



Informing the audit risk assessment for Dudley Metropolitan Borough Council 2022/23



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 Dudley Metropolitan Borough Council's external auditors and Dudley Metropolitan Borough Council's Audit and 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 and Standards Committee under auditing standards.

Background

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

This two-way communication assists both the auditor and the Audit and 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 and Standards Committee and supports the Audit and 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 Dudley Metropolitan Borough Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Dudley Metropolitan Borough Council's management. The Audit and 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
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?	No significant issues in 2022/23.
2. Have you considered the appropriateness of the accounting policies adopted by Dudley Metropolitan Borough Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	Yes accounting policies have been reviewed and there are no changes. Note that the accounting policies regarding infrastructure were updated for both the 2020/21 and 2021/22 accounts following the change to the Code and introduction of the new Statutory Instrument relating to infrastructure.
3. Is there any use of financial instruments, including derivatives?	We use financial instruments including 2 longstanding LOBOs but not derivatives.
4. Are you aware of any significant transaction outside the normal course of business?	No

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?	No
6. Are you aware of any guarantee contracts?	Yes we have provided loan guarantees to local organisations such as Resonance (Music Institute), Dudley Canal Trust, Very Light Rail project including relating to the Black Country Innovative Manufacturing Organisation. We have also under-written various schemes under the Black Country Collaboration Agreement.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by Dudley Metropolitan Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>Freeth (Energy for Waste)</p> <p>Harrison Clark Rickerbys (Holiday Pay Claims - Defendant)</p> <p>Trowers and Hamblins were instructed on the IPI</p> <p>Browne Jacobson have been instructed on ASB matters</p> <p>Sharpes reviewed the contract terms to bring them up to date with Data Protection</p> <p>Anthony Collins have been instructed on the care contracts</p> <p>Weightmans were instructed on the VLR</p>

General Enquiries of Management

Question	Management response	
9. Have any of Dudley Metropolitan Borough Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No	
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<p>Avison Young and Gateley Hamer, Eddisions - Portersfield Development</p> <p>Amion Consulting, EWP Consulting, Gately Hamer, Launchpad and DWF Law ,KPMG; Trowers & Hamlins LLP; Amion Consulting & Robert J Kennedy consulting, Eddisions -Towns fund and future Hight streets</p> <p>Friths, Laser, Kelake - Waste / Energy Strategy</p> <p>Arcadis Consulting; Solihull MBC; DWF Law LLP; Red Kite, Network LLP; Thomas Lister Ltd - Levelling Up Funds bid</p> <p>Arcadis – Depot transformation</p> <p>APSE – Transport</p> <p>Quadient and Pyrus – Print Services /projects</p> <p>Riverside Consultancy – Adult Social Care</p> <p>Bevan Brittan – Extra Care scheme</p> <p>Newton Europe / CIPFA – Delivering Better Value programme</p>	

Fraud

Issue

Matters in relation to fraud

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

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

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

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

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

Fraud risk assessment

Question	Management response
<p>1. Have Dudley Metropolitan Borough Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Dudley Metropolitan Borough Council's risk management processes link to financial reporting?</p>	<p>The Council maintains a fraud risk register that is updated on a regular basis. It is benchmarked against the registers held by other Local Authorities. Fraud risk is also assessed and significant fraud risks are considered for inclusion in the Annual Audit Plan. This regular assessment of fraud would include the risk of material misstatement of the financial statements due to fraud.</p> <p>Included in the list of risks reported to Strategic Executive Board on a quarterly basis is a risk in relation to fraud. The Director of Finance and Legal Services is responsible for the risk and the Head of Audit and Risk Management is responsible for ensuring that the appropriate mitigating actions are in place and are working effectively.</p> <p>The Audit and Standards Committee approved a revised Risk Management Framework at its April 2021 meeting. One criteria for assessing the impact of a risk is "Finance".</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The following areas are considered to provide the potential for significant fraud:</p> <ul style="list-style-type: none"> - Adults Social Care Personal Budgets/Direct Payments - Housing Tenancy Fraud - Housing Benefits/Council Tax Reduction

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 Dudley Metropolitan Borough Council as a whole or within specific departments since 1 April 2020?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>The Council maintains a Fraud Register (Corporate Fraud/Housing Tenancy Fraud) that lists all perceived frauds that have been brought to the attention of the Fraud Teams. Information on significant fraud is included in the Interim Performance Reports that are presented to Audit and Standards Committee. Also, an Annual Fraud Report and a Fraud Action Plan is presented to Audit and Standards Committee in April of each year.</p> <p>A risk report is normally presented to Audit and Standards Committee in June , September, December and April. These reports include a risk on fraud.</p>
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Dudley Metropolitan Borough Council where fraud is more likely to occur?</p>	<p>A Fraud Risk Register is maintained and fraud risk is regularly assessed. There are areas of the Council where fraud is more likely to occur. However, these areas are recognised and actions are in place to mitigate the risks. There are locations that due to the nature of their activity have an inherent risk of fraud e.g. stores.</p>
<p>5. What processes do Dudley Metropolitan Borough Council have in place to identify and respond to risks of fraud?</p>	<p>The Head of Audit and Risk Management is responsible for creating an environment where fraud is not tolerated. Reporting to the Head of Audit and Risk Management is a Corporate Fraud Manager who is dedicated to ensuring fraud is prevented, detected, investigated and resolved. He is supported by other members of the Audit Services Team, as required.</p> <p>There are also other teams who identify and respond to fraud risk, such as Housing Tenancy Fraud, The Corporate Fraud Manager would support these teams, if appropriate.</p> <p>The Council has an Anti-Fraud and Corruption Strategy and an Annual Fraud Report and a Fraud Action Plan are presented to Audit and Standards Committee each year. There is an online fraud awareness course (mandatory to complete) and various tools and resources on the Audit Services' intranet site (Connect). Audit Services will regularly share good practice across the Council, including specialised training, as well as providing advice on how to prevent fraud occurring.</p> <p>A Fraud and Enforcement Group is held on a regular basis.</p> <p>Audit Services co-ordinates the investigation of the matches identified through the National Fraud Initiative (NFI) and other internal and external data matching initiatives.</p>

Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for Dudley Metropolitan Borough Council, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>The Head of Audit and Risk Management designs his audit plan so that he is able to provide an annual opinion on the effectiveness of governance, risk management and internal control. This opinion is included in his annual report that is presented to Audit and Standards Committee. This opinion is then used to inform the Annual Governance Statement.</p> <p>Strategic Executive Board (SEB) and Senior Managers are involved in assessing the control environment as part of their work on the Annual Governance Statement. SEB formally agree the Annual Governance Statement before it is presented to Audit and Standards Committee for approval.</p> <p>The audit planning process would consider the potential for the override of controls or inappropriate influence over the financial reporting process. Where a significant fraud risk has been identified, the area would be considered for inclusion in the Annual Audit Plan.</p> <p>Audit Services follow up all Minimal assurance audit reports and all Critical and High actions. This helps to ensure that internal control issues are addressed on a timely basis.</p> <p>The Council has Financial Regulations, Contract Standing Orders, Codes of Conduct and Codes of Practice that set out the controls that need to be in place and adhered to.</p> <p>There is a robust budget monitoring process in place that would identify any significant error or fraud.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>We are not aware of any areas where there is potential for misreporting.</p>

Fraud risk assessment

Question	Management response
<p>8. How do Dudley Metropolitan Borough Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>The Council has Codes of Conduct for Employees and Members. Employees are required to formally accept the Code of Conduct and declare any interests. Members are provided with training on ethical behaviour/Code of Conduct. The Council has a Whistleblowing Policy. An annual report on whistleblowing is presented to Audit and Standards Committee.</p> <p>The Council has a Suppliers' Code of Conduct which has been brought to the attention of all significant suppliers.</p> <p>Audit Services maintains a Fraud and Whistleblowing Hotline which is widely publicised. Staff have a number of ways to raise fraud or whistleblowing concerns, anonymously if required.</p> <p>Audit Services regularly audits governance processes including the acceptance of the Code of Conduct, declaration of interests and the recording of gifts and hospitality.</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>We have not identified any significant high risk posts.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</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 that could give rise to instances of fraud. The need to comply with the Code of Conduct for Employees and Members is regularly publicised and potential conflicts of interest need to be formally declared. On each agenda for Member Committees is the requirement to formally declare any interests and these declarations are recorded in the minutes.</p> <p>For each tendering exercise, officers on the tender evaluation panel are required to declare any potential interests prior to the process starting.</p>

Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit and Standards Committee?</p> <p>How does the Audit and 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>Information on fraud is included in the Interim Performance Reports that are normally presented twice yearly to Audit and Standards Committees. Also, an Annual Fraud Report along with a proposed Fraud Action Plan is presented to the April meeting of Audit and Standards Committee.</p> <p>A risk report is presented to Strategic Executive Board and Audit and Standards Committee four times a year. These reports contain what is considered to be the most significant risks.</p> <p>Audit and Standards Committee are provided with all Critical and High priority Actions raised by Audit Services as well as management responses to resolve the actions. All Minimal assurance audit reports and Critical and High priority actions raised are followed up.</p> <p>Audit and Standards Committee ensure action is taken to resolve the identified issues.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>All whistleblowing referrals (if meet definition) are independently investigated. Whistleblowing referrals relating to fraud are investigated by Audit Services. The Monitoring Officer is made aware of all whistleblowing referrals and they are recorded and monitored centrally.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>No.</p>

Law and regulations

Issue

Matters in relation to laws and regulations

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

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

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Standards Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Dudley Metropolitan Borough Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Dudley Metropolitan Borough Council's regulatory environment that may have a significant impact on the Dudley Metropolitan Borough Council's financial statements?</p>	<p>a)</p> <ul style="list-style-type: none"> -Attendance of S151 Officer and Monitoring Officer at Strategic Executive Board. -Reports to Full Council/Cabinet/Committees have legal implications considered by appropriate lawyers. -Liaison between lawyers and officers when considering decisions with possible legal implications. <p>b) No</p>
<p>2. How is the Audit and Standards Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>S151 Officer and Monitoring Officer attend Audit and Standards Committee.</p> <p>Regular audit of Services across the Council with attendance of relevant Directors. Reviews of unimplemented Audits.</p> <p>Also, see question 1 above</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements?</p>	<p>No</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>no</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does Dudley Metropolitan Borough Council have in place to identify, evaluate and account for litigation or claims?	Liaison between relevant Services and lawyers. Also, see response in previous slide.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No

Related Parties

Issue

Matters in relation to Related Parties

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

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

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

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

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Dudley Metropolitan Borough Council's 2022/23 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Dudley Metropolitan Borough Council whether Dudley Metropolitan Borough Council has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>No additions to related parties anticipated. We did remove some organisations from the related party disclosure note for 2021-22 where Dudley members' interest is not material and will continue to operate on this basis for 2022/23.</p>
<p>2. What controls does Dudley Metropolitan Borough Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none"> Maintenance of a register of interests for Members a register for pecuniary interests in contracts for Officers and Senior Mangers requiring disclosure of related party transactions. Annual return from senior managers/officers requiring confirmation that they have read and understood the declaration requirements and stating details of any known related party interests. Review of in-year income and expenditure transactions with known identified related parties from prior year or known history. Review of the accounts payable and receivable systems and identification of amounts paid to/from assisted or voluntary organisation. Review of year end debtor and creditor positions in relation to the related parties identified.
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>There is nothing specific for related parties as all transactions are subject to checks with appropriate limits in place at each stage of the process.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Financial transactions outside the normal course of business would need to approved by the S151 or deputy S151 officer</p>

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

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

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Land & Buildings inc. Council House Dwellings and Depreciation Pension Liability Airport Valuation PFI Liabilities Credit Loss Allowance NNDR appeals provision Insurance Provision
2. How does the Council's risk management process identify and addresses risks relating to accounting estimates?	As part of the budget setting process and the update of the Medium Term Financial Strategy, risks are considered (including relating to accounting estimates) and detailed within appropriate reports and if a risk is considered material in line with the Risk Management Framework it is included on the Spectrum Risk Management System. All risks are reviewed as a minimum quarterly and all risks classified as Very High (Residual) are brought to the attention of Strategic Executive Board and Audit and Standards Committee. The Director of Finance and Legal Services has director responsibility for risk management.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Using technical guidance and data obtained from various organisations, including Analyse Local, Link, BDO, Insurance actuaries, Savills, Bruton Knowles and SIGOMA. Service accountancy teams are embedded within the directorates that they support and therefore have access to all relevant source data, e.g. past claims data, number of Check, Challenge and Appeals data. The service accountancy teams working through the normal annual monitoring cycle, budget setting and final accounts discuss estimate assumptions regularly with Directorate Management teams and Strategic Executive Board
4. How do management review the outcomes of previous accounting estimates?	Estimates are constantly reviewed as part of budget setting, financial monitoring and the production of final accounts.
5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	No changes made to estimation processes in 2022/23.

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	All the key accounting estimates have been identified for many years including those that require specialised skills and knowledge such as pension liability, land and building valuations so processes for applying specialised skills and knowledge are well established. Financial Services staff work very closely with services, including attendance at senior management meetings. Therefore all significant transactions that require estimation eg a new provision would be reported to Financial Services. Decision Sheets and members reports have to be approved by Finance managers. Finance staff attend relevant training events and review guidance on any developments in accounting matters where the requirement for specialised skills would be flagged up eg IFRS 16
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Where we have concerns we have held meetings with the service management team. We have reviewed the detail documentation supporting the estimate, we have audited and where appropriate made recommendations for control process for the environment. Where relevant we review the contracts for appointing experts e.g. valuation of airport
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	For valuations regular monitoring meetings are held with valuers and the internal valuers monitor the output from external valuers for reasonableness and accuracy
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	A report was taken to Audit & Standards Committee on Accounting estimates to be used for 2022-23 Statement of Accounts in March 2023

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	No
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes a risk based approach is taken to the management of approach of accounting estimates .
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Our approach was taken to the Audit & Standards Committee in March 2023

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Fair value for land/buildings defined as 'existing use' by Dudley Metropolitan Borough Council.	Valuations are performed annually to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. For land and buildings all material assets will be considered in 2022/23	Yes – Internal and external valuers	Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion and adherence to the latest RICS guidance	No
Council dwelling valuations	Existing Use Value – Social Housing	Valuations are performed annually to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.	External valuers	Estimation method is prescribed by DLUHC	No
Depreciation	Each part of an item of property, plant and equipment with a significant cost in relation to the total cost is depreciated separately. Depreciation methods, useful lives and residual values are reviewed each financial year and adjusted if appropriate.	See left box	Valuers to assess useful lives	Depreciation is calculated on a straight line basis as this reflects consumption of assets and is a reasonable assumption	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?
Valuation of defined benefit net pension fund liabilities	Calculated by the actuary Hymans Robertson	Valuations are checked for reasonableness by the Central Finance Team	Yes – Hymans Robertson	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No
Level 2 investments	Discounted contractual cashflows at the market rate for a similar investment of the same remaining term with a similar counterparty. Estimates are a disclosure only	Link's valuations are checked for reasonableness by Central Finance staff	Yes – Link Asset Services	Detailed in the Link Report	No
Level 3 investments	Earnings based approach for the airport shares	Valuations checked by Central Finance staff	Yes – BDO used by all the West Mids districts	Detailed in the BDO report	No
Fair value estimates	This is detailed within the table for each type of fair value estimate				

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions	Provisions are identified through detailed monthly management accounts which flags any potential issues to management	Each provision is separately reviewed by Central Finance and a working is put together to support the calculation.	As necessary on an individual basis	Each provision is assessed on an individual basis to ensure that it meets the criteria of a provision per IAS 37. The degree of uncertainty is assessed when determining whether a provision is the correct treatment for an item	No
Accruals	We use standard accruals accounting –accruals are based on expenses incurred that have not yet been paid	Monthly management accounts provides rigorous analysis so that any accruals are highlighted and actioned throughout the year.	N/A.	N/A.	No
Credit loss and impairment allowances	The simplified approach is used to estimate the impairment loss allowance for trade receivables. Debts unpaid within 35 days are reviewed monthly and any debts that are deemed to be irrecoverable are written off on a 6 monthly basis.	Knowledge by the Accounts Receivables team in likelihood of recoverability and the aging of the debts. S151 Officer signs off the write offs	N/A	N/A	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Finance lease liabilities	Spreadsheet model developed in-house	Review of property and vehicle databases	No	Standard lease valuation methodology used	No
PFI Liabilities	PFI conversion model created by an expert	Reviewed by finance staff	Yes	Detailed in expert's reports	No



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