

Informing the audit risk assessment for Sandwell Metropolitan Borough Council 2020/21

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Table of Contents

Section	Page
Purpose	4
General Enquiries of Management	X
Fraud	X
Fraud Risk Assessment	X
Laws and Regulations	X
Impact of Laws and Regulations	X
Related Parties	X
Accounting Estimates	X
Accounting Estimates - General Enquiries of Management	X

Purpose

The purpose of this report is to contribute towards the effective two-way communication between the Council's external auditors and the Council's Audit and Risk Assurance Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Risk Assurance Committee under auditing standards.

Background

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

This two-way communication assists both the auditor and the Audit and Risk Assurance Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Risk Assurance Committee and supports the Audit and Risk Assurance 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, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Sandwell Metropolitan Borough Council's management. The Audit and Risk Assurance 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 2020/21?	The impact of COVID-19 across various items, such as asset valuations, and provisions for prior year debt.
2. Have you considered the appropriateness of the accounting policies adopted by the Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	Yes we have considered the appropriateness of the accounting policies adopted by the Council. Alternative treatment has been agreed in relation to various provisions (impairment allowances) following a management review. The underspend against the pooled budget held by Adults Services was also moved to an earmarked reserve.
3. Is there any use of financial instruments, including derivatives?	Yes. The Council makes use of financial instruments as detailed in the statement of accounts. The council does not make use of derivatives.
4. Are you aware of any significant transaction outside the normal course of business?	None as at 17/02/21

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?	None as at 17/02/21
6. Are you aware of any guarantee contracts?	The council guarantees the pension deficits for a number of admitted bodies. These were reviewed as part of the 2019/20 closedown process and deemed to be unlikely to be required to be paid out and are therefore not currently reflected on the council's balance sheet. They will be reviewed again for 2020/21 closedown.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	There are no losses that would result in an insurance claim that the council is aware of. All insurance related claims for compensation are recorded on the council's claims handling system and an appropriate reserve is noted (and provided for), which is regularly reviewed as the claims handling investigations progress.
8. Other than in house solicitors, can you provide details of those solicitors utilised by the Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>The council have a framework with EMLAW Share and utilise the assistance of external solicitors from time to time from the framework to assist with capacity and complexity. Other external Solicitors have also been used for capacity issues off the frame work. The use of external solicitors has primarily been in relation to childcare proceedings and for a small number of governance issues. These matters are not matters in which litigation has been raised against the council. The limited matters where solicitors have been instructed in relation to litigation against the council are as follows;</p> <p>Weightmans Solicitors (case of breach of data protection and PI for Cllr and Son)- ongoing from previous year and current open litigation, with insurers.</p> <p>Advice from Jonathan Goulding in relation to a defamation claim against the council (carried over from previous year, now concluded)</p> <p>Advice from Pinsent's solicitors for contract negotiations in relation SLT (Not yet in litigation but warned as this matter may lead to litigation against the Council)</p> <p>All other claims against the council and using external solicitors will be captured in the insurance return</p>

General Enquiries of Management

Question	Management response
9. Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	None as at 17/02/21
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	SMBC consults a wide range of advisors in many areas of its business. None of these are likely to have a material impact on the financial statements.

Fraud

Issue

Matters in relation to fraud

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

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

As Sandwell Metropolitan 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 Audit and Risk Assurance Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Risk Assurance Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Risk Assurance 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 Council's management.

Fraud risk assessment

Question	Management response
<p>1. Have the 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 collective processes for closedown, budget monitoring and outturn take into consideration the risk of material misstatement due to error or fraud. Senior finance officers meet regularly to consider any issues arising from budget monitoring and the closedown process. Should any fraud be reported as part of this or any other process, corrective action would be taken. A strategic and fraud risk register is also maintained.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The Council takes into account the findings in publications such as the CIPFA "Fraud Tracker Survey" which identifies fraud trends, and those areas more susceptible to fraud. From this a Fraud Risk Register has been developed. For the areas listed in the question, the risk of cyber crime, particularly through the likes of bank mandate fraud and journals, would appear to be at most risk to fraud..</p>

Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Council as a whole or within specific departments since 1 April 2020? As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>As with all large organisations there is a likelihood that fraud will be taking place in some shape or form, and there are a small number of ongoing investigations into cases of suspected fraud – however, nothing material.</p> <p>Regular reports on instances of fraud are presented to the Council’s Audit and Risk Assurance Committee</p>
<p>4. Have you identified any specific fraud risks? Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within the Council where fraud is more likely to occur?</p>	<p>The Council takes into account the findings in publications such as the CIPFA “Fraud Tracker Survey” which identifies fraud trends, and those areas more susceptible to fraud. From this a Fraud Risk Register has been developed, which in turn, is used to help inform and drive the work of the Counter Fraud Unit. There are no known locations within the Council where fraud is more likely to occur.</p>
<p>5. What processes do the Council have in place to identify and respond to risks of fraud?</p>	<p>Identify – as above, plus through use of fraud/whistleblowing hotlines, the general control framework and the work of Internal Audit.</p> <p>Respond – the Council has a dedicated Counter Fraud Unit who investigate all cases of suspected fraud. The Unit also leads on the Cabinet Office’s National Fraud Initiative exercise.</p>

Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for the 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)?</p>	<p>Audit Services have given an unqualified opinion on the adequacy and effectiveness of the Council's internal control system for a number of years.</p> <p>Individual internal audit reviews are undertaken in-year, and Audit Services report back, where appropriate, on individual areas where controls could be improved. Recommendations will then be made in order to improve any weaknesses found, and key recommendations are later followed up.</p> <p>They also report any key control weaknesses at each meeting of the Audit and Risk Assurance Committee.</p> <p>The Council's Counter Fraud Team (sitting within Audit Services) incorporates a broad skills base, which provides the resources to perform counter fraud and investigation activities and strengthens the council's ability to respond to fraud.</p> <p>There are not any known areas where there is a potential for override of controls or inappropriate influence over the financial reporting process.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>There are no particular areas known to be at high risk with the potential for misreporting.</p> <p>.</p>

Fraud risk assessment

Question	Management response
<p>8. How do the 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?</p> <p>Have any significant issues been reported?</p>	<p>The Council has a number of policies and procedures (which broadly set out the nature of concerns they cover) to help raise the awareness of, and combat fraud:</p> <ul style="list-style-type: none"> • Anti-Fraud and Corruption Policy • Whistleblowing Policy • Anti-Money Laundering Policy <p>Where appropriate, these documents are available on the internet. The internet page on fraud has been designed to help strengthen the ease in which potential fraud can be reported on-line and there is also a fraud hot line number.</p> <p>Employees learn about business practices and ethical behaviour through the following:</p> <ul style="list-style-type: none"> Codes of Conduct Induction training Financial Regulations and Contract Procurement Rules Adherence to procurement procedures <p>The policies referred to above encourage employees to report any concerns, and these include full contact details – including a confidential hotline. The Council's internet site allows on-line reporting.</p> <p>There have been no significant issues reported.</p>
<p>9. 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</p>	<p>Senior Officers and Members who have powers to influence decisions are potentially the highest risk posts in respect of fraud and corruption.</p>

Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit and Risk Assurance Committee?</p> <p>How does the Audit and Risk Assurance 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>A regular Counter Fraud Update report is presented to the Audit and Risk Assurance Committee detailing how the Council is tackling issues around fraud and includes details of any recent investigations into suspected fraudulent activity.</p> <p>As part of the Annual Internal Audit Plan, Audit Services undertake annual reviews of many of the Council's key financial systems – consideration of fraud forms part of these.</p> <p>The Council also fully participates in the Cabinet Office's National Fraud Initiative, and other national fraud benchmarking exercises, as appropriate. These arrangements appear to work well.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>There have been a small number of whistleblowing and related complaints – these are raised with the Monitoring Officer and investigated as appropriate.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>There have been no known fraud reported to us under the Bribery Act.</p>

Law and regulations

Issue

Matters in relation to laws and regulations

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

Management, with the oversight of the Audit and Risk Assurance Committee, is responsible for ensuring that the 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 and Risk Assurance Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information 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 Council have in place to prevent and detect non-compliance with laws and regulations? 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>The Council has a firm grip of the governance framework. There is specific monitoring of; Specific statutory responsibilities. Financial Regulations and Procedures. Procurement and Contract Procedure Rules.</p> <p>Employees and partners were aware of and comply with their responsibilities relating to the: Anti-Money Laundering Policy. Anti-Corruption Policy. Anti-Fraud Strategy. Bribery Act. Confidential Reporting Code (Whistleblowing Policy). Code of Conduct for Officers. Code of Corporate Governance.</p> <p>The procedures are monitored and reported annually through DAS. Issues can also be confidentially reported through the confidential reporting code and through the arrangements for dealing with standards allegations under the Localism Act 2011</p>
<p>2. How is the Audit and Risk Assurance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>All reports submitted to the Audit and Risk Assurance Committee have a covering report, which includes a section on Legal and Governance considerations.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?</p>	<p>None of such significance to affect the financial statement</p>
<p>16 4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>None of such significance to affect the financial statement</p>

Impact of laws and regulations

Question	Management response
<p>5. What arrangements does Sandwell Metropolitan Borough Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>Save for insurance claims litigation and claims against the council are received either directly by the councils internal legal department or they are sent to the legal department by other departments. The council's constitution specifies the delegation to deal with litigation matters sits with the Director of Legal and Governance and legal officers as per his delegation. The Councils internal legal department are Lexcel accredited. All claims are risk assessed by our lawyers and ranked as to whether the risks are acceptable or not. The fee earner consults with the relevant internal department and director if appropriate. Claims are logged, allocated to a fee earner, logged on the internal case management system and tracked by management. Monthly reports are then given to the relevant departments. Spot checks are made of files on a monthly basis.</p> <p>In terms of insurance claims received by the council, these are logged onto the council's claims handling system. Upon acknowledgement of claim, an insurance reserve/ provision is also recorded based upon the information available at the time. The claim is then investigated either internally by the Insurance Team officers or externally by insurers (dependent upon the nature and estimated value of the claim). The claim is regularly reviewed during the investigation process in light of any further evidence and documentation available and the value of the claim is reviewed also to ensure it remains appropriate where it is likely that the claim will not be repudiated.</p>
<p>6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?</p>	<p>The VAT treatment of the certain types of land charge searches (CON29 Income) became liable to the standard rate of VAT from 1 April 2017. As a result of this change which affected all Local Authorities nationally, Sandwell has recently made a self declaration which has been agreed and accepted by HMRC. The total under-declaration of VAT was £75,605 and covers the period 1 April 2017 to 31 December 2020. Revised procedures have now been fully documented and implemented to ensure that VAT on this source of income is correctly accounted for and declared in future.</p>

Related Parties

Issue

Matters in relation to Related Parties

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

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by Sandwell Metropolitan Borough Council;
- associates;
- joint ventures;
- an entity 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 entity 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 Sandwell Metropolitan Borough Council's 2019/20 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 the Council• whether the Council has entered into or plans to enter into any transactions with these related parties• the type and purpose of these transactions	<p>There have been no changes in the related parties disclosed in SM 19/20 statements.</p>
<p>2. What controls does the Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Annual forms are sent to all senior officers for disclosure of any related party interests. In accordance with the Localism Act 2011 and as set out in the Council's Members Code of Conduct it is each members responsibility to ensure their declaration is up to date. An annual review is undertaken by officers and one to ones are arranged with members if they require additional advice. Training is also offered to members on the Members Code of Conduct which includes their obligations in relation to their declarations of interest each year. Members are aware that they must update their Registers with relevant disclosures within 28 days of them becoming aware of them. Cabinet reports are sent to Finance to sign off which will identify any new companies the council has an interest in.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Reports are submitted and members are requested to declare interests in any matters being presented</p>

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity'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 entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity'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?	Asset Valuations, Useful Lives, Depreciation & Impairment.
2. How does the Council's risk management process identify and addresses risks relating to accounting estimates?	Discussions with Valuers and Auditors both Internal and External. Valuations are undertaken at regular intervals and reviewed annually. Impairments reviews are undertaken each year to inform the process. Categorisation reviews are carried throughout the year to ensure the correct methodology is applied to each asset.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Employ Internal and External Experts ensure compliance with the relevant codes and guidance (eg RICS and CIPFA). DRC,EUV and Fair Value are used with PPE assets in line with the code guidance. EUV –SH is used for Housing Stock valuations. Depreciation is calculated on a straight line basis in line with the code.
4. How do management review the outcomes of previous accounting estimates?	This is not possible for asset valuations unless assets are sold.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	No.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Discussions with Internal valuers. External experts are employed where specialised knowledge is required (eg Beacon Valuations)</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>Discussions with Valuers and Auditors both Internal and External. Valuations are undertaken at regular intervals and reviewed annually. Useful lives are updated on re-valuation. Impairments reviews are undertaken each year to inform the process. Categorisation reviews are carried throughout the year to ensure the correct methodology is applied to each asset.</p>
<p>8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>Review meetings with Valuers both Internal and External. Discussions with Finance Teams. Valuations are undertaken at regular intervals and reviewed annually. Impairments reviews are undertaken each year to inform the process. Categorisation reviews are carried through the year to ensure the correct methodology is applied to each asset. Review of Demolition and Insurance Reports.</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 	<p>Review by Senior Finance Officers and Section 151 Officer.</p>

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?	Measurement of Financial Instruments
2. How does the Council's risk management process identify and addresses risks relating to accounting estimates?	Use of External Treasury Management (TM) experts. Knowledge and Experience of the Internal TM Team.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Employ External Experts ensure compliance with the relevant codes and guidance (eg Prudential & Treasury Management Codes). Knowledge and Experience of the Internal TM Team. Ammortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit and Loss (FVPL) are used for valuing Financial Instruments in line with relevant code guidance.
4. How do management review the outcomes of previous accounting estimates?	Comparison with the latest estimates and discussions with external TM experts.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	No.

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	External experts are employed where specialised knowledge is required (eg Birmingham Airport shares valuations).
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?	Discussions with External TM experts.
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Review meetings with External TM experts.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul data-bbox="98 846 697 988" 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.	Review by Senior Finance Officers and Section 151 Officer.

Question	Management response
<p>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, the accounting estimate and related disclosures?</p>	<p>The NNDR provisions for appeals and bad debts. The provision for council tax bad debts.</p>
<p>How does the Council's risk management process identify and address risks relating to accounting estimates?</p>	<p>There are monthly meetings between finance and Revs and Bens. These include the Service Manager for Revs and Bens and the SMBC S151 officer. The meetings are mainly to review the latest monitoring information on both council tax and NNDR but there are also discussions on bad debts and NNDR appeals at key points during the year.</p>
<p>How do management identify the methods, assumptions or source data, and the need for changes in relation to key accounting estimates?</p>	<p>The source data for our bad debts provisions on NNDR and Council Tax is the outstanding debts data held on SBS. For NNDR appeals as appeals data is not maintained by Sandwell MBC it is appropriate to use an external valuation expert which produces reports detailing appeals lodged and other reports for unlogged appeals (threats) where an appeal may be lodged in the future.</p>
<p>How do management review the outcomes of accounting estimates?</p>	<p>The NNDR provision for bad debts is reviewed against bad debts actually written off during the financial year. This information is one of the factors used in determining the NNDR bad debts provision for the following year.</p> <p>The council tax provision for bad debts calculation now uses a new method of calculation which for each previous financial year takes account of the percentage reduction in bad debts in previous years. After ten years 100% of debts outstanding will be written off. This is a new method of calculating the council tax bad debts provision and it will be reviewed each year for accuracy.</p>
<p>Were there any changes made to the estimation processes in 2021 and, if so, what was the reason for these?</p>	<p>During the audit of the 2019-20 appeals provision the risk of not including an estimate of unlogged appeals (threats) in our NNDR appeals provision was raised by audit. This was addressed by a full review of the methodology used to calculate a revised appeals provision for the final accounts. We involved both the Revs and Bens service and our external valuation experts Analyse Local in these discussions. Our final accounts</p>

<p>management identify the need for and apply skills or knowledge related to accounting</p>	<p>In producing the accounting estimate for the appeals provision we use reports provided by our external valuation experts Analyse Local who are able to provide us with three key reports to help us determine our appeals provision. An appeals report includes the appeals that Analyse Local felt will be successful. A check and challenge report includes all challenges lodged against the 2017 ratings list. The unlodged appeals (threats) report includes accounts that may put in a check, challenge or appeal but may never lodge an appeal.</p>
<p>the Council determine what control needed for significant accounting including the controls at any service providers and expert experts?</p>	<p>When using the reports from Analyse Local we do not use the data from these reports without a thorough review. These reports are reviewed by appropriate officers within the Revs and Bens service to determine if any refinements are required to the calculation of our appeals provision. This may include the exclusion of certain appeals included within the Analyse Local reports or the addition of a new class of appeals that have not yet been picked up by the Analyse Local reports. The analyse local reports and any adjustments by Revs and Bens are reviewed by finance. The final appeals provision is reviewed and agreed by the Revs and Bens manager and a finance manager.</p>
<p>management monitor the operation of control related to accounting estimates, including the at any service providers or management</p>	<p>The appeals data from Analyse Local is monitored throughout the year by running monthly appeals reports. Any significant changes to the data on any of the reports is queried immediately with Analyse Local to enable us to be confident of the accuracy of the data provided.</p>
<p>nature and extent of oversight and over management's financial reporting related to accounting estimates, including: management's process for making significant estimates methods and models used related accounting estimates included in the statements.</p>	<p>The final accounting estimates for both council tax and NNDR that are included in our final accounts are agreed by both the S151 officer and the Revs and Bens Service manager. In addition monthly meetings between finance and Revs and Bens will review any new information received during the year which may result in significant changes to any accounting estimates so an early decision can be made if there will be a change in the method of calculation or data used.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of 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)?	No
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Through external audit reporting to the Committee



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