fraud report also details other areas of fraud. 239 referrals of tenancy fraud were received from which 31 council property regains or other positive outcomes (Housing or RTB application cancelled) were achieved. One case was successfully prosecuted. Single Persons Discounts were also removed using NFI matching data and work continued to check covid related grant payments to prevent fraudulent payments being made.</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>Annual and Half Yearly fraud reports are produced which go to Corporate Leadership Board and Audit Committee. Update reports are provided in Internal Audit update reports which are at least quarterly.</p> <p>The Corporate Risk report which includes fraud risk is prepared quarterly for review by Senior Management, Cabinet, Scrutiny, Audit Committee.</p> <p>Intelligence and fraud alerts are directed to relevant service managers.</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 Bristol City Council where fraud is more likely to occur?</p> | <p>Social Housing, Local taxation (single persons discounts), Procurement, Social care payments, Cyber crime Covid grants (less so now but some schemes remained in place during 2021/22), Mandate Fraud.</p> |

Fraud risk assessment

| Question | Management response |
|---|--|
| <p>6. What processes do Bristol City Council have in place to identify and respond to risks of fraud?</p> | <p>Fraud is recognised as a corporate risk and the Council's response to it is regularly reviewed and reported to senior management, members and the Audit Committee. The Corporate Risk Report includes item CRR06 relating to management of fraud risks.</p> <p>Code of Conduct for employees and members set out the standards of conduct expected from them. Fraud reporting form and hotline is in place. Whistleblowing reporting form and hotline for employees to raise concerns. Fraud awareness e learning is provided and is mandatory.</p> <p>Anti Fraud and Corruption Policy, Whistleblowing procedure and money laundering procedures are in place to set out the approaches.</p> <p>Fraud Risk registers have been developed in key fraud risk areas but require updating. A Fraud Risk register has been developed for each of the Council's subsidiary companies.</p> <p>Counter fraud and investigations team undertake a risk based plan of proactive fraud work to prevent and detect fraud including ad hoc data matching, fraud prevention reviews, targeted training and publicity campaigns and participation in the National Fraud Initiative exercise. The team also have trained investigators to investigate referrals.</p> |

Fraud risk assessment

| Question | Management response |
|---|--|
| <p>7. How do you assess the overall control environment for Bristol City 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>Internal Audit undertake a risk based work programme to inform their opinion on the existence and effectiveness of control. The planning process includes consideration of all risks including fraud risks in consultation with the counter-fraud team, management across the Council and with reference to external expertise (Eg Institute of Internal Auditors – risk in focus). The Chief Internal Auditors Annual Report for 2021/22 concluded reasonable assurance can be provided that governance, risk management and internal control arrangements were in place and operating effectively. The following areas were identified as requiring improvement:</p> <p>Information technology, compliance with procurement rules, risk management, housing management systems and processes, management of conflicts of interest, direct payments, SEND, delivery of financial savings. Improvement actions have been agreed in all areas where Internal Audit have concluded limited assurance and these actions are tracked with periodic reporting to senior management and Audit Committee.</p> <p>As well as those referred to in question 5, other examples include procurement regulations/rules/Financial Regulations, controls over bank mandate changes, Separation of duties in Accounts Payable process.</p> |
| <p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p> | <p>See Q7 above</p> |

Fraud risk assessment

| Question | Management response |
|---|---|
| <p>9. How does Bristol City Council communicate and encourage ethical behaviours and business processes of its 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>Code of Conduct requires declarations of interest to be completed and gifts and hospitality to be declared and recorded. Assurances included in the Annual Governance Review process seek assurance that staff are aware of this and comply. Our values and behaviours and considered as part of performance management process. Targeted training in management of conflicts of interest is currently under way.</p> <p>Raising awareness of Whistleblowing process. Numbers of reported cases has increased which my indicate increased awareness. Raising awareness of fraud through mandatory e learning module and targeted fraud training.</p> <p>Any concerns about fraud. Reporting form and E learning module provide examples of what might constitute fraud.</p> <p>Refer to Question 3 above</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 employees are required to complete a declaration of interest form on appointment. Posts of grade BG14 and above and sensitive posts (those that relate to working in a caring capacity) are required to do declarations every 2 years.</p> |

Fraud risk assessment

| Question | Management response |
|---|---|
| <p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p> | <p>No</p> <p>Council Members complete an annual declaration stating whether they, or a close relation, have connections with a BCC related party. Where this is material it is quoted in the accounts. Transactions with related parties are subject to the same controls as any other within the Council.</p> |
| <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>Fraud updates are provided to the Audit Committee twice yearly in Annual and half yearly fraud reports. These include updates on whistleblowing referrals. Additionally, as necessary, internal audit activity reports will include fraud matters in the intervening periods.</p> <p>The Audit Committee consider the reports mentioned above and also oversees update and amendment of the Councils fraud policy. They approve the Internal Audit Plan which includes the counter fraud programme.</p> <p>Publicity to promote fraud awareness following the Committees consideration fraud reports. The Committee have continued to take a keen interest in whistleblowing to support improvements in this area.</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>As detailed above (Q3), the Annual Fraud Report details all whistleblowing cases and the outcomes. Appendix 2 of the report details.</p> |
| <p>14. Have any reports been made under the Bribery Act? If so, please provide details</p> | <p>1 case of possible bribery was reported. The allegations were unsubstantiated.</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 Bristol City 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 Bristol City Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the local authority's regulatory environment that may have a significant impact on the local authority's financial statements?</p> | <p>Regular file reviews and 1:1s. Ensuring team attend ongoing training in their specialist areas. Discussion of changes to the law and circulating relevant articles and training materials, high risk case register that is regularly updated by Mangers and reviewed by Head of Service and Director.</p> <p>We are not aware of any changes to the LAs regulatory environment that may have any significant impact on the LAs financial statements.</p> |
| <p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p> | <p>The Audit Committee receives regular reports from the Chief Internal Auditor which will cover such matters in the areas audited.</p> <p>The Annual Governance Statement is received by the Audit Committee which include assurance from the monitoring officer in this regard.</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>No</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>No</p> |

Impact of laws and regulations

| Question | Management response |
|---|--|
| <p>5. What arrangements does Bristol City Council have in place to identify, evaluate and account for litigation or claims?</p> | <p>The Council has an insurance team and a Legal team that manages litigation and claims on behalf of the Council. All claims are passed to these teams. At the end of the year the Corporate Finance team will liaise with the insurance and legal teams to evaluate any material claims and make the appropriate accounting entries in the accounts.</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 no reports from other regulatory bodies.</p> |

Related Parties

Matters in relation to Related Parties

Bristol City 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 Bristol City Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the local 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 local authority, or of any body that is a related party of the local authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the local 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 Bristol City Council's 2020/21 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 Bristol City Council whether Bristol City Council has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions | <p>During the year, the Council approved Goram Homes joint venture plans for 268 new homes at Romney House, Lockleaze. The site was transferred during 2021/22 to Goram Homes joint venture in return for £12.9m of repayable loan notes. 147 homes (55%) will be affordable and managed by Bristol City Council.</p> <p>No other changes</p> |
| <p>2. What controls does Bristol City Council have in place to identify, account for and disclose related party transactions and relationships?</p> | <p>The Council carries out an early review of related party transactions and relationships. Members are asked to complete an annual return requiring confirmation that read and understood the declaration requirements and stating details of any known related party interests. These are checked where appropriate with the Council's legal team (Register of Members Interests) and Companies House. Business Partners are asked to confirm any changes or additions. Related party transactions with Council owned companies are reconciled and agreed with the relevant counter-party. Company audited accounts are checked to verify transactions and balances.</p> |
| <p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p> | <p>Transactions with related parties are subject to the same controls and arrangements as those with any other organisation the Council contracts with for business purposes, so through the Contract procedure rules, the Employee Code of Conduct, and Register of Interest. There is a Scheme of Delegation in place which applies equally to both related and non related parties.</p> |
| <p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p> | <p>As above, and with the appropriate reporting and approval.</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 Bristol City Council will no longer continue? | A going concern assessment is carried out at the end of each year by management to consider the factors that could impact the continuation of its statutory services. These factors are 1) Financial Performance Framework 2) Medium Term Financial Plan (MTFP) and budget for future years 3) Governance Arrangements 4) Group Accounts and other matters that could impact the council from carrying out its functions. Management opinion is then given to conclude the assessment. |
| 2. Are management aware of any factors which may mean for Bristol City 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 Bristol City Council, does Bristol City 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 Bristol City Council to cease to exist? | The services are expected to continue to deliver for the foreseeable future. |
| 4. Are management satisfied that the financial reporting framework permits Bristol City 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 to both questions. |

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>The on-going impact of COVID-19 and it's effect on property and investment valuations and group accounts.</p> <p>See disclosure note 3, 4 and 6 in the statements of accounts.</p> |
| 2. How does the local authority's risk management process identify and address risks relating to accounting estimates? | <p>Accounting estimates are reviewed annually to ensure they are appropriate, reasonable and evidenced.. This might be by the use of appropriate qualified experts, such as Property Valuers and Actuary, with review performed by internal qualified officers at the Council. Within the Council – qualified accountants and technicians review the estimates and evidence to ensure on-going compliance with the appropriate accounting standards and guidance.</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>Assumptions are reviewed annually, taking into account relevant conditions in place at the time. The Council has in-house, qualified professionals, to provide advice as well as external advisors for Treasury Management, property valuations and pensions (for example).</p> |
| 4. How do management review the outcomes of previous accounting estimates? | <p>Previous accounting estimates are reviewed annually against actual performance. These are then adjusted accordingly in light of any new data.</p> |
| 5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these? | <p>No</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>In most areas expertise and knowledge is held internally within the various teams. For other more specialist areas, such as the IAS19 (Pension Liability) estimates and certain property valuations, appropriately qualified external experts are used to provide estimates. The work of external specialists is managed by appropriate internal staff.</p> |
| <p>7. How does the local authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p> | <p>See Q2 above</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>See Q2 above</p> |
| <p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. | <p>Through regular budget monitoring reports and year end outturn reports to the Cabinet. Statement of Accounts reported to the Audit Committee.</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? | No |
| 11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable? | Yes |
| 12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ? | <p>Audit Committee are provided with a draft Statement of Accounts for scrutiny and comment prior to publication on the Council's website. Members are also provided with training where such things as accounting policies, critical judgements and estimations and uncertainties are highlights. Where significant estimates are used, such as in the pension fund, members are talked through these and invited to make comment.</p> <p>Members of the Audit Committee get to review and consider the accounting policies. Any significant changes during the closedown and/or audit will be highlighted to the committee in the Statement of Accounts report later in the year. The accounting policies for 2021/22 were approved by the Audit Committee in March 2022.</p> |

Appendix A Accounting Estimates

| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether management have used an expert | Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in year? |
|-------------------------------|--|---|---|---|---|
| Land and buildings valuations | In accordance with RICS and CIPFA (IFRS) proper practice | All valuations are checked / verified to determine that appropriate metrics have been obtained and applied accurately | The Council have a portfolio of RICS qualified property officers with a wealth of experience including knowledge and experience of the Bristol market through managing its own significant portfolio of assets. In addition CBRE have been appointed to value investment Properties and complex operational assets. | <p>Market comparable evidence. Assets are valued as a minimum over a 5 yearly cycle with some assets valued on a “more” regular basis; All investments and Surplus properties are valued every year. Top 50 Operational assets by capital value are valued ever year.</p> <p>Council Dwellings based on beacon valuation over a rolling 5 year cycle, Those not valued in year are uplifted by market indices.</p> <p>At balance sheet date all valuations are reviewed with current market indices to determine whether any material change in value has occurred on the portfolio. Subject to any material change would “trigger” further analysis and possible change on portfolio values.</p> | No |

Appendix A Accounting Estimates

| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether management have used an expert | Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in year? |
|--------------------------------|---|---|--|--|---|
| Council dwelling valuations | In accordance with MHCLG Stock Valuation for Resource Accounting, Guidance for Valuers 2016 | All valuations are checked / verified to determine that appropriate metrics have been obtained and applied accurately | As Above | As Above | No |
| Investment property valuations | In accordance with RICS and CIPFA (IFRS) proper practice | All valuations are checked / verified to determine that appropriate metrics have been obtained and applied accurately, firstly by CBRE and then verified by a Senior Property Valuer. | As Above | As Above | 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? |
|---|---|--|---|--|---|
| Depreciation | Straight line / Reducing balance depending on asset type | Cipfa.Net – IFRS compliant asset register. | As above | Subject to the above | No |
| Valuation of defined benefit net pension fund liabilities | This depends on a number of complex judgements relating to: the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund investments. | The Council relies on the valuation provided by the Actuary, however would query any significant variations from that anticipated during the year. | Yes the Council has engaged Mercer Ltd, a firm of consulting actuaries, to provide expert advice about the assumptions to be applied. | The Council has assessed the underlying assumptions and applied sensitivity analysis to the key assumptions made in the report from the Actuary. | 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? |
|----------------------|--|--|--|---|---|
| Fair value estimates | Various approaches are considered including Income, market and cost before deciding on the appropriate method to value our interests | Recommended practices followed - Peer review | The Council employ officers with significant knowledge and experience in this field. In addition employ Treasury advisors , as well as specialist external valuers for advice as and when appropriate. | Changes to market conditions (local and global), and comparable data is used. Various approaches are considered including Income, market and cost before deciding on the appropriate method to value our interests. | 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? |
|------------|--|---|--|---|---|
| Provisions | Provisions 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 provision for business rates appeals is by far the Council's largest provision. This is based on the Valuation office (VOA) rating appeals list and analysis of successful appeals to date. | Charged in the year that the Council becomes aware of the obligation. (For business rates appeals see previous comments re VOA) | No | Estimated settlements are reviewed at the end of each financial year (business rates quarterly) – 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 A Accounting Estimates

| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether management have used an expert | Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in year? |
|---------------------------------------|--|---|--|--|---|
| Accruals | The Council does not generally rely heavily on estimated accruals. Accruals are either system generated at year-end or manually input with an invoice to evidence. Capital creditors likewise based on invoice or valuation report. However appropriate training is given to budget managers on the proper establishment of accruals | Staff with access to the Financial Systems record goods receipt notes for goods/services 2021/22, with system-generated accruals being carried-forward. Manual accruals – invoice evidence. Training for budget managers. | No | Accruals for income and expenditure often based on known values. Where accruals are estimated the latest available information is used. | No |
| Credit loss and impairment allowances | The Council follows the guidance laid down in IFRS 9. Analysis of aged debt. Review of historic collection rates for specific services/customer groups. | System aged debt analysis produced for the various categories of outstanding debt as at 31 March Independent information, peer review, Treasury advisor review | No | Assessment of likelihood of collection based on historic collection rates. Consideration of likely recovery for specific categories of debt. Assessment of COVID-19 Impact . | 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? |
|---------------------------|--|---|--|--|---|
| Finance lease liabilities | The Council has no finance lease liabilities. | N/A | N/A | N/A | N/A |
| PFI liabilities | The original recognition of the liability was based on its fair value - the cost to purchase the asset written down by any contribution. This is then written down annually as set out in the PFI model using the same principals for a finance lease) | Peer review of model and accounting entries | Advisors were used at inception along with senior finance professionals , and senior finance professionals continue to monitor and review these contracts. | Based on IFRS recommended practices - same principals used for Finance leases. | No |



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