

# Plymouth City Council Audit Progress Report, Indicative Plan 2020/21 and Sector Update

Year ending 31 March 2021

September 2021



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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 planning 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 the Authority or all 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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# Introduction

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This paper provides the auditors.

Audit and Governance Committee with a report on progress in delivering our responsibilities as your external

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk) ..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at September 2021

## Financial Statements Audit 2019/20

As we previously communicated to the Audit and Governance Committee in July 2021, we began our planning for the 2019/20 audit in January 2020. Our interim work was undertaken across March and April 2020.

Our interim fieldwork included:

- updating review of the Council's control environment;
- updating understanding of financial systems;
- review of Internal Audit reports on core financial systems;
- early work on emerging accounting issues,
- early substantive testing.
- discussions on emerging technical matters.

We issued a detailed audit plan, following the conclusion of planning and interim work, in early April 2020 and presented this to the 11<sup>th</sup> May 2020 Audit and Governance Committee.

Our original audit plan, as presented to the 11<sup>th</sup> May 2020 Audit and Governance Committee, reported the following areas of focus :

Valuation of property, plant and equipment (Inc Investment Properties)

Valuation of the Pension Liability

Reduction of the net Pension Liability through the use of Miel Ltd.

Accounting treatment for Government Grants

Management over-ride of controls through journals testing

Financial Instruments.

As a result of the Covid-19 pandemic, the deadline for the submission of the draft financial statements was put back to the 31<sup>st</sup> August 2020. We received the draft financial statements on 31<sup>st</sup> August 2020. We commenced our substantive audit work on 7<sup>th</sup> September 2020.

Since then our work has been ongoing. The target deadline, as set by MHCLG, for the audit opinion was 30<sup>th</sup> November 2020.

During the course of our audit work and testing we have had to undertake additional audit procedures and testing. These continue to be primarily in relation to the valuations for property plant and equipment. In particular, our focus has been on obtaining sufficient and appropriate audit evidence to support the assumptions made regarding obsolescence factors applied for those assets valued within 2019/20. We have had to request additional support from our own valuation expert – Wilks Head and Eve, who are in the process of reviewing the obsolescence assumptions made by the internal valuer.

We have had to undertake further work in relation to the valuation assumptions made regarding investment properties. Further information has been supplied by the Council's internal valuer and we have requested additional support from our own valuation expert to review the assumptions made.

We have had to perform additional audit procedures and testing on the balances for government grants and grants received in advance, financial instruments and fair values and journals.

Our detailed audit testing is complete bar the outstanding valuation reviews as detailed above. There remain a number of areas that will need to be concluded prior to the issuing of our audit opinion for 2019/20. These are as follows:

- Resolution of the lawful accounting treatment for the Miel Ltd transaction;
- Completion of the GT work on investment property valuations and obsolescence factors assigned as part of the valuation process for those buildings valued in year;
- Conclusion of the GT technical review of the draft accounts
- Quality review of the audit file and resolution of any queries raised
- Review of the Council's going concern statement and cashflow forecasts for 12 months from the opinion date
- Obtaining and reviewing the final version of the financial statements; and
- Obtaining the letter of representation from the Council.

# Progress at September 2021 (contd)

## Audit Plan – Revision February 2021

### Governance Review

At the Audit and Governance Committee in July, we presented our findings following our governance review, which was an amendment to our audit plan.

Our governance review concentrated on the governance arrangements surrounding two financial transactions entered into by the Council – the Miel Ltd Pension liability transaction as undertaken in October 2019 and the audit recommendations made in relation to this transaction and the arrangements in place for the interest rate swap or hedging transaction that took place in April 2020.

Our governance report made a number of recommendations which the Council has accepted and is implementing and those recommendations will be reviewed by the Audit and Governance Committee as part of the audit recommendations tracker.

### Value for Money Audit 2019/20

As our work for 2019/20 has progressed over the past few months, we have updated our understanding of the financial sustainability of the Council. We have reviewed documentation and met with Senior Finance Officers to discuss and understand the budget monitoring and outturn position for 2020/21, the financial planning for 2021/22 and the medium term financial plan. We will report the outcome of our value for money work for 2019/20 to the Audit and Governance Committee within our Audit Findings Report when our audit is complete.

## Financial Statements 2020/21

We have undertaken our detailed planning for the 2020/21 financial statements audit. This commenced in June 2021. We have:

- updated our knowledge and understanding of the Council's processes and controls that underpin the material balances within the accounts
- performed walkthroughs for those areas of significant interest to us, as auditors which include, valuation of property, plant and equipment, valuation of investment properties, valuation of the pension liability journals processing, government grants and grants received in advanced, financial instruments and assessment of the fair values for all financial instrument levels.
- made enquiries of management and Those Charged with Governance regarding controls and processes in place to identify fraud
- requested, from management details of the types of estimates and judgements which are contained within the financial statements
- reviewed internal audit reports, findings and recommendations.
- identified our planning materiality level for 2020/21
- identified the key risk areas that we, as auditors, will perform substantive testing and specific audit procedures on as required by auditing standards.

As part of our IT cyclical programme we have also commenced a detailed IT review, which will be undertaken by our specialist IT auditors, of the Council's main financial and IT systems.

We discussed the accounting treatment for the Council's hedge transaction with the Council's finance team and have employed our own financial instrument experts to review the proposed treatment. Work is ongoing in this area.

The Council's finance team are currently collating information with regards to the significant estimates which are included in the accounts and preparing a group accounting consideration paper for audit review.

Our indicative planning assumptions are included in slides 9-13 and a final plan will be presented to the Audit and Governance Committee at its next meeting when the audit planning is finalised.

# Progress at September 2021 (contd)

## Value for Money

The new Code of Audit Practice (the “Code”) came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor’s Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor’s Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline is now no more than three months after the date of the opinion on the financial statements.



# Progress at September (cont.)

## Other areas

### Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2020/21 claim is due to begin in October.

We certify the Authority's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for the 2020/21 is due to begin in October.

### Meetings

We meet with your Finance Officers every week. We continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Chief Executive in July as part of our quarterly meetings which discuss the Council's strategic visions and plans.

We have met with the Chair of the Audit and Governance Committee and also took part in an Audit and Governance Committee training event on 6<sup>th</sup> September 2021.

## Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2020/21 is the third year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. The estimated fee for Plymouth City Council is £183,393 (£143,042 2019/20).

Our work in the Local Government sector in 2018/19 and 2019/20 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We are currently reviewing our proposed audit fee for 2019/20 and discussing the revised 2020/21 fee with your s151 Officer.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

# Audit Deliverables

2020/21 Deliverables	Planned Date	Status
<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.</p>	September 2021	Indicative plan included in this report. Final plan to be presented in when 2019/20 audit is nearer completion and 2020/21 planning has been finalised.
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the December Audit and Governance Committee.</p>	December 2021	As the audit of the 2019/20 financial statements continues, our audit of the financial statements for 2020/21 is likely to commence towards the latter part of October / early November. The audit of the 2020/21 financial statements can only commence once the 2019/20 opinion has been issued.
<p><b>Auditors Report</b></p> <p>This is the opinion on your financial statements.</p>	December 2021	See above comments
<p><b>Auditor's Annual Report</b></p> <p>This Report communicates the key issues arising from our Value for Money work.</p>	March 2022	Not yet due



# Indicative plan 2020/21

## Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification
The revenue cycle includes fraudulent transactions (partial rebuttal)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Plymouth City Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Plymouth City Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>However, as a result of our findings relating to the accounting for Government Grants and Grants Received in Advance in 2019/20, we will test the accounting treatment for Government Grants under this risk.</p> <p>We will also test COVID-19 grants provided on both an agency and principal basis to ensure that the Council have accounted for these appropriately.</p>

# Indicative plan 2020/21 contd

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management override of controls	<p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council face external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Authority which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Evaluate the design effectiveness of management controls over journals.</li> <li>Analyse the journals listing and determine the criteria for selecting high risk unusual journals.</li> <li>Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration.</li> <li>Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence.</li> <li>Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>
Fraud in expenditure recognition	<p>As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk the Council may manipulate expenditure to meet externally set targets and we had regard to this when planning and performing our audit procedures.</p> <p>Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Inspect transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period.</li> <li>Inspect a sample of accruals made at year end for expenditure not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year end; compare size and nature of accruals at year end to the prior year to help ensure completeness.</li> <li>Investigate manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Land and Buildings - Including Investment Property	<p>The Authority revalues 70% of its land and buildings each year, as part of the five-year rolling programme. Investment Properties are valued each year. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, and Investment Properties particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> <p><b>Energy from Waste Plant</b></p> <p>The Council also part own the Energy from Waste Plant which should be valued on an annual basis and the valuation of this asset is undertaken by a third party valuer each year.</p> <p><b>Tamar Bridge</b></p> <p>The Council own 50% of the Tamar Bridge and 50% of the asset value is held on the Council's Balance Sheet as Infrastructure – valued at Depreciated Cost. The Bridge's rolling programme of full valuation requires a full valuation every 5 years with a detailed review in the intervening period. Management have engaged a valuer to undertake a full valuation of the bridge and to review and consider the basis of the valuation each year.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work for both the internal and external valuers.</li> <li>Evaluate the competence, capabilities and objectivity of the valuation experts used by the Council across all categories of assets</li> <li>Write to the valuers to confirm the basis on which the valuations have been carried out.</li> <li>Review the data and assumptions made regarding the year end valuation of the Councils Investment property portfolio</li> <li>Employ our own specialist internal valuer to review the assumptions made by management regarding the valuation of the Tamar Bridge</li> <li>Employ our own external valuer - Wilks Head and Eve, to review the instructions issued by management to valuers and the assumptions made by valuers for the valuation of Property, Plant and Equipment and the Council's portfolio of Investment Properties.</li> <li>Challenge the information and assumptions used by the valuers to assess completeness and consistency with our own understanding</li> <li>Test revaluations made during the year to see if they had been input correctly into the Authority's asset register</li> <li>Test the year end closing balance for property, plant and equipment</li> <li>Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> <li>Evaluate the assumptions made regarding obsolescence</li> <li>Evaluate of the impact of COVID-19 on valuations – particularly on all significant assumptions made by the Council.</li> </ul>

# Indicative plan 2020/21 contd

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of pension fund net liability	<p>The pension fund net liability, as reflected in the Council's balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£1,025m) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls.</li> <li>Evaluate the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary's work.</li> <li>Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation.</li> <li>Assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability.</li> <li>Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary.</li> <li>Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.</li> </ul>

# Indicative plan 2020/21 contd

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Financial Instrument Disclosure notes</b>	<p>Accounting standards and the CIPFA Code require detailed disclosure notes to be published in the accounts regarding financial instruments held by the Council. These financial instruments can be in the form of loans and borrowings as well as assets and investments. Arriving at the fair value of financial instruments is usually complex and requires specialist support as part of the valuation process for these items.</p> <p>In 2019/20 the Council's draft financial statements still did not include the required detail or disclosures relating to all financial instruments held by the Council. Further detailed work had to be performed by the Council and its advisers to ensure that the financial instrument notes were in accordance with regulation and guidance. A number of amendments have also been made on the classification of pooled investment funds and disclosures within the 2019/20 draft financial statements.</p> <p>As this is a complex area and requires specialist support and advice, it is susceptible to possible error.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Review the Council's processes implemented to establish the correct valuations of all financial instruments held.</li> <li>Test disclosures for financial instruments back to the figures within the main financial statements</li> <li>Test the disclosures in accordance with the CIPFA Code and accounting and auditing guidance</li> <li>Review the data provided to the Council's experts to establish the fair values for financial instruments classified as level 2 and 3</li> <li>Review the work of the Council's experts in this area.</li> <li>Review the data provide by the Council, the background documentation and assumptions made regarding the hedging transaction undertaken in April 2020</li> <li>Review the Council's accounting treatment for the hedging arrangement and the entries within the accounts.</li> </ul>

# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

A teal rectangular button with the text "Public Sector" in white, sans-serif font, centered within the button.

Public Sector

A dark purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local  
government

# Revised auditing standard: Auditing Accounting Estimates and Related Disclosures

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required 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 and Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

## Additional information that will be required for our March 2021 audits

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021 in all areas summarised above for all material accounting estimates that are included in the financial statements.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, the CERC, Tamar Bridge and investment properties
- Depreciation
- Year end provisions and accruals
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- MRP – Minimum Revenue Provision
- Fair value estimates
- Valuation of level 2 and level 3 financial instruments

## The Authority's Information systems

In respect of the Authority's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.



We are aware that the Authority uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Authority (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

## Estimation uncertainty

Under ISA (UK) 540 (Revised December 2018) we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management addresses this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to include:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

## How can you help?

As part of our planning risk assessment procedures we routinely make a number of enquiries of management and those charged with governance, which include general enquiries, fraud risk assessment questions, going concern considerations etc. Responses to these enquires are completed by management and confirmed by those charged with governance at an Audit and Governance Committee meeting. For our 2020/21 audit we will be making additional enquiries on your accounting estimates in a similar way (which will cover the areas highlighted above). We would appreciate a prompt response to these enquires in due course.

## Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)



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