

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

Ade O Oyerinde
Director, Public Sector Assurance
T [+44 \(0\)20 7383 5100](tel:+44(0)2073835100)
E Ade.O.Oyerinde@uk.gt.com



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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Runnymede Borough Council's external auditors and Runnymede Borough Council's Standards and 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 Standards and Audit Committee under auditing standards.

Background

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

This two-way communication assists both the auditor and the Standards and 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 Standards and Audit Committee and supports the Standards and 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 Runnymede Borough Council's management. The Standards and 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 2023/24?</p>	<p>Non-Statutory Best Value Notice (consideration within value for money reporting and narrative statement) Valuations of office and retail units within our investment property portfolio given the downturn in economy on this area in recent years</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Runnymede Borough 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>Not in the current year. Nothing has changed since 2022/23. IFRS16: Leases will be accounted for in 2024/25 but will form a note in the 2023/24 SoA</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>No</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>No</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?	<p>No Impairments anticipated. Impairment email sent round to SLT at year end to establish anything we are unsure of and then assessed with the Valuer if revaluation needed.</p> <p>New valuers this year. They may have different approach to valuations which may lead to major movements up or down in the valuations. This would also take into account any changes in market conditions – particularly for retail/office premises.</p>
6. Are you aware of any guarantee contracts? If so, please provide further details	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>External solicitor wise the main ones we have are the South London Law Partnership (SLLP) who do Housing litigation work for us. They deal with possession, anti-social behaviour, homeless claims and disrepair claims. They also undertake commercial property litigation on behalf Assets and Regeneration i.e., seeking to recover debts on commercial property. Apart from SLLP the only other solicitors we are currently using are FieldFisher in relation to the possible cladding claim. We also use a firm called Freeths to draft contracts on our behalf and provide advice on contract matters. Freeths also do Planning work for us, which includes advising on Section 106 agreements and the implications of the new legislation on the planning system.</p>

General Enquiries of Management

Question	Management response
9. Have any of the Runnymede Borough Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Link Asset Services – Treasury Management Advice LG Futures – Collection Fund advice Montague Evans – Valuation advice
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	Year end working papers D11 (sundry debts), F1 (Investments) and F20 (Company Loans) will relate

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

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

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

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

Fraud risk assessment

Question	Management response
<p>1. Has Runnymede Borough 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>The s151 officer is responsible for the Council's anti-fraud service which is managed by colleagues at Reigate and Banstead Borough Council. The fraud team work predominantly with the Housing team, Council Tax and Benefits Team, but also carry out awareness sessions across the Council e.g. with the Finance Team. The team also administer the Council's participation in the National Fraud initiative matching exercise, liaising with Council departments to provide the relevant data sets and following up on any matches / queries arising. Quarterly reporting of the savings (cashable and notional) from Fraud work are provided to the Assistant Chief Executive/s151) and presentations on the the work of the team have been made to both the Standards and Audit committee and the Housing Committee.</p> <p>The last Fraud reporting to the Standards and Audit Committee set out an action plan for the current year which included designing a communications plan to raise internal and external awareness of the Council's anti-fraud work and a range of actions to support anti-fraud measures, which are in progress.</p> <p>Periodically, additional external reviews (outside of NFI data matching exercises) are undertaken in respect of Single Person Discount (Council Tax) for example. Housing Benefit Assurance process is undertaken by suitably qualified external auditors to exacting DWP standards.</p> <p>Internal audit of key system controls also supports the prevention of fraud e.g. suitable separation of duties in respect of purchasing, treasury management, banking controls etc.</p> <p>There are no "bonus" payments for staff directly linked to financial outcomes within the statements, so no incentive to manipulate figures for personal gain.</p> <p>Suitably qualified consultants are used for specialist areas such as property valuations.</p> <p>While these measures combined cannot remove all potential risk of fraud, they do provide assurance that the financial statements do not contain material misstatement due to fraud.</p> <p>Financial risks identified within Risk Registers will be used to inform scenario planning within financial forecasting, particularly for significant value risk such as changes to commercial property income. Risk mitigation includes the building gap of sinking funds to manage fluctuations in this large income stream, and takes account of known lease events, break clauses etc, building funds to manage potential void periods and to provide appropriate lease incentives such as rent-free periods for new tenants. Provisions</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>Much work has been done during 2023/24 to refresh the Risk Management Framework including the development of risk appetite statements. This was proposed as part of the actions falling out of the Annual Governance Statement and supported by recommendations from Cipfa in their review. A dashboard for reporting key risks has been developed and approved by the Standards and Audit Committee as part of a suite of three reports taken through the Committee process during 2023/24. Twice yearly reporting of risk is now established moving forward (May/October). The senior leadership team (SLT) have been fully involved in the process throughout, with individual sessions with the Project Management Office held to update risk registers and demonstrate the new process. Full Council approved the Risk Framework and the Risk Appetite Statements during the year. The Standards and Audit Committee recommended that reports to Committees now include a section on risk as a mandatory element of the report template, so that an overview of risk issues is always considered as part of formal decision-making. This was approved by full Council and adopted. Fraud reporting has been introduced with presentations being made to both the Standards and Audit Committee and the Housing Committee and an action plan instigated for further development of anti-fraud work, including update of the Anti-Fraud policy. Internal audit assurance reports also provide assurance about controls in key financial systems and process to mitigate the potential for fraud. Internal audit report to every Standards and Audit Committee meeting. Internal Audit carried out an audit of Risk Management in the Council during February – this will be fully reported to Members at the next scheduled meeting following finalising of management responses to the audit recommendations. The recommendations will also feed into the next Risk reporting to the Committee as part of a continuous improvement process as our risk management processes mature.</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>There will always be some risk of fraud around Council Tax and Benefits, Housing matters (tenancy fraud / housing register applications etc), supplier payments for example. Internal controls are considered robust and proportionate to the risk. Fraud identified by the fraud team is not considered unusual or out of kilter in volume.</p>
<p>Are there particular locations within Runnymede</p>	

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Runnymede Borough Council, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>See previous responses.</p> <p>Examples include:</p> <ul style="list-style-type: none"> Two-factor authentication for remote sign on to RBC systems Separation of duties e.g. for approval processes / treasury management Secure systems Internal audit recommendations Review of Local Code of Corporate Governance Annual Governance Statement and associated declarations Related party transaction forms Member declaration of interests Robust monitoring of outstanding audit recommendations by the Standards and Audit Committee There are no financial incentives to staff to achieve financial targets within the financial statements (the Council monitors Key performance indicators and project delivery as part of its suite of monitoring reports) There is no management override of financial reporting The s151 officer provides a detailed risk analysis of the budget proposals within the s25 report included in the budget proposals The internal audit programme is risk-based The Council has a strong anti-fraud service provided via Reigate and Banstead Borough council staff, who maintain a weekly physical presence at the council offices and have built a good working relationship with council staff
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>No</p>

Fraud risk assessment

Question	Management response
<p>9. How does Runnymede Borough Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The Council has adopted values and behaviours which are used a part of regular one-to-ones with staff and in the appraisal process.</p> <p>Relevant policies and procedures are promoted on the staff intranet, including HR policies, work style charter, annual leave arrangements, grievance processes, social media policy, & whistle-blowing policy. Members of the Fraud team have a visible presence in the organisation and attend team meetings with relevant business units to talk about their work and promote anti-fraud measures.</p> <p>A fraud action plan has been developed including a communications drive to ensure staff, Councillors and members of the public are aware of the work we do and to encourage people to keep their data up-to-date to avoid inadvertently committing fraud by omitting to tell us when their circumstances change. Financial regs and contract standing orders are maintained. Relevant staff training takes place.</p> <p>Staff are expected to report any concerns they have whether with customers or internally. No significant issues have been reported.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>High risk posts are those that have access to financial data, particularly payments, invoices, bank accounts, etc which may be manipulated for personal gain. This risk is mitigated by separation of duties, internal system controls, two-factor authentication, dual authorisation etc. Appropriate limits for authorisation and decision-making are maintained.</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>By ensuring declarations on interest are maintained. Removing those with an interest from the decision-making process when transacting with the related party. Through training. Through maintenance of financial procedures.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Standards and Audit Committee?</p> <p>How does the Standards and 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 reporting has been introduced for the work of the Fraud Service, with an action plan for improvements. Eg consideration of a tenancy audit, which is now being taken forward under a pilot scheme with NEC / communications plan.</p> <p>The Committee received a presentation from the Fraud Service which they recommended be taken to Housing Committee for wider circulation.</p> <p>Fraud risk should also be reviewed as part of Service Risk registers, scored appropriately, and included on the Corporate Risk Register if post-mitigation scores remain significant. Risk is to be reported twice yearly to the Committee from now on. (A suite of 3 risk reports were taken to the Committee in 2023/24).</p> <p>The Committee will also see all internal audit assurance reports and therefore any risk of fraud, or actual fraud, found as part of internal audit work.</p> <p>All of this feeds into the Annual Governance Statement review and any associated actions.</p> <p>Outcomes mentioned above including Fraud and Risk reporting, presentations, action plan and comms plan.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

Law and regulations

Matters in relation to laws and regulations

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

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

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Standards and 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>The Council has in place a variety of Standing Orders covering areas such as contracts and the purchase or sale land. Those Standing Orders are drafted to ensure compliance with relevant laws and regulations. In addition to the Standing Orders the Council has also adopted various policies and procedures for discharging its functions which would have been subject to advice from either its internal legal team or external lawyers which would have involved ensuring those policies and procedures complied with relevant laws and regulations. When any matters are placed before any decision-making body of the Council i.e., Full Council or Committee then they will be looked at by the internal lawyers, and where appropriate external lawyers, to ensure compliance with relevant laws and regulations. When any legal matters are dealt with it will be handled by either an internal lawyer or external lawyer managed by an internal lawyer. A such matters will be conducted in a manner that ensures compliance with relevant laws and regulations. We also make sure Officers from other departments are aware of the SOs and comply with them.</p>
<p>What arrangements does Runnymede Borough Council have in place to prevent and detect non-compliance with laws and regulations?</p>	<p>The creation of a framework within which functions and actions are undertaken i.e., Standing Orders, policies and procedures and the involvement of qualified legal staff seeks to prevent non-compliance and also to detect non-compliance. The Council has also adopted an Anti-Fraud and Corruption Policy and a Whistleblowing Policy. The Council also has an internal audit function that supports it work to prevent or detect non-compliance with laws and regulations. Officers are supported to refer suspicious matters to the external Fraud Team for investigation</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>No</p>
<p>2. How is the Standards and Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Standards and Audit Committee receives regular internal audit reports which would highlight and issues of non-compliance. Its functions include the following matters:</p>

Impact of laws and regulations

Question	Management response
<p>5. What arrangements does Runnymede Borough Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>Identify</p> <ul style="list-style-type: none"> - Normally a person will in their communication indicate to the Council that they are pursuing some form of legal action against the Council and in such instances, matters will be referred to the Legal Team because officers will require advice on how to respond to such matters. The council is reliant on officers drawing matters to the attention of the Legal Team. Given that all correspondence being sent to the Council is not checked by the legal Team it would have to be accepted that there maybe a rare case when a claim is not dealt with because an officer has kept it hidden. To date we are not aware of such an instance but the only way to guarantee such an event occurring would require a disproportionate amount of resources being allocated to scrutinising all correspondence sent to the Council to check matters. - In respect of claims that the Council could pursue there is a reliance on officers seeking advice from Legal when they believe that something has gone wrong with a matter, they are dealing with which would give rise to the Council being able to pursue a claim. - any litigation against the council comes to legal for assessment and reply - Housing matters are sent to external solicitors, SLLP, who assess, advise and process if deemed sustainable - Fraud matters are sent to Reigate & Banstead's Fraud team, who investigate, assess, advise and proceed if deemed sustainable - Each officer will be aware of what can and can't be pursued, will pass it to their manager for authorisation, the manager evaluates and sends to legal, who then advise on suitability, costs and proceeds with the matter if suitable <p>Evaluate</p> <ul style="list-style-type: none"> - We have a number of internal lawyers able to evaluate specific litigated matters, two of whom who can advise on all types of litigations - Prosecutions are evaluated against the Code of Prosecutors (CPS test)

Related Parties

Matters in relation to Related Parties

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

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

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

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

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Runnymede Borough Council's 2023/24 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Runnymede Borough Council whether Runnymede Borough Council has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>No.</p> <p>There may be some amendments resulting from Officer/Councillor changes during the year once data collected and reviewed at year end.</p>
<p>2. What controls does Runnymede Borough Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Members and Officers are required to complete Declarations of Interest which are reviewed at the year-end along with year-end signed declaration statements from Councillors and Senior Management (sent out for completion 29/02/24)</p> <p>Declarations of interest are also minuted during Council meetings</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>The Council's procurement and payment authorisation rules (as per the Council's Financial Procedures) relate. Year-end review of declarations assessed for potential related parties with organisations known to have had a significant transaction with the Council.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>The Council's procurement and payment authorisation rules set out the process to be followed.</p> <p>Significant transactions outside of normal business are extremely rare. Any such instances would require Committee Reports seeking approval following the normal committee process – escalated from</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 Runnymede Borough Council will no longer continue?</p>	<p>Senior Management Meetings – both CLT & SLT. CLT & SLT officers also have various meetings with external partners, attend national & regional events and subscribe to various media and social outlets that provide additional information on consultations, latest thinking and general updates on items affecting service areas. Monthly global budget reports and MTFS updates to SLT following monitoring exercises with Budget Managers (also reported as 1st & 2nd Qtr reports to Corporate Management Committee) where all actual and potential issues discussed. Internal and external audits Risk Management Framework reviewed quarterly by officers taking into account known/unknown/expected changes based on RAG ratings</p>
<p>2. Are management aware of any factors which may mean for Runnymede Borough Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>No</p>
<p>3. With regard to the statutory services currently provided by Runnymede Borough Council, does Runnymede Borough Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Runnymede Borough Council to cease to exist?</p>	<p>Yes, we expect to continue No, we are not planning to cease to exist</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 Standards and 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 Standards and 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?	See Note 5 of our Statement of Accounts: Asset Valuations, Pensions Liability, Business Rate Appeals, Impairment of debts
2. How does the council's risk management process identify and address risks relating to accounting estimates?	Through discussions with valuers, actuaries and treasury advisors and any other specialists required
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Where an estimate has been made in the prior year it is reviewed at the new year end to assess whether there is a need to change processes. Where we do not have sufficient knowledge or skill to assess the requirements of estimation for a particular item (having discussed it with internal staff with the best knowledge of the service area) we will buy in that resource (e.g. external valuers for annual valuation exercise, Treasury Advisors for treasury advice etc). Finance officers may also discuss items with Surrey counterparts through Chief Accountants Group or Surrey Treasurers to ascertain similar issues elsewhere and discuss treatments.
4. How do management review the outcomes of previous accounting estimates?	Previous year estimates reviewed when preparing new year estimates to assess whether there is a need to change processes for the current year Rolling programme of asset valuations so any significant changes can be replicated to similar assets not being reviewed in that year.
5. Were any changes made to the estimation processes in 2023/24 and, if so, what was the reason for these?	No

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>Knowledge gaps identified and addressed in training (both internal and external) and, depending on subject of estimate required, assessed at the time of generating the estimate as to whether adequate knowledge exists and needs to be brought in.</p> <p>High risk and specialist areas such as property asset valuations always externalised to provide assurance and are challenged by officers, where materially different from expectations, before being included.</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>The Council has various contracts in place with external providers such as valuers and treasury advisors won through competitive tendering exercises. As part of those exercises, specific requirements such as adherence to various rules and codes of practice, have been included as has (in the case of valuations) the need for fully qualified practitioners to sign off on the valuations following internal reviews before they come to the Council.</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>Contracts are monitored as part of the Council's contract management requirements and meetings are held with consultants/providers to discuss issues as required. Performance management of contractors is also carried out periodically to ensure that the contracts and work output are delivering as required.</p> <p>Officers requesting estimates will discuss any specific requirements with the consultants to ensure the necessary inputs to a decision are provided and clear outcomes are agreed. Once the estimates are provided discussions to aid understanding of the process and assumptions used are held and challenged by officers, where materially different from expectations, before being included</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements 	<p>Any significant accounting estimates are discussed with the Corporate Head of Finance or the Assistant Chief Exec (s151 Officer) to ensure oversight and ensure assumptions behind them are justified. If not, additional requests and research may be requested,</p> <p>Further advice will be sought from other senior colleagues, Surrey counterparts or external companies for areas not able to be addressed above</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?	Historical evidence/past experience, professional judgement of officers with knowledge of service areas and their requirements and discussions with peer groups and professional practitioners
12. How is the Standards and Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Through reports from internal and external auditors and the reports on the Statement of Accounts and the ISA260 report

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	External Valuers	<p>Contract in place to adhere to relevant regulations</p> <p>Rolling programme of annual revaluations on a 4 year cycle.</p> <p>Both Corporate Head of Assets and Corporate Head of Finance review of valuations during process and challenge where deemed necessary</p>	Yes	<p>Assumptions will be set out in Valuation report from external valuers</p> <p>There will always be a degree of uncertainty inherent in any such valuations however the contracts we have in place and the challenge and reviews carried out by internal officers minimise misstatements</p>	No
46 Council dwelling valuations	As above	As above	Yes	As above	As above
26 Investment property valuations	As above	As above but revalued annually at the year end date.	Yes	As above	As above

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	Actuary's data	Part of SCC audit	Yes - Hymans	See Actuary's report – working paper P1	No
Level 2 investments	Not applicable				
Level 3 investments	Not applicable				
Fair value estimates	See Valuation comment above				

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	Spreadsheets	Provisions usually restricted to Business Rate Appeals Using best guess based on RV data	No	Use VO data on past history of success which has proved pretty reliable in the past.	No
Accruals	Spreadsheets	Outstanding POs and review of previous year to ensure all covered Also covered in guidance to staff and monthly discussions between accountants and budget managers.	No	Only real uncertainty relates to work on construction schemes at year end (which we currently have none of this year).	No
Credit loss and impairment allowances	Spreadsheets	Assessment of markets and type of debt, historic repayment and assumptions for each type of debt	Link Asset Services for Treasury related impairments	Historic default rates will continue to be used as a basis for default. For investments, the Council has not invested in institutions who have got into financial difficulties due to our low risk counterparty criteria Assumptions on debt type impairments based on historic default and type of debt have proved resilient in the past and are	No

Appendix A Accounting Estimates (Continued)

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	Not applicable				
MRP	Spreadsheets	Spreadsheet rolled forward each year (working paper F7) and updated. This is measured against existing outstanding debt and CFR	No	Council uses Asset Life Method as it's chosen MRP calculation method. Initial assumption as to life of assets made at the time of purchase/development against which loan repayable. Alternative MRP calculation methods would still have uncertainty of estimated useful life at outset	No



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