



Informing the Audit and Governance risk assessment for Tewkesbury Borough Council 2021/22

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Table of Contents

Section	Page
Purpose	4
General Enquiries of Management	6
Fraud	9
Fraud Risk Assessment	10
Laws and Regulations	15
Impact of Laws and Regulations	16
Related Parties	18
Going Concern	20
Accounting Estimates	22
Accounting Estimates - General Enquiries of Management	23
Appendix A – Accounting Estimates	26

Purpose

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

Background

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

This two-way communication assists both the Auditor and the Audit and Governance Committee in understanding matters relating to the Audit and Governance and developing a constructive working relationship. It also enables the Auditor to obtain information relevant to the Audit from the Audit and Governance Committee and supports the Audit and Governance Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the 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 Tewkesbury Borough Council's management. The Audit and Governance Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?</p>	<p>The main issue during the whole of 2021-22 was the continuing response to the COVID-19 pandemic. During the year we paid out over £5m of COVID business grants and over £300k of Self Isolation payment to individuals. We also gave awarded over £4m of COVID business rate reliefs which was compensated by s31 grants.</p> <p>Due to events such as Brexit, COVID-19, war in Ukraine or rise in inflation there is a risk of material misstatement within property, plant & equipment. However, we mitigate this risk by having our assets valued every year.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Tewkesbury Borough 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>The accounting policies are reviewed annually for appropriateness. There are no changes to accounting policies but we have changed the estimate of useful life for bins in line with the warranty offered by manufacturers.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>The accounts contain financial instruments including debtors, creditors, investments and borrowing. The council does not use and derivatives.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>Apart from the COVID related transactions the main project outside the normal course of business is the Ashchurch Bridge project which is worth £8.5m over the lifetime of the project.</p>

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?	No
6. Are you aware of any guarantee contracts? If so, please provide further details	None that we are aware of.
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	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by Tewkesbury Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>Pinsent Mason – specialist legal advice for the Garden Towns work including Ashchurch Bridge</p> <p>Mr Richard Atkins QC – H&S legal prosecution against WM Morrison Supermarkets PLC</p> <p>Mr Mark Jackson – Tradeteam prosecution</p> <p>Mr Horatio Waller – Planning appeal high court case Piffs Elm</p> <p>Cornerstone Barristers – Challenge appeal decision on a development in Gothingington</p> <p>Mr James Pereira QC - Planning appeal high court case Piffs Elm</p> <p>Mr Meyric Lewis – Planning appeal on land at Coombe Hill</p> <p>Government Legal Department - Challenge appeal decision on a development in Gothingington</p> <p>Gary Spencer – s106 work in respect of appeals at Oakley Farm, Alderton, Fiddington 2 and Fleet lane, Twyning.</p> <p>Martin Evans - general legal advice</p> <p>Josef Cannon – Planning appeals in Alderton & Fiddington.</p> <p>Rowan Clapp - Planning appeal Fleet Lane, Twyning.</p>

General Enquiries of Management

Question	Management response
9. Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? 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?	<p>Treasury Management Advisors – Arlingclose Ltd</p> <p>Local authority tax advice – PsTax Ltd</p> <p>Financial accounting advice - CIPFA</p> <p>Specialist consultants for Garden Towns projects – Colin Molton Consultancy Ltd, Arup Ltd</p> <p>Planning service review – POS Enterprises Ltd</p> <p>One Legal structure review – Cadence Innova</p> <p>Heating replacement & Solar canopy – McCann and Partners</p>
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	These will be considered as part of the year end process. Our Treasury Management Advisors provide data for any treasury investments we have at year end.

Fraud

Matters in relation to fraud

ISA (UK) 240 covers Auditors' responsibilities relating to fraud in an Audit and Governance of financial statements.

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

As Tewkesbury 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 and Governance, considering the potential for management override of controls.

As part of our Audit and Governance 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 Governance Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

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

Fraud risk assessment

Question	Management response
<p>1. Has Tewkesbury 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 Council's risk management processes link to financial reporting?</p>	<p>The Council has a robust financial control framework, supported by financial regulations, standing orders, scheme of delegation and an independent and objective Internal Audit function and Counter Fraud and Enforcement Unit. This mitigates the significant risk posed by collusion.</p> <p>Responsibility for ensuring that fraud and corruption risks are addressed sits with the Head of Finance and Asset Management (S151 Officer). The CFEU/internal audit/finance/corporate – there are a plethora of mechanisms in place from corporate policies such as anti-fraud and corruption, whistleblowing, money-laundering etc. to operational work programmes of the CFEU and internal audit. There are also service related controls such as HR recruitment and vetting and ICT related policies. The council's fraud risk is deemed low as we no longer have direct responsibility for housing stock, leisure or waste services.</p> <p>The finance team comprises skilled, qualified accounting officers responsible for regular monitoring of management accounts to report actual income and expenditure against budgeted and forecast performance. This process includes discussions with service leads and review of variances to identify any instances of fraud and error. The annual budget is risk assessed and reported, and then monitored as part of the revenue and capital budget monitoring process. All reports to Executive Committee include a section on financial implication and risk assessment to ensure that members are aware of the financial risks of making a decision.</p> <p>The Counter Fraud and Anti-Corruption Policy, the Corporate Enforcement Policy, the Whistleblowing Policy, and the Internal Audit Charter are formally agreed by the Council (at a meeting of the appropriate Committee/Executive). These documents set out the role of Internal Audit and the Counter Fraud and Enforcement Unit in the prevention and investigation of fraud.</p> <p>The Audit and Governance Committee also approves the annual audit plan and counter fraud plan which includes allocation of resources to respond to fraud allegations and prepare audits to consider possible areas where fraud may be a risk.</p> <p>The work of the Counter Fraud Team is reported to the Audit and Governance Committee on a biannual basis. The overall remit is to prevent, detect and deter the abuse of public funds within the Council by working closely with other public sector organisations. The team can undertake reactive investigation work where a referral is received and where necessary, proactive fraud drives in high risk areas. Internal investigations have taken place by the Counter Fraud Unit and appropriate action has been taken and reported where appropriate.</p>

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Tewkesbury Borough Council as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>	<p>Any instances of actual, suspected or alleged fraud, error or other irregularities that are identified are reported to Corporate Management and the Audit Committee (see CFEU reports for full details). Benefit fraud investigation is the responsibility of the DWP. Abuse of the Council Tax Reduction Scheme is supported by the Revenues and Benefit staff.</p> <p>The CFEU investigate all allegations of wrongdoing in relation to the abuse of public funds. These matters are managed in line with Council's policies, including disciplinary policy, and will be reported to the police where appropriate.</p>
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>In some instances recommendations have been made in respect of control procedures and reports are issued to the appropriate Service Leads and Governance Group.</p> <p>The Audit and Governance Committee i.e. 'those charged with governance' receive regular reports including:</p> <ul style="list-style-type: none"> - Six monthly updates on the work of the CFEU. - internal audit (re-deployed in 21/22) provide quarterly monitoring reports on finalised audit assignments incl updates of whether recommendations have been updated or not - corporate risk register is presented at each committee meeting - annual overview of serious and organised crime checklist - all related risk and governance type policies are considered by the A&G ctee prior to approval by the Executive Committee <p>The CFEU has a similar annual plan for its work which includes an allocation of resources to investigate any alleged fraud. Performance against the Internal Audit Plan and Counter Fraud Plan and any specific issues identified are reported quarterly/half yearly to the Audit Committee.</p> <p>CFEU have prepared a Counter fraud and anti corruption policy for approval in the new financial year.</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>The main areas of abuse relate to fraud associated with benefits to include the Councils Council Tax Reduction Scheme although reviews and verification processes within the department keep this to a minimum. In addition abuse relating to Council Tax and Business Rates avoidance / evasion affects a main revenue stream and due to the pandemic, abuse of Business Grants is a significant fraud risk area.</p> <p>Some high risk areas are no longer within the domain of the Council - depot services are managed by Ubico, leisure matters are contracted out and the Council does not retain housing stock therefore Tenancy Fraud is not a concern although Housing Application abuse remains an area that requires monitoring.</p>

Fraud risk assessment

Question	Management response
<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 Tewkesbury Borough Council where fraud is more likely to occur?</p>	<p>There are low risk internal areas such as mileage expense abuse but this is not significant due to the pandemic. Recruitment and payroll are also areas which are open to abuse. Procurement fraud, specifically within property services departments, remains an area susceptible to abuse because of the significantly high levels of expenditure.</p> <p>Regarding external fraud, both Internal Audit and the Counter Fraud Unit have undertaken work around serious and organised crime and continue to promote awareness and tackle any areas affecting Tewkesbury Borough.</p> <p>Cyber related crime remains a significant risk for the Council and this is managed and reported on by the ICT Team.</p> <p>Procurement fraud, specifically within property services departments, remains an area susceptible to abuse because of the significantly high levels of expenditure.</p> <p>Regarding external fraud, both Internal Audit and the Counter Fraud Unit have undertaken work around serious and organised crime and continue to promote awareness and tackle any areas affecting Tewkesbury Borough.</p> <p>Cyber related crime remains a significant risk for the Council and this is managed and reported on by the ICT Team.</p> <p>It cannot be stated that fraud will not occur, but I would not consider one area being significantly at risk. I would add that there is a current increased risk of fraud across the Council due to the pandemic, especially with the payment of NNDR and Community Grant payments.</p>
<p>6. What processes do Tewkesbury Borough Council have in place to identify and respond to risks of fraud?</p>	<p>The existence of the CFEU as a permanent dedicated service significantly mitigates fraud risk generally. The overall remit is to prevent, detect and deter the abuse of public funds within the Council by working closely with other public sector organisations and referring to recommendations by the Home Office and other professional bodies. The team undertakes reactive investigation work where a referral is received and where necessary, proactive fraud drives in high risk areas.</p> <p>The CFEU have promoted and introduced processes for internal and external reporting for both staff and by members of the public. Whistleblowing is becoming more effective as a result.</p> <p>There are many financial controls around the validity and payment of invoices and work with HR re recruitment controls in place to ensure all new employees are vetted properly and that staff recognise fraudulent qualifications. Work has been completed in relation to gifts and hospitality procedures and is underway in relation to conflicts / declarations of interest by staff. The CFEU assist with NFI data matching and undertake our own data matching exercises where risk has been identified. The Council also employs a number of Enforcement Officers within the various service areas who undertake work to tackle abuse of public funds.</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Tewkesbury 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)? If so, please provide details</p>	<p>The focus of the internal team has been on the very high risk areas relating to business grants with a reduced focus on normal council services. Given reduced focus, management assurance statements will go to A&G later this year. The Corporate Governance Group (comprising senior officers) undertake a high level review of the council's governance arrangements which will touch upon the system of internal control.</p> <p>There is a good working relationship between the CFEU and Internal Audit, which ensures that internal control weaknesses identified through counter fraud activities are followed up, following management action to address the weaknesses by internal audit reviews. External Audit also report their findings and recommendations to Audit and Governance Committee, which is subject to the same process of monitoring and challenge. Outcomes of audit work feed in to the Annual Governance Statement which is considered by the Management Team and Audit and Governance Committee.</p> <p>Awareness training on a regular basis reduces the risks associated with internal abuse and fraud. The promotion of integrity and whistleblowing channels also mitigates this. Conflict of interest / declaration of interest processes also help identify those staff who are a potential risk so that appropriate training and management controls can be put in place. The CFEU submits data for the National Fraud Initiative (NFI) and assesses all matches for review and, where appropriate, mitigation. On occasions such issues have been raised by both internal and external audit as part of the audit work. Appropriate recommendations for changes to internal controls are made on these occasions for management to implement.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>The financial reporting process is subject to review and challenge by both the Finance Manager and the Head of Finance and Asset Management.</p> <p>There is always the potential but we believe appropriate checks and balances are in place within the shared Finance Team to ensure mis-reporting does not occur. The Council monitors budgets to cost centre level which would highlight any unexpected variances for further investigation. Financial rules govern what is required to be reported and controls the rules surrounding 'virement'. Reports produced by the CFEU are subject to auditable case files held on the case management system.</p>

Fraud risk assessment

Question	Management response
<p>9. How does Tewkesbury 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? Have any significant issues been reported? If so, please provide details</p>	<p>The Council communicates and encourages ethical behaviour and business processes of its staff and contractor through its policies and strategies including the Counter Fraud and Anti- Corruption Policy, Employee Code of Conduct and Whistleblowing Policy all of which are available on the intranet site. Updates are communicated through induction and refresher training and other internal update channels, emails or staff training events. Staff and Member awareness sessions have been provided by the CFEU. Provision of refresher information and literature for new starters is being developed as are online training modules</p> <p>Significant contracts are let following a robust process which seeks assurance from the potential contractor that the organisation has appropriate policies and processes in place. The Council monitors performance and quality and adherence to standards of service delivery. The Procurement Team have included statements on all tender / quote documentation detailing the Councils approach to modern slavery, ethical procurement and supporting local businesses.</p> <p>Publicity with regard to identified fraud and error will also be encouraged to act as a deterrent generally. Through the continued work the CFEU have delivered across the Council relating to awareness and through reputation, staff are encouraged to approach the team. HR colleagues would also ensure fraud reports come to the CFEU for assessment. No significant issues have been reported in 2021/22. Staff are expected to report any concerns they have about fraud or the misuse of public funds. Any allegations received are referred to the CFEU for investigation. These matters are managed in line with the Council policies, including disciplinary policy, and will be reported to the Council's Management Team where appropriate. In some instances, recommendations will be made in respect of control processes.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Contract procurement posts, high level budget controllers/approvers, ICT staff with high level system access,. Officers with significant operational financial responsibilities, such as roles in Treasury Management, Chief Finance Officer/Deputy Finance Officer, and roles in Revenues and Benefits are subject to regular security checks, at recruitment and then regularly every three years. Each role is assessed for the requirement to undertake post holder security checks. Also never underestimate those lower paid jobs where access to all services 'out of hours' i.e. cleaners – hence why controls such as 'clear desk policy' are in existence.</p> <p>Many Local Government staff are susceptible to duress and corruption due to the nature of their duties - housing teams, council tax officers, planning staff; however there must be a level of trust within the organisation to promote a healthy working environment. Conflict of interest / declaration of interest process development to make it a more risk based one - identifying high risk staff and ensuring the correct controls are in place. Better recruitment checks to vet staff and prevent them entering the workplace - prevention is always the best control.</p>

Fraud risk assessment

Question	Management response
<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>Organisations such as Ubico give rise to fraud risk which may affect the Council. The risks associated with fraud related to related party relationships and transactions are mitigated through the requirement within the Constitution for members to make declarations of all relevant relationships and transactions and update their declarations on a quarterly basis. They are also required to disclose any relevant interests at Committee meetings and where appropriate withdraw and disclose any gifts and/or hospitality received via the Council register. Officers are also required to declare any related party transactions. Prevention methods for bribery and corruption form part of the CFEU work stream and are detailed within the Counter Fraud and Anti Corruption Policy.</p>
<p>12. What arrangements are in place to report fraud issues and risks to the Audit and Governance Committee?</p> <p>How does the Audit and Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>On a quarterly basis, the Audit and Governance Committee receives monitoring reports from Internal Audit regarding work carried out by the internal audit team note: the internal audit team were redeployed during 21/22. The report details the work carried out compared to the plan, the level of assurance resulting from the audit, the key issues regarding internal controls or fraud including any breaches. Reporting includes the outcome of internal audit follow-up reviews of the implementation of audit recommendations.</p> <p>In addition, the CFEU report biannually to Committee. The Audit and Governance Committee approves the risk based Annual Audit Plan which includes a risk based system audit of core financial systems and resources for auditing non financial systems on a risk basis. The CFEU has a similar annual plan for its work which includes an allocation of resources to investigate any alleged fraud.</p> <p>Performance against the Internal Audit Plan and Counter Fraud Plan and any specific issues identified are reported quarterly/half yearly to the Audit and Governance Committee. The Committee is consulted on any proposed changes to relevant Council Policy – e.g. Whistle Blowing Policy, Counter Fraud and Anti-Corruption Policy, Money Laundering Policy, RIPA Policies etc. Changes to the Council's Corporate Risk Register are also reported to the Audit and Governance Committee on a quarterly basis. The Council's Overview and Scrutiny Committee also receives the Council's quarterly performance reports, which includes changes to the Council's risk registers and details of financial performance. The Audit and Governance Committee exercise oversight over management processes for identifying and responding to risks of fraud and breaches of internal control through challenge of internal audit and counter fraud, monitoring the implementation of recommendations and seeking additional assurances from operational management. See reports presented to Audit and Governance / Overview and Scrutiny Committee.</p>

Fraud risk assessment

Question	Management response
<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>The CFEU has not received referrals via whistleblowing. Should the team receive any such referrals, reports are dealt with correctly and in line with the Whistleblowing Policy and with due consideration to sensitive referral sources. Once the investigation is complete, appropriate recommendations are made for action which may include prosecution, civil penalties, improvements to internal controls, and (where an employee is the subject), consideration of disciplinary action.</p> <p>If warranted a report would be made to the Audit and Governance Committee and recommendations for improvements to internal controls issued to Management Team to be followed up by internal audit.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>None.</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 and Governance of the financial statements.

Management, with the oversight of the Audit and Governance Committee, is responsible for ensuring that Tewkesbury 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 Governance Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

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

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Tewkesbury 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 Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>All reports for decision contain a section considering legal implications and all reports for Executive or Council are considered by the Corporate Leadership Team (the Monitoring Officer is a member).</p> <p>Senior Officers have sufficient knowledge and experience of their service areas to ensure compliance plus they have access to One Legal or professional advisers as needed. One Legal team are included in the draft distribution network.</p> <p>We are not aware of any changes in the Council's regulatory environment that may have a significant impact on the Council's financial statements.</p>
<p>2. How is the Audit and Governance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Audit and Governance Committee gains assurance that all laws and regulations have been complied with through the work of Internal Audit and also by exception reporting from the Chief Finance Officer or Monitoring Officer.</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? If so, please provide details</p>	<p>None that we are aware of.</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>Any that are will be disclosed in the financial statements.</p>

Impact of laws and regulations

Question	Management response
<p>5. What arrangements does Tewkesbury Borough Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>There are solid working relationships between service areas and business partnering arrangements within finance, which means there are good levels of communication to identify, report and account for such issues. Any instances of litigation or claims are brought up at Management Team so the Head of Finance and Assets is aware from the start and reports these to the Finance Manager at weekly meetings. These are then assessed and further information from the relevant department is requested.</p> <p>These would also be reviewed as part of the Corporate Governance Group remit and added to the Corporate Risk Register if necessary.</p> <p>Insurance – all managers are aware that at any risk of litigation or a claim must be reported to the Insurance Officer as soon as possible.</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>None in the year.</p>

Related Parties

Matters in relation to Related Parties

Tewkesbury Borough 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 Tewkesbury Borough Council;
- associates;
- joint ventures;
- a body 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 body 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 Council'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 Tewkesbury Borough Council's 2020/21 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> • the nature of the relationship between these related parties and Tewkesbury Borough Council • whether Tewkesbury Borough Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	<p>All senior managers and councillors have been sent a related party form to complete so this will be compared to 2020-21 to identify and potential changes or omissions and summarised in our working papers.</p>
<p>2. What controls does Tewkesbury Borough Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Annual return at year end for the accounts, members must keep their register of interests up to date with Democratic Services and declare any interests in committee items at the start of any meetings. Also staff must report any gifts, hospitality or outside commitments to Human Resources and second jobs/voluntary roles must be signed off by the Monitoring Officer.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Significant transactions must be approved in accordance with the financial procedure rules and in line with authorised signatory limits. Members also must withdraw from any business which is a conflict of interest with a related party.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Significant transactions outside the normal course of business requires member approval. Financial sign off limits dependent on level within authority. The management team sign off approval for anything that does not require member approval.</p>

Going Concern

Matters in relation to Going Concern

The Audit and Governance approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit and Governance of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit and Governance 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 Tewkesbury Borough Council will no longer continue?</p>	<p>A rolling Medium Term Financial Strategy is kept as a live document and updated with known changes which will impact on the council finances. The s151 Officer produces a Going Concern Assessment on an annual basis, sits on the Corporate Leadership Team, and is in place to identify any changes to services or funding.</p> <p>Regularly budget monitoring also takes place to identify areas of over and underspend which allows corrective action to be taken if necessary.</p>
<p>2. Are management aware of any factors which may mean for Tewkesbury Borough 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>Central government funding of statutory services is reducing given the cash flat spending review and impact of inflation on the cost of delivering services. This shortfall in government funding will be met locally to maintain statutory service provision.</p>
<p>3. With regard to the statutory services currently provided by Tewkesbury Borough Council, does Tewkesbury Borough 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 Tewkesbury Borough Council to cease to exist?</p>	<p>Yes we do expect to continue to deliver them for the foreseeable future.</p>
<p>4. Are management satisfied that the financial reporting framework permits Tewkesbury Borough 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>Management are satisfied that Tewkesbury Borough Council can prepare their financial statements on a going concern basis and that it provides a faithful representation of the items in the 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 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?

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

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	<p>The main classes are:</p> <ul style="list-style-type: none"> - property, plant and equipment valuation - pension fund net liability valuation - Estimates of provisions - Fair value estimates of financial instruments
2. How does the Council's risk management process identify and address risks relating to accounting estimates?	<p>Risks are identified and addressed through:</p> <ul style="list-style-type: none"> - Committee report reviews - Use of experts to inform the calculation of accounting estimates e.g. calculating property valuations and pension liability - Updates and bulletins from professional bodies, e.g. CIPFA - Discussions with service managers throughout the year
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>We always use professional valuers and get all our assets valued annually to ensure that they are carried at fair value. We instruct our valuers by ensuring we have all the up to date information on assets passed to them to ensure the data is as accurate as possible.</p> <p>With the pension funds we complete an annual return to the actuary to ensure they have the most up to date information possible to value our element of the pension fund.</p> <p>We review all the asset values to ensure we understand the estimation techniques involved and challenge any we are unsure of. Also we read the accompanying information from both the property valuers and actuary to understand the estimation techniques involved in the valuation to ensure we are comfortable with them.</p>
4. How do management review the outcomes of previous accounting estimates?	<p>When we look at the estimates for the current year we assess those we used the previous years to ensure they were justified and robust.</p> <p>We also take note of any recommendations from the prior year audit.</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 identify the high value and high risk transactions in our accounts and look at our skill sets in house. If we do not have the expertise in house we ensure we use a qualified and competent professional, e.g. RICS qualified valuers etc. The main two areas identified are property valuations and the pension liability.</p>
<p>7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>Controls include clear instructions to experts on scope of work, checking information used in final reports matches what we have given them and thoroughly reviewing reports, issuing challenges where necessary.</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 and review any challenge provided or evidence required for our material accounting estimates. For external experts like our actuary and valuers we provide the base data along with any other relevant information they would require then we review the final data and challenge/justify and estimates used to ensure they are robust and verified.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>The nature and extent of the oversight in relation to accounting estimates includes:</p> <ul style="list-style-type: none"> • The agreement of assumptions in advance, including their appropriateness • Verification of the underlying data in advance • The methodology to be used to determine the value of estimates and its appropriateness • Review of the results for reasonableness, including comparative analysis with previous years • Sensitivity of the results to the key assumptions to assess materiality

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	These are detailed in the critical judgements note within the statement of accounts.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	<p>Management is satisfied that arrangements for the accounting estimates are reasonable, as they are compliant with accounting standards and CIPFA's Code of Practice plus have been reviewed by the Council's finance team.</p> <p>Where applicable, estimates are obtained from qualified, external (and therefore independent) actuaries and property valuers, providing further assurance that the estimates are reasonable.</p>
12. How is the Audit and Governance Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Accounting policies were taken to Audit and Governance Committee for approval prior to the preparation of the statement of accounts.

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 including Investment Properties	Valuations are based on the CIPFA Code of Practice and made by a RICS qualified valuer.	Letter of engagement sets out detailed information and basis of estimations. All valuations are thoroughly reviewed and challenged by the accountants.	We use Wilks, Head and Eve for all valuations.	The valuers issue a formal certificate which includes a summary of any estimation uncertainty. We review and challenge all information provided.	No
Depreciation	Useful life is detailed in our accounting policies dependent on asset types. We use straight line depreciation over the asset's useful economic life.	We review these annually.	We speak to service managers about specialized assets or use the valuers estimates in their reports.	We review and challenge any assumptions made.	We have extended the useful life waste and recycling bins so it is in line with the warranty issued by the manufacturers.

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	We commission the Gloucestershire Pension Fund actuary to undertake this work on our behalf, in accordance with the Code and accounting Standards.	We review the estimates used by the actuary and challenge any large movements.	The actuary of the Gloucestershire LGPS pension scheme is Hymans Robertson.	We rely on the expertise of the actuary who produce a report on Tewkesbury's results which we review for reasonableness and a sensitivity analysis is provided by the actuary as well to assess the likelihood the estimates may be wrong.	No
Financial instruments	All models for valuations for financial instruments are reviewed annually. We use expert advice where needed however we also rely on the in house knowledge of the relevant officers, e.g. Treasury Officer for investments.	We use specialist Treasury Advisers who provide us with the fair value of our investments and borrowings, assessment of credit losses and an analysis of any risks surrounding our financial instruments.	Arlingclose provide all the information for valuing treasury investments.	Sensitivity analysis is undertaken on material valuations where there is some degree of 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?
Provisions	Provisions are made whenever an event takes place that give the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefit or service potential, and a reliable estimate can be made of the amount.	Each provision is separately reviewed by the accountants and in conjunction with the service area experts.	Internal legal advice is sought when necessary.	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	Standard accruals accounting is used. Many of these are captured through our Purchasing system.	At year end accountants work closely with individual service areas to ensure accruals are accurate. Post year end invoices are also reviewed to ensure none are missed.	Budget holders and accountants work together to calculate any accruals.	Experienced finance staff review the assumptions and methodology used. This includes assessing the estimation uncertainty.	No



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