

Informing the audit risk assessment for Leicester, Leicestershire and Rutland Combined Fire Authority 2023/24

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Leicester, Leicestershire and Rutland Combined Fire Authority's external auditors and Leicester, Leicestershire and Rutland Combined Fire Authority's Corporate Governance 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 Corporate Governance Committee under auditing standards.

Background

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

This two-way communication assists both the auditor and the Corporate Governance 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 Corporate Governance Committee and supports the Corporate Governance 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 Combined Fire 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 the Combined Fire Authority's management. The Corporate Governance 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 2023/24?	Asset Valuations Any Pension issues and valuations
2. Have you considered the appropriateness of the accounting policies adopted by the Combined Fire Authority? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	Yes – Accounting Policies are reviewed annually No
3. Is there any use of financial instruments, including derivatives? If so, please explain	None known
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	None Known

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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 known
6. Are you aware of any guarantee contracts? If so, please provide further details	None known
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 known
8. Other than in house solicitors, can you provide details of those solicitors utilised by the Combined Fire Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>The Authority's legal services are provided by the Monitoring Officer and Leicestershire County Council Legal Services.</p> <p>Any specific legal advice is obtained from external professional legal firms.</p>

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General Enquiries of Management

Question	Management response
9. Have any of the Combined Fire Authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	None known
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Pensions – West Yorkshire Pension Fund & Government Actuaries Department Treasury Management – Leicester City Council
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	None known/Identified

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

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

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

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Corporate Governance Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

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

Fraud risk assessment

Question	Management response
<p>1. Has the Combined Fire Authority assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Combined Fire Authority's risk management processes link to financial reporting?</p>	<p>Although there is an on-going risk of fraud being committed against the Authority, arrangements are in place to both prevent and detect fraud. These include work carried out by Internal Audit on overall fraud risk areas. However, the risk of material misstatement of the accounts due to undetected fraud is considered to be low.</p> <p>The service engages actively with its internal audit team to review and address fraud risk. This is reported to the CFA if identified .</p> <p>The Authority's Corporate Risk Register, reported to the Corporate Governance Committee every 6 months, recognises the risks that:</p> <ul style="list-style-type: none"> • The Service will fail to meet the Aim of "Deliver value for money quality services" as set out in our Finance and Resources strategy • The Service fails to respond adequately to the financial challenges it faces <p>Together with the causes and potential results of those risks.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The Combined Fire Authority (CFA) has traditionally considered itself to be at relatively low risk of fraud, not being a traditional income generating organisation. That said, it recognises that fraud could take many forms, e.g. insider fraud such as recruitment irregularities, timesheet fraud, travel claims, overtime, sickness, fraudulent payments, cyber crime, vehicle misuse, etc.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Combined Fire Authority as a whole, or within specific departments since 1 April 2023? If so, please provide details.</p>	<p>None identified</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>The Strategic Leadership Team (SLT) reviews corporate risks on a monthly basis.</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 the Combined Fire Authority where fraud is more likely to occur?</p>	<p>None Known</p>
<p>6. What processes does the Combined Fire Authority have in place to identify and respond to risks of fraud?</p>	<p>The CFA undertakes regular reviews of its policies and promotes these to relevant staff. There is ongoing fraud identification work through the internal audit team and the internal audit work plan which identifies financial systems /payroll, contract and procurement and counter fraud as an auditable area with assurance requirements. The CFA participates in the National Fraud initiative.</p>

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Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for the Combined Fire Authority, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness of 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>The CFA has a risk-based internal audit plan delivered by Leicestershire County Council. The programme of audit activity is agreed with CFA management and approved by the CFA. Many audit jobs are 'assurance' work, intended to provide an opinion on the internal control environment that exists to prevent fraud or inadvertent error.</p> <p>The CFA is a mandatory participant in the Cabinet Office's biennial data matching exercise, the National Fraud Initiative (NFI). NFI seeks to identify, through data matching, potential anomalies worthy of further investigation that could identify fraud or error. NFI concentrates on a number of areas recognised nationally as being of particular fraud risk to public sector authorities. These include procurement fraud/error and employee fraud.</p> <p>No</p>
<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 the Combined Fire Authority communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The Service has a code of ethics which applies to its own staff. Legal advice is taken in relation to contracts to ensure that any social value /ethical issues are addressed.</p> <p>Staff are encouraged to report concerns through normal line management routes or to senior managers if preferred. The service operates a whistleblowing policy which is promoted via the intranet.</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>Principal Officers and some asset manager roles such as Head of Fleet and Equipment/Assets.</p> <p>Through a robust recruitment process and regular 1/1s as part of line management.</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>The authority maintains a "Gifts and Hospitality Register" as well as a "Members Register of Interests". This is supplemented by annual related party returns provided requested from all members and senior officers as part of the Statement of Accounts process.</p> <p>See Q7 re. National Fraud Initiative (NFI). NFI includes a range of data matching tests aimed at identifying malpractice with regard to third party relationships / conflicts of interest. This includes checks between employees and creditors, e.g. same bank account or address, and between employees and directors of limited companies registered at Companies House.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Corporate Governance Committee?</p> <p>How does the Corporate Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The Committee receives regular reports against the Internal audit plan, an annual report from the Head of Audit with an opinion on the overall adequacy and effectiveness of the control environment. There is also a governance update on the operation of key policies.</p> <p>Internal Audit reporting to Corporate Governance Committee.</p> <p>The committee received a report on the audit plan and the audit opinion in July 2023, September 2023, November 2023 and March 2024.</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>There has been one anonymous complaint by a whistleblower in the last 12 months which has been actioned so far as is possible in relation to an unsubstantiated anonymous complaint.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>There have been no reports under the Bribery Act.</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 Corporate Governance Committee, is responsible for ensuring that the Combined Fire Authority's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Corporate Governance 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 the Combined Fire Authority have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Combined Fire Authority's regulatory environment that may have a significant impact on the Combined Fire Authority's financial statements?</p>	<p>The service has access to legal advice and support from legal services at Leicestershire County Council and from specialist counsel where required and /or from private law firms in a public sector Consortium (EM Lawshare). Legal advisors alert the service to relevant changes in legislation or case law as required .</p> <p>Reports to the CFA include legal implications covering the advice to the CFA.</p> <p>The Authority's s151 Officer is responsible for preparing the accounting statements in accordance with relevant legal and regulatory requirements. The statements are constructed by reference to CIPFA's Code of practice on Local Authority Accounting and related guidance notes. This is supplemented by annual technical accounting workshops run by CIPFA and Grant Thornton.</p>
<p>2. How is the Corporate Governance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The reports to the Corporate Governance Committee include legal implications covering the advice to the Committee.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2023 with an on-going impact on the 2023/24 financial statements? If so, please provide details</p>	<p>None</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>There is a) pending litigation on a national issue to do with a finding of age discrimination following the introduction of the revised firefighters pension scheme in 2015, which has been the subject of recent amending legislation; and b) potential litigation relating to retained firefighter pensions arising from judgments on the rights of part time workers. These matters are national affecting all FRAs and are coordinated via the LGA. Updates locally are reported to the CFA's Local Pension Board, with any decisions required being taken by the CFA or the Scheme Manager.</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does the Combined Fire Authority have in place to identify, evaluate and account for litigation or claims?	Representatives from the service meet regularly formally and informally with the Treasurer and Monitoring Officer to discuss live issues that may have the potential to result in litigation. Networking through the Fire Lawyers Network helps to identify issues on the horizon.
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	No

Related Parties

Matters in relation to Related Parties

The Combined Fire Authority is 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 the Combined Fire Authority;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Combined Fire 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 Combined Fire Authority, or of any body that is a related party of the Combined Fire 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 Combined Fire Authority's perspective but material from a related party viewpoint then the Combined Fire 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 the Combined Fire Authority'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 the Combined Fire Authority • whether the Combined Fire Authority has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	None identified
<p>2. What controls does the Combined Fire Authority have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none"> • Maintenance of a Register of interests for Members, a register for pecuniary interests in contracts for Officers and Senior Managers requiring disclosure of related party transactions. • Annual return from senior managers/officers requiring confirmation that they have read and understood the declaration requirements and stating details of any known related party interests. • Annual return from Members stating details of any known related party interests. • Review of in-year income and expenditure transactions with known identified related parties from prior year or known history. • Review of related information with subsidiaries, companies and joint ventures, e.g. accounts. • Review of all CFA meetings minutes to identify any declarations of interest

Related Parties

Question	Management response
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	See response above together with the Authority's Corporate Procurement Procedures
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	See response above together with the Authority's Corporate Procurement Procedures

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 the Combined Fire Authority will no longer continue?</p>	<p>The Authority has prepared and approved a Budget Strategy Report 2024/25 (14 February 2024) which includes a Medium Term Financial Plan for 2025/26 to 2026/27.</p> <p>There are no known indications that the statutory service would no longer continue.</p>
<p>2. Are management aware of any factors which may mean for the Combined Fire Authority 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>None known</p>
<p>3. With regard to the statutory services currently provided by the Combined Fire Authority, does the Combined Fire Authority 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 the Combined Fire Authority to cease to exist?</p>	<p>There are no known plans or indications that there will be any change to the statutory services provided for the foreseeable future</p>
<p>4. Are management satisfied that the financial reporting framework permits the Combined Fire Authority to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>Yes</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 Corporate Governance 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 Corporate Governance 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?	The Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the UK (Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance. Asset valuations are made in line with RICS guidance.
2. How does the Combined Fire Authority's risk management process identify and address risks relating to accounting estimates?	See above. In addition senior Finance staff will attend Grant Thornton and CIPFA closedown workshops
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Specialist advisors are consulted where appropriate and source data provided to enable accounting estimates: Pensions: Government Actuaries Department for Fire pensions, Hymans for LGPS Pensions: West Yorkshire Pension Fund for Fire Pensions, Leicestershire Pension Fund for LGPS Asset Valuations: Provided by internal experts and reviewed by Finance
4. How do management review the outcomes of previous accounting estimates?	Consideration/recommendations within the previous years Audit Findings Report and Auditor's Annual Report. Internal Audit recommendations
5. Were any changes made to the estimation processes in 2023/24 and, if so, what was the reason for these?	No significant changes are envisaged

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>The Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the UK (Code), supported by International Financial Reporting Standards (IFRS), RICS and statutory guidance.</p> <p>Where estimates are required appropriate estimation methodology is utilised. Estimates are prepared by those who are best qualified e.g. for pension and asset valuations.</p>
<p>7. How does the Combined Fire Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>See above. In addition any work provided outside of the Finance Team is reviewed by the responsible Finance Team member. Statement of Accounts working papers are also independently reviewed by another member of the Finance Team.</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 above. In addition any work provided outside of the Finance Team is reviewed by the responsible Finance Team member. Statement of Accounts working papers are also independently reviewed by another member of the Finance Team.</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>See above. In addition any work provided outside of the Finance Team is reviewed by the responsible Finance Team member. Statement of Accounts working papers are also independently reviewed by another member of the Finance Team.</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?	There are no major changes in circumstances expected for accounting estimates in 2023/24. Any changes to the Code and IFRS will be reflected within the Statement of Accounts.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Where estimates are required appropriate estimation methodology is utilised. Estimates are prepared by those who are best qualified e.g. for pension and asset valuations.
12. How is the Corporate Governance Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Accounting polices provide details within the Authority's Statement of Accounts. The S151 Officer provides assurance to the Corporate Governance Committee and signs the Statement of Accounts. Internal Audit and Grant Thornton also report to the Corporate Governance Committee.

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?
Property plant & equipment (PPE) valuations.	Valuations are made by a suitably qualified internal Valuer in line with RICS guidance on the basis of 5 year valuations with interim reviews. The Authority are having a full valuation in 2023/24.	Members of the Finance Team notifies the Valuer of the program of rolling valuations or of any conditions that warrant an interim re-valuation.	Valuer used for PPE valuations.	Valuations are made in line with RICS guidance - reliance on expert.	No
Pension liability	The Authority is an admitted body to the Local Government Pension Scheme (LGPS). The Uniformed Schemes are unfunded and are administered by the Authority based upon guidance from DLUHC. Information is passed from the Authority to the Actuaries upon which they base their assessment for the estimate.	The Actuary reports are reviewed by Finance Staff for reasonableness.	Yes – the Actuary for the LGPS and the Uniformed Schemes.	Reliance upon another auditor for their work on the Actuary of the LGPS through their audit of the Leicestershire County Council. Reliance upon the expertise of the Actuary of the Uniformed Pension Schemes.	No

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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?
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.	Valuer used for PPE valuations	Valuations are made in line with RICS guidance - reliance on expert.	No
Bad Debt Provision	A provision is estimated using a proportion basis of an aged debt listing.	Members of the Finance Team calculate the provisions from the aged debt listing based upon prior experience.	No	A consistent proportion of the aged debt listing is applied after any specific debts have been provided for where circumstances of certainty are known. The proportion is based upon the type of debt and historic payment pattern.	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 Finance Team collate accruals of income and expenditure from sales ledger, purchase ledger, budget information and budget holders. Activity is accounted for in the financial year that it takes place, not when the money is paid or received in line with the accounting policies.	Sales ledger, purchase ledger, management accounts and budget holder information are assessed by the Finance Team.	No	Accruals for income and expenditure have been principally based on known values. Where estimates have to be made these are based upon the latest available information.	No
Measurement of Financial Instruments	The Authority values financial instruments at fair value based upon current conditions and Senior Finance team judgement.	An estimate is made by senior members of the finance team.	No	The Authority does not have many balances which are required to be disclosed as a financial instrument. Considered straight forward with a low degree of estimation required.	No

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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 and Amortisation	<p>The following asset categories have general asset lives:</p> <ul style="list-style-type: none"> •Operational Vehicles –straight line over 10 years. •Ancillary Vehicles -straight line over 5 years. •Equipment -straight line over 5 years. <p>Depreciation is provided for all fixed assets with a finite life on a straight line basis. Asset lives for buildings are obtained from the Valuer. Freehold land is not depreciated.</p> <p>No depreciation is accounted for in the year of acquisition but is accounted for in the year of disposal.</p>	Consistent asset lives applied to each asset category.	Valuer used for PPE and estimated remaining useful life assessments.	The method makes some generalisations. For example, buildings tend to have a useful life of 50 years. Although in specific examples based upon a valuation review, a new building can have a life as short as 25 years or as long as 70 years depending on the construction materials used. This life would be recorded in accordance with the local qualified RICS or CIB Member.	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 for liabilities	Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement, by a transfer of economic benefits or service potential, and a reliable estimate made of the value. Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.	Charged in the year that the Authority becomes aware of the obligation. A Calculation is made by Senior members of the finance team based upon information from third parties e.g. insurers, solicitors.	No	Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Authority.	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?
Non Adjusting events – events after the balance sheet date	The S151 Officer and senior finance staff make the assessment. If the event is indicative of conditions that arose after the balance sheet date then this is an adjusting event which is disclosed as a note to the accounts identifying the nature of the event and where possible estimates of the financial effect.	The S151 Officer liaises with the Finance team and considers all known information.	Yes – the Actuary for the LGPS and the Uniformed Schemes.	This would be considered individually for each case.	No



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