

# Informing the audit risk assessment for Warwickshire County Council 2023/24

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

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## Purpose

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

## Background

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

This two-way communication assists both the auditor and the Audit & Standards 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 & Standards Committee and supports the Audit & Standards 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 County 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 Warwickshire County Council's management. The Audit & Standards 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>The effects of the global economic and security situation and the continued inflationary risk will potentially impact investment fund values, which in turn will potentially impact on long term asset values and the net pension liability. The inflationary risk has impacted on the cost of capital investment and, more generally, the cost of providing services. This effect has been managed through our risk reserves and contingency funds in 2023/24 and the impact over the medium term formed part of the 2024-29 Medium Term Financial Strategy (MTFS) and will be a consideration in future annual MTFS refreshes. Due to these increases in costs we expect to see increases in the Net Cost of Services reported in the Financial Statements.</p> <p>From the continuation of the Capital Investment Fund, the Warwickshire Property and Development Group (WPDG) and the Warwickshire Investment Fund (WIF) in 2023/24, we are planning for an increase in our level of internal borrowing and long-term external borrowing over the medium term, together with an increase in the number and value of Long-Term Assets.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Warwickshire County 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>Our accounting policies are reviewed annually to ensure they are relevant and complete. Audit and Standards Committee, on 20 November 2020, approved a new policy for Group Accounts and amended our leasing policy to be consistent with the new accounting standard for leases, which will be adopted on 1 April 2024. These policies are still considered appropriate.</p> <p>We will <b>not</b> be preparing Group Accounts in 2023/24 as the level of activity of WPDG or our other subsidiaries is currently not sufficiently material to require consolidation. We are in a position to implement the new Leasing Standard IFRS16 from 1 April 2024, the estimated impact of the changes in the 2024/25 accounts will be included in the notes to the 2023/24 Statement of Accounts.</p>

# General Enquiries of Management

Question	Management response
3. Is there any use of financial instruments, including derivatives? If so, please explain	<p>Yes. The County Council's financial instruments consist of investments with fund managers, building societies and other local authorities, cash and cash equivalents, both long and short-term debtors and creditors and borrowings with the Public Works Loan Board. In 2023/24:</p> <ul style="list-style-type: none"><li>• Coventry &amp; Warwickshire Reinvestment Trust (CWRT) continued to hold money as loan as part of the Government backed CBILs loan scheme to give access to local businesses to loan facilities during the pandemic. No new funds were loaned as part of this scheme.</li><li>• We have made non-treasury loans to WPDG to provide cashflow capacity during the set-up phase.</li><li>• We have made capital loans to WPDG to provide upfront funding for development costs.</li><li>• We have transferred funds to CWRT to manage and operate the WIF LCE Pillar as the Fund Manager.</li><li>• We have continued the non-treasury loan to Educaterers.</li></ul> <p>We do not make use of derivatives directly, however some funds invested in through fund managers could make use of derivatives to achieve their overall objectives.</p>
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	<p>We are not aware of any significant transactions outside the normal course of business.</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?	We are not aware of any changes in circumstances that would impair our non-current assets.
6. Are you aware of any guarantee contracts? If so, please provide further details	We are not aware of any contracts where WCC guarantees the performance of third parties. As part of the preparation of the statement of accounts we will assess whether there are any guarantees we need to be aware of and, if identified, disclose appropriately.
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	We are not aware of any loss contingencies and/or unasserted claims that would be material to the financial statements.
8. Other than in-house solicitors, can you provide details of those solicitors utilised by Warwickshire County Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>We use external solicitors or Counsel on occasion where there is insufficient resource within the internal team to meet specific deadlines, or where there are specialisms required such as tax, immigration or banking law that we do not have within the internal team. For the most part work is undertaken within the in-house team.</p> <p>In the past year examples of work undertaken externally for the above reasons includes:</p> <ul style="list-style-type: none"> <li>• Solicitors for our insurers on insured/insurable claims (such as personal injury, potholes, compensation, property damage etc.)</li> <li>• Solicitors for the disposal of land (not a contingency or a claim) on an occasional basis</li> <li>• Solicitors for land development disposal and project work (not a contingency or a claim) on an occasional basis</li> <li>• Solicitors for agricultural work where there is insufficient internal capacity at the relevant time</li> <li>• Immigration advice</li> </ul>



# General Enquiries of Management

Question	Management response
9. Have any of the Warwickshire County 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	None that we are aware of.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<ul style="list-style-type: none"><li>• Treasury management consultants on market movements, PWLB and CIPFA consultations, Treasury Management Service Strategy and Investment Strategies and forecasting as part of an ongoing service contract</li><li>• Various Counsel on various matters where required (i.e. employment advice, legal interpretation of contracts/legislation etc)</li><li>• Specialist advisors on the development of the Authority's new risk framework and approach to risk management</li><li>• Various subject matter experts to support the Authority's change programme</li><li>• Property, legal and subject matter experts to support the business cases for the operation of WIF and WPDG</li><li>• Specialist advisors to support the valuations in the Statement of Accounts including actuarial support and property valuations.</li><li>• Tax advisors via a subscription service to provide day to day advice, particularly on VAT matters.</li></ul>

# General Enquiries of Management

Question	Management response
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	<p>We have identified the following areas where the need for credit loss provisions will be assessed as part of the preparation of the financial statements:</p> <ul style="list-style-type: none"><li>• Educaterers</li><li>• CWRT re CBILS</li><li>• WPDG and Develop Warwickshire JV</li><li>• WIF loan book</li></ul>

# Fraud

## Matters in relation to fraud

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

The primary responsibility to prevent and detect fraud rests with both the Audit & Standards Committee and management. Management, with the oversight of the Audit & Standards 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 & Standards Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Warwickshire County 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 & Standards 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 & Standards Committee oversees the above processes. We are also required to make inquiries of both management and the Audit & Standards 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 Warwickshire County Council's management.

# Fraud risk assessment

Question	Management response
<p>1. Has Warwickshire County 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 County Council's risk management processes link to financial reporting?</p>	<p>We have adopted the CIPFA Code of Practice for Managing the Risk of Fraud and Corruption and this is reflected in our anti-fraud policy.</p> <p>Our process for identifying and responding to the risk of fraud is undertaken via the Preventing Fraud, Bribery and Corruption Framework and the Council's Whistleblowing policy. We have reviewed fraud risk using the results of national studies and local experience. Awareness of the most significant fraud areas has been promoted through the staff magazine Working for Warwickshire, and the intranet. We have also promoted a specific fraud awareness online training module which is available to all staff. On the basis of these policies and frameworks we have assessed the risk of material misstatement due to fraud as low.</p> <p>All reports to decision-makers and those charged with governance include a financial implications section that is signed-off in advance by the senior managers in the Finance Service.</p> <p>Significant risks are actively managed by Corporate Board through the Strategic Risk register, using a consistent approach to financial risk assessment, and are reported to Members on a quarterly basis alongside the financial monitoring information. Furthermore, Council requires that Corporate Board take the key strategic risks and any mitigating action needed into account as part of preparing the annual MTF5 refresh.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Some of the key fraud risk areas were identified and highlighted in the fraud awareness raising articles on the intranet. These were Procurement Fraud and Social Care Fraud. These were covered along with fraud methods which were Cyber Fraud, Social Engineering and Insider Fraud. The need for fraud awareness on these issues has been highlighted on the Intranet and Yammer and in Working for Warwickshire. Our Fraud Awareness Week in November 2023 covered the following themes: Monday - Take Five to stop Fraud - looks at the Government's new fraud strategy and what you should do if you suspect fraud at work. Tuesday - Rise of the machines for AI scams - highlights ways that fraudsters are increasingly using AI to exploit consumers. Wednesday - Guarding against supplier fraud - explores the risks of supplier fraud and highlights steps that can be taken to prevent it from occurring, both in your personal life and within the workplace. Thursday - Guarding against payment fraud - aims to shed light on the issue of payment fraud, offer insights into its impact, and provide guidance on how to protect yourself and your community. Friday - Protecting yourself from fraud - risks and prevention at home and work - summarises the key messages from this week. This was publicised through the intranet and the Working For Warwickshire online magazine: <a href="#">Working for Warwickshire - Fraud Awareness</a></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 Warwickshire County Council as a whole, or within specific departments since 1 April 2023? If so, please provide details</p>	<p>We are not aware of any instances of actual, suspected or alleged fraud that would have a material impact on the accounts. Risk issues are reported at a strategic level in quarterly monitoring reports. Fraud issues are reported to the relevant senior management and to the Audit &amp; Standards Committee as appropriate. Control issues, fraud, risks and errors captured through the planned internal audit activity and through investigations are reported to management and reported in summary to the Audit &amp; Standards Committee.</p> <p>We have not experienced any significant governance failures during the last year and our arrangements continue to be regarded as fit for purpose in accordance with the governance framework.</p> <p>Any major governance challenges are reflected in the organisation's strategic and service risk registers, which highlight actions being taken to address these challenges going forward.</p> <p>A prime purpose of the governance framework is to minimise the occurrence of strategic risks and to ensure that any such risks arising are highlighted so that appropriate mitigating action can be taken. We are satisfied that the challenges identified are addressed by council plans that the actions identified in those plans will address the issues highlighted in our review of effectiveness.</p> <p>The Code of Conduct and Council policies require matters to be reported to the Monitoring Officer. Monitoring Officer reports to a bi-monthly statutory officers meeting those matters which are required to be disclosed. Monitoring officer has statutory duties in terms of review and investigation.</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>There is always a risk of fraud in such a large and complex organisation. However, the governance and control environment, supported by the preventing fraud, bribery and corruption framework helps to mitigate the risk both in terms of the likelihood and impact.</p> <p>We have no particular concerns of areas or locations at risk of fraud that would not be identified through our frameworks.</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 Warwickshire County Council where fraud is more likely to occur?</p>	<p>There is always a risk of fraud in such a large and complex organisation. However, the governance and control environment, supported by the preventing fraud, bribery and corruption framework helps to mitigate the risk both in terms of the likelihood and impact.</p> <p>We have no particular concerns of areas or locations at risk of fraud that would not be identified through our frameworks</p>
<p>6. What processes do Warwickshire County Council have in place to identify and respond to risks of fraud?</p>	<p>Preventing Fraud, Bribery and Corruption framework – published on the intranet outlines policies and procedures including the escalation procedure if required.</p> <p>We also participate in the National Fraud Initiative to ensure any risks of fraud are identified through partnership and data sharing arrangements.</p>

# Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Warwickshire County Council, including:</p> <ul style="list-style-type: none"><li>• the existence of internal controls, including segregation of duties; and</li><li>• the process for reviewing the effectiveness the system of internal control?</li></ul> <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>Our approach is set out in the Annual Governance Statement – which is reviewed by Audit &amp; Standards Committee and approved by Council following lengthy consultation with senior managers across the organisation.</p> <p>Independent assurance is provided through Internal Audit reviews.</p> <p>External Audit provide an Annual Audit Report to the Committee and to full Council highlighting any areas of concern and recommendations following the annual audit of accounts.</p> <p>Procedures and processes are designed to minimise the potential for the override of controls. Financial reporting involves a broad spectrum of individuals with differing roles and responsibilities, and this spectrum of input minimises the risk of inappropriate influence over financial reporting.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>We have not identified any areas where there is a potential for misreporting.</p>

# Fraud risk assessment

Question	Management response
<p>9. How does Warwickshire County 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>	<ul style="list-style-type: none"><li>• Staff Code of Conduct, Member Code of Conduct and Contract Standing Orders – reviewed each year and where major changes to structures and/or legislation etc.</li><li>• Fraud Awareness Week and Do the Right Thing Week</li><li>• Staff Register of interests and additional declarations for Members and senior officers</li><li>• Register of gifts and hospitality</li><li>• On-line fraud awareness training</li><li>• Workers who are not employees of the County Council are required to sign a “code of conduct for workers”</li></ul> <p>We have put in place proper governance arrangements for overseeing what we do. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in a timely, open and accountable manner. These arrangements consist of all the systems, processes, culture and values which direct and control the way we work and through which we account to, engage with and lead our communities.</p> <p>We have approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016). Further information is on our website: <a href="http://www.Warwickshire.gov.uk/corporategovernance">http://www.Warwickshire.gov.uk/corporategovernance</a></p> <p>We have a whistleblowing policy in place with an emphasis on behaviours, governance and the employee code of conduct. We also have a Fraud Hotline.</p> <p>Employees are encouraged to report all concerns and that these will then be dealt with as appropriate. This is covered by council intranet page “What should I do if I suspect fraud”.</p> <p>No significant issues have been reported.</p>



# Fraud risk assessment

Question	Management response
<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 all posts capable of having significant individual influence/control over resources in the absence of adequate controls and division of duties. Risks are managed through general controls such as division of duties, procedures to manage resources, reporting requirements, IT security arrangements, training and professional qualification requirements, risk based internal auditing activity planning, and whistleblowing procedures.</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>We are not aware of any related party relationships or transactions that could give rise to instances of fraud.</p> <p>We have a Register of Interests and senior officer and Member additional declarations are completed annually. Members are cross checked against companies house to ensure the Members Register of Interest includes all directorships that are held.</p> <p>All staff and Members are required to declare any interests with related parties that could impact on their role within WCC and also ongoing in any involvement in the procurement of services or where that relationship may have other affects on their work.</p> <p>As part of the National Fraud Initiative we review where an employee is a company director and payments have been made to that company by the Council as part of reviewing whether all necessary declarations have been made.</p>

# Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit &amp; Standards Committee?</p> <p>How does the Audit &amp; Standards 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>Terms of Reference for Audit &amp; Standard Committee – extract from Constitution</p> <p><a href="https://democracy.warwickshire.gov.uk/documents/s21738/Part%2027%20Responsibilities%20of%20the%20Audit%20and%20Standards%20Committee.pdf">https://democracy.warwickshire.gov.uk/documents/s21738/Part%2027%20Responsibilities%20of%20the%20Audit%20and%20Standards%20Committee.pdf</a></p> <p>Reporting on fraud is incorporated into the regular Internal Audit reporting to the Audit &amp; Standards Committee.</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>Whistleblowing is dealt with in accordance with the Whistleblowing Policy.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

# Law and regulations

## Matters in relation to laws and regulations

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

Management, with the oversight of the Audit & Standards Committee, is responsible for ensuring that Warwickshire County 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 & Standards 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 Warwickshire County Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the County Council's regulatory environment that may have a significant impact on the County Council's financial statements?</p>	<p>We are not aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements</p> <p>Our Constitution sets out the framework to ensure that all officers, key post holders and Members are able to fulfil their responsibilities in accordance with legislative requirements so that we are efficient, transparent, accountable to our citizens and compliant with the law. Roles and responsibilities for individual Members, the Council, Cabinet and senior officers, along with the delegation of statutory powers and executive functions, standing orders, codes of conduct and protocols on member / officer relations are documented. <a href="http://www.warwickshire.gov.uk/constitution">http://www.warwickshire.gov.uk/constitution</a></p> <p>A formal induction programme for members is undertaken following each quadrennial election which covers the legal principles governing decision-making and the code of conduct. Code of Conduct and other skills training for Members is reviewed each year and a programme compiled that provides appropriate updates, refreshers and new training to ensure good governance. Code of Conduct and conflicts of interest training takes place annually. Regulatory Committee receives regular in year training on matters relevant to the committee. Those involved in pension committees also receive bespoke training to fulfil their roles.</p> <p>All our reports to member bodies receive financial and legal checks prior to submission to ensure they comply with regulatory requirements.</p> <p>Each year Cabinet receives the Local Government and Social Care Ombudsman (LGSCO) annual review letter which contains a summary of statistics on the complaints made about the Council for the year ended 31 March. Audit and Standards receives and reviews the Annual Governance Statement which confirms the Council's governance approach and compliance before the AGS is approved by Cabinet and Full Council.</p> <p>We are registered as a data controller under the Data Protection Act as we collect and process personal information and we have a named Data Protection Officer. We have General Data Protection Regulation (GDPR) compliant procedures that explain how we use and share information and processes to deal with reporting any breaches. All staff complete information compliance e-learning as part of our induction processes.</p> <p>We have consistent governance arrangements for our trading companies and wholly owned companies:-</p> <ul style="list-style-type: none"> <li>• We have shareholder agreements with each company which governs our relationship with the company and sets out which decisions require shareholder approval;</li> </ul>

# Impact of laws and regulations

Question	Management response
	<ul style="list-style-type: none"> <li>• Annual General Meetings are held to ensure the Council is fully informed of the company’s performance; and</li> <li>• Directors of each company have received “conflict of interest” awareness training and we actively monitor the risk of potential conflicts.</li> <li>• Reviews are undertaken of governance where considered appropriate and the more complex the arrangement the greater the general governance oversight (for example, the Council’s property company activity has a monthly Governance Group meeting with a cross discipline panel reviewing activity, proposals and business cases alongside a Member Oversight Group which provides an additional layer of scrutiny.</li> <li>• The Council has recently reviewed its approach to Scrutiny and embedded the recommended changes.</li> <li>• Training for council company directors has been undertaken and Legal Services work with new directors to explain their roles and the governance issues arising</li> </ul> <p>Assurance is managed by ensuring we have the appropriate people in roles and that the necessary induction has taken place. In addition, we operate general controls such as division of duties, procedures to manage resources, reporting requirements, IT security arrangements, training and professional qualification requirements, risk based internal auditing activity planning, and whistleblowing procedures.</p> <p>A 3<sup>rd</sup> line of defence are internal audit reviews, e.g. pensions administration.</p> <p>Governance issues and local government challenges from new legislation, funding and other pressures are set out at section 5 of the Annual Governance statement.</p> <p>The McCloud regulations came into force on 1st October 2023, all pensions within scope are now being processed by Warwickshire Pension Fund within the new regulations. Work to review pensions calculated within the remedy period of 01/04/2014 to 31/03/2022 are currently underway and this should be completed by 31/03/2024. While many members of the pension scheme are in scope for the new regulations it is expected that very few members will see a change in their pension values.</p> <p>We undertake monthly financial reporting to Directorate Management Teams and Corporate Board, where the financial challenge identifies any issues.</p>

# Impact of laws and regulations

Question	Management response
	<p>Separately we have bi-monthly statutory officers meetings, that legal and finance senior managers input to, where such issues, if they exist, are raised. Our Monitoring Officer receives weekly reports from legal to alert them to any legal or regulatory issues. Services that are subject to statutory and regulatory regimes (i.e. health and safety/construction/public health/trading standards) liaise closely with legal and have their own reporting processes.</p> <p>Any Local Government and Social Care Ombudsman determinations that are adverse are reported to members and remedial actions followed. None are significant or likely to affect accounts for this year.</p>
<p>2. How is the Audit &amp; Standards Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<ul style="list-style-type: none"> <li>• Regular reporting to committee on all matters covered by forward plan and audit workplan.</li> <li>• Through the Annual Governance Statement and through the planning and reporting of a risk based programme of internal audit work each year.</li> <li>• Attendance by the Monitoring Officer or Deputy Monitoring Officer and S151 or Deputy S151 as well as Tier 3 Managers for Finance and Audit. Other Directors attend as required. This ensures the Committee can ask the questions they feel important to ensure that they have assurance of compliance.</li> </ul> <p>Audit &amp; Standards approve draft Contract Standing Orders and must recommend them for approval to Council – this allows them to be robustly challenge officers regarding the compliance with regulations regarding procurement and spend.</p> <p>Separately, any key decision is also required to follow constitutional Key Decision procedure which ensures Member involvement and oversight.</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>We are not aware of any instances of non-compliance or suspected non-compliance that will impact the financial statements.</p>

# Impact of laws and regulations

Question	Management response
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>We are not aware of any actual or potential litigation or claims that would affect the financial statements.</p>
<p>5. What arrangements does Warwickshire County Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>We undertake monthly financial reporting to Directorate Management Teams and Corporate Board, where the financial challenge identifies any issues. Separately we have bi-monthly statutory officers meetings, that all legal and finance senior managers input to, where such issues, if they exist, are raised.</p> <p>Constitutionally, litigation to be commenced requires delegated authority of the Chief Executive or their nominee. Responses to formal claims are routed via Legal and all appropriate senior managers (including the Monitoring Officer, Deputy Monitoring Officer and S151 Officer) are alerted. Litigation to be settled requires approval of the Monitoring Officer.</p> <p>Employment settlements are subject to approval via a vires arrangement by the Monitoring Officer/Deputy Monitoring Officer and S151 Officer.</p> <p>The Council has a Claims Team within Legal Services that deals with claims for compensation/damage etc and insurance related claims, including human rights act claims and historic injury cases. The team includes claims assessors and works closely with insurers. In addition, Legal Services considers and advises upon prospects and quantum in relation to claims across all disciplines.</p>
<p>6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details</p>	<p>A focused visit from Ofsted regarding services for Care Experienced Young People 16-25 years old was completed in March 2023. The report was published in May 2023 and was commented upon by Grant Thornton in the Auditor's Annual Report 2022/23.</p>

# Impact of laws and regulations

Question	Management response
	<p>Warwickshire Fire and Rescue Service (WFRS) was inspected by HMICFRS during March 2023. The inspection assessed the performance of the service in 11 areas and found 4 areas to be adequate and 7 requiring improvement. As a result of the inspection WFRS was issued with 1 Cause for Concern (CoC), 26 Areas for improvement and 1 Notable Practice. Following the inspection WFRS was required to develop an action plan specifically to address the Protection CoC, and at the beginning of February 2024 HMICFRS re-visited the service to assess progress. WFRS continues to address improvement activity identified by HMICFRS and is currently waiting on the outcome of the CoC re-visit which is anticipated during March 2024.</p> <p>There have been no additional SEND inspections since 2021. WCC are piloting the methodology of the new OFSTED/CQC Local Area Inspection Framework. The Department for Education has confirmed that Warwickshire has made good progress, and that progress has been made in all areas of the Written Statement of Action. Monitoring will continue until the local area is re-inspected. An inspection under the new framework will take place at any point between 2023-2028.</p>



# Related Parties

## Matters in relation to Related Parties

Warwickshire County 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 Warwickshire County Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the County 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 County Council, or of any body that is a related party of the County 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 County Council's perspective but material from a related party viewpoint then the County 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 Warwickshire County Council's 2023/24 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and Warwickshire County Council</li> <li>whether Warwickshire County Council has entered into or plans to enter into any transactions with these related parties</li> <li>the type and purpose of these transactions</li> </ul>	<p>Trading activity has commenced in 2023/24 in relation to the Joint Venture (Develop Warwickshire LLP) established in 2022/23.</p> <p>Coventry and Warwickshire Growth Hub Ltd - Following the Government's review of Local Enterprise Partnerships (LEPs) it has been agreed that the Coventry and Warwickshire Local Enterprise Partnership Limited (CWLEP) be dissolved and the Coventry and Warwickshire Growth Hub Limited (CWGH) which was a wholly owned subsidiary of CWLEP be restructured. On 13 July 2023, Cabinet gave approval for the Council to become a 50% shareholder of CWGH, with Coventry City Council being the other 50% shareholder.</p> <p>There are no other changes compared to those disclosed in the 2022/23 financial statements.</p>
<p>2. What controls does Warwickshire County Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>As part of the closedown of accounts a number of processes are in place to determine any related parties and the nature of the relationships that exist for both the authority and staff. As part of these governance arrangements, we request register of interests declarations are made by all Members and senior officers in addition to those that all staff are required to complete to declare any interest or relationships that exist which may affect the authority. The completeness of these declarations is reviewed by undertaking a Companies House search in relation to each individual. We also canvass annually Legal Services and key finance and management staff to identify any partnerships or other related parties and ensure the appropriate disclosures are reported in the financial statements. Key codes of conduct outline responsibilities of those parties in recording and identifying those related parties and interests appropriately.</p>

## Related Parties

Question	Management response
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	<p>Any significant transactions and arrangements with related parties outside of the budgetary framework would require approval in line with financial regulations and the Constitution.</p> <p>For loans provided to WPDG and via WIF, the governance arrangements for the approval of transactions was set out in the reports to Cabinet that approved the two bodies. This includes recommendations from a Governance Group/Investment Panel of senior officers, supported by independent advisors as required, and approval by Cabinet. The limits of the overall transactions with these bodies are set out in the Treasury Management Strategy, Investment Strategy and the approved capital programme.</p>
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	<p>Any significant transactions and arrangements outside of the normal course of business would be outside of the budgetary framework, these would require approval in line with financial regulations and the Constitution.</p> <p>For loans provided to WPDG and via the WIF outside of the overall transaction limits set out in the Treasury Management Strategy, Investment Strategy and the approved capital programme would require approval by full Council.</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 Warwickshire County Council will no longer continue?</p>	<p>All savings options brought forward for consideration require a pro forma to be completed that includes:</p> <ul style="list-style-type: none"><li>• If the delivery of the savings proposal would require a policy change, including whether there will be a need for consultation with service users and a Cabinet/Council decision prior to implementation</li><li>• How the proposal will be delivered</li><li>• How the proposal will impact on users of the service</li><li>• The key risks associated with delivery of the proposal</li></ul> <p>All savings proposals (either collectively or individually) for a service require an Equality Impact Assessment (EqIA) screening form to be completed. Where an equalities issue is identified a full EqIA is required. All EqIAs are reviewed by Legal prior to the final budget proposals being presented to Members for consideration. This process enables the potential impact on statutory services to be assessed prior to any decision being made.</p> <p>Report authors are expected to engage and consult appropriately with legal staff and, like finance, legal have a final sign off on all Member reports.</p> <p>We, therefore, have strong processes and controls which would identify events and/or conditions which may indicate that the statutory services being provided by Warwickshire County Council would no longer continue prior to any decision being made.</p>
<p>2. Are management aware of any factors which may mean for Warwickshire County 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>We are not aware of any factors which may mean either statutory services will no longer be provided or that funding for statutory services will be discontinued.</p>

# Going Concern

Question	Management response
<p>3. With regard to the statutory services currently provided by Warwickshire County Council, does Warwickshire County 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 Warwickshire County Council to cease to exist?</p>	<p><u>The statutory basis of local authorities</u></p> <p>The concept of a going concern assumes that our functions and services will continue in operational existence for the foreseeable future. As local authorities exist because of statute, any decision to cease operations would require legislation instigated either by the Council or central government. No such process is currently in train. This is consistent with paragraph 3.4.2.23 of the Code of Practice on Local Authority Accounting which confirms that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.</p> <p><u>The delivery of services to local communities</u></p> <p>We have a duty to provide, or enable the provision of, a wide range of services essential to the local community including adult social care, children’s social care and safeguarding, the provision and maintenance of a road network and the provision of a fire and rescue service. The demand for these services is either increasing or remaining constant. Therefore, there is a need/demand for the services we provide to continue to be available to the people of Warwickshire and there is no realistic expectation that this will not continue in the foreseeable future.</p> <p><u>The revenue raising powers of the local authority</u></p> <p>Our main funding streams, both now and in the future, are property-based taxes (with limits on our revenue-raising powers arising only at the discretion of central government) and government grants (funded from general taxation revenue). Therefore, our main income streams are relatively secure and stable, and provide ready access to financial resources. If we were in financial difficulty, experience of other authorities has demonstrated that alternative arrangements might be made by central government either for the continuation of the services or for assistance with the recovery of a deficit over more than one financial year (for example through capitalisation directives). As a result, it would not be appropriate for local authority financial statements to be prepared on anything other than a going concern basis.</p>

# Going Concern

Question	Management response
<p>4. Are management satisfied that the financial reporting framework permits Warwickshire County Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p><u>Balanced MTFS</u></p> <p>We have agreed a balanced, sustainable 5-year MTFS based on prudent resource assumptions and with known demand pressures and planned budget reductions over the five-year period reflected. This does not include any level of unidentified savings but includes a provision of £10.5m in 2025/26 and an annual provision of £7.5m thereafter for future unknown pressures. Inflation provisions are 4% for pay and 2% for prices in 2024/25, reducing to a 2% annual provision by 2025/26. In addition, for services where we are aware of extraordinary inflationary costs these are also costed as part of the MTFS.</p> <p><u>Adult social care levy</u></p> <p>The approved 2024/25 budget and MTFS is based on taking the 2% maximum ASC levy allowed in 2024/25. No certainty has been provided by Government on council tax flexibility beyond 2024/25 but a planning assumption of 1% for ASC levy from 2025/26 has been included in the MTFS. The upfront commitment to maximising the resource base of the Authority in taking the levy improves our financial sustainability at a time of significant fiscal uncertainty and provides the flexibility needed by the Service to manage its resources in the most effective way.</p> <p><u>Special Educational Needs and Disabilities</u></p> <p>The cost of our SEND service is currently overspending the level of High Needs DSG resources provided by the Government. The level of the overspend is a significant financial risk to the sustainability of the Authority. To ensure our financial resilience is maintained, through the MTFS we have set aside sufficient funding in reserves to create an equal and opposite position to offset the projected deficit, during the duration of the statutory override, until a sustainable and national solution is in place.</p> <p>The Authority has a Special Educational Needs (SEND) and Inclusion Change Programme in place and in recent months has been working with the Department for Education (DfE) as part of their “Delivering Better Value” in SEND programme with authorities across the country to identify options for bringing about the required change to delivering statutory duties within allocated resources. In January 2024, the ESFA approved a request from the council to transfer 0.5% of Dedicated Schools Grant from the schools block to the high needs block in 2024/25.</p> <p><u>Financial Decision-making</u></p> <p>All reports to decision-making bodies include a financial implications section. As part of the Authority’s governance arrangements this section of reports is signed off by a senior member of the Finance Service, typically the Director of Finance or the Head of Strategic Finance. This ensures that appropriate reference to financial resilience and sustainability is reflected in all reports and the impact reflected in the MTFS.</p>

# Going Concern

Question	Management response
<p>4. Are management satisfied that the financial reporting framework permits Warwickshire County Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p><u>Prudential Indicators</u></p> <p>We use a range of indicators to report on and control exposure to financial risk from investment decisions. Some of these are indicators which provide insight into performance and risk, others are hard limits which control and limit exposure to risk. These limits, agreed by Council as part of the Investment Strategy each year, ensure we take decisions about investment/borrowing that may impact on our financial sustainability in the long term in a managed and transparent way.</p> <p>We formally assess and report our debt capacity as part of the capital strategy each year to ensure our investment plans are sustainable over the long term.</p> <p><u>Cash Flow</u></p> <p>We monitor our cash flow on a daily basis, including maintaining an up to date forecast position for at least the next 18 months. These cash flow forecasts do not indicate any material uncertainty relating to the Council's continuing ability to meet financial obligations.</p> <p><u>Financial Reporting</u></p> <p>We report</p> <ul style="list-style-type: none"><li>• Revenue forecasts to Corporate Board and Directorate Leadership Teams on a monthly basis</li><li>• Revenue and capital forecasts, reserves and the delivery of savings to Cabinet on a quarterly basis</li><li>• Treasury Management/cash flow position to Cabinet every six months, as part of the Treasury Management Mid-Term and Outturn reports.</li><li>• Balance sheet forecasting on a quarterly basis within the Finance Service to identify any issues that need to be reported to senior management</li></ul> <p>We are satisfied that the financial reporting framework permits Warwickshire County Council to prepare its financial statements on a going concern basis and that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements.</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 Audit & Standards 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 & Standards Committee to satisfy itself that the arrangements for accounting estimates are adequate.

# Accounting Estimates - General Enquiries of Management

Question	Management response
<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<p>The effects of continued inflationary risk has the potential to impact investment fund values, which in turn will potentially impact on asset values and the net pension liability. The Authority will need to consider and report on any impacts within the financial statements. Any accounting estimates and judgements and the consequential disclosures will be made in a way that has appropriate regard to the circumstances.</p> <p>Details of the basis for Fair Value Level 2 and 3 investments (those where clearly quoted and fully observable valuation data is not available) will be included in the notes to the accounts.</p>
<p>2. How does the County Council's risk management process identify and address risks relating to accounting estimates?</p>	<p>Senior management and the S151 officer consider the risk and judgements of material accounting estimates during the production of the accounts and ensure that the basis for the estimates and the effects of any judgements made and their associated risks are transparently reported.</p>
<p>3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>Key management staff engage with the experts, where they are involved, in clearly defining and reviewing the basis and appropriateness of assumptions and source data for use in key accounting estimates used in the financial statements, such as the valuation of property assets, financial instruments and pensions liabilities. This is done on an annual basis as the first stage of the preparation for closedown. The discussion and challenge is documented. In other areas, where other key accounting estimates are material, senior finance staff ensure there is a robust system of review and challenge in assuring the appropriateness of methods, assumptions and source data of those estimates. Again, the review and challenge process is documented.</p>
<p>4. How do management review the outcomes of previous accounting estimates?</p>	<p>Management review material estimates and variances as part of the hot review of the accounts prior to the publication of the draft accounts. The process is documented and will be used to inform the material judgements and estimates within the financial statements.</p>
<p>5. Were any changes made to the estimation processes in 2023/24 and, if so, what was the reason for these?</p>	<p>No material changes have been made to the estimation process. We will continue to ensure that reviews of key estimates and assumptions are reviewed as appropriate.</p>

# Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>We use experts for the valuation of property assets, pensions liabilities and the valuation of loans as these are material estimates and are recognised as key areas where an in-depth technical knowledge/specialism is required to provide adequate assurance over the validation of assumptions and required specialist knowledge is not readily available in the Authority. Where specialist skills are required we have clear contracting requirements and a documented system of review and challenge.</p>
<p>7. How does the County Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>Where specialist skills are required the contracting requirements set out the assumptions, control activities and the format of the outputs required to enable an effective review and challenge process.</p> <p>Where controls are system driven these are documented and reviewed for appropriateness, with management oversight providing a separate professional view that the controls have been actioned appropriately and therefore that reliance can be placed on the figures.</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>We document the review, challenge and oversight by senior management. This includes independent verification of estimates and discussions with experts to understand the processes they have used and the reliability of the results.</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"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	<p>The nature and extent of the oversight in relation to accounting estimates includes:</p> <ul style="list-style-type: none"> <li>• The agreement of assumptions in advance, including their appropriateness</li> <li>• Verification of the underlying data in advance</li> <li>• The methodology to be used to determine the value of estimates and its appropriateness</li> <li>• Review of the results for reasonableness, including comparative analysis with previous years</li> <li>• Sensitivity of the results to the key assumptions to assess materiality</li> <li>• Senior management sign-off of the outcomes of the quality assurance process</li> </ul>

# Accounting Estimates - General Enquiries of Management

Question	Management response
<p>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?</p>	<p>We are not aware of any such transactions.</p>
<p>11. Are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>Yes, we believe the arrangements are reasonable.</p>
<p>12. How is the Audit &amp; Standards Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>We quantify the financial impact of estimation and uncertainty. This is reported to Audit and Standards Committee as part of the Statement of Accounts.</p> <p>We report this risk assessment to Audit and Standards Committee and provide them with the opportunity to consider and comment if it does not align to their understanding of the organisation. To reach this stage the risk assessment has been through an internal assurance process through senior management within the Finance Service and within Legal Services.</p>

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property Valuations / Impairments	External valuer engaged to calculate asset values. Services identify required impairments to related assets.	External valuer's valuations are reviewed and challenged by management.	Wilks, Head and Eve	Management considers the appropriateness of the valuation methods applied.	No
Estimated remaining useful lives of Property assets for Depreciation	Appropriate range allocated to asset types and components.	Management regularly review the appropriateness of the asset's remaining useful economic life.	Wilks, Head and Eve	Management considers the appropriateness of the estimated lives applied by Wilks, Head and Eve.	No
Valuation of the Pension Liability	Actuary calculation of the net present liability using WCC inputs and appropriate assumptions	Management challenges the assumptions used by the actuary, and reviews the data sent to the actuary.	Hymans Robertson	Discount factor, pension increase, CPI. Hymans Robertson historically use assumptions within an approved range.	No
Fair value of loans, investments	Calculation of expected impairment, considering credit data and specific circumstances of arrangements. Discounts cashflows for company valuations	Full consideration is given to each individual circumstance to ensure the completeness of any required impairment.	Link Arlingclose	Recoverability of investments / loans based on the financial position of the counterparty.	No
Provisions	Calculated expected value of future outflow of resources in relation to past events.	Enquiry of legal team to ensure completeness of provisions recognised.	No	Assumes an accurate estimate of future cost impacts as a result of probably outcome.	No
Accruals	Calculated expected expenditure / income to be realised based on activity not invoiced.	Services are responsible for identifying accruals required. Management reviews the value of accruals compared to expectations.	No	Based on costs / revenue incurred / earned not invoiced. Low level of estimation uncertainty.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Credit loss and impairment allowances	Calculated as per the IFRS 9 ECL calculation of stage 1 (12months) or stage2 (lifetime ECL). Have also engaged external expert.	External calculations are reviewed and challenged by management.	Arling Close	Discount factor, Moody's default rates, industry credit rating based on historic data.	No



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