

# Informing the audit risk assessment for Maidstone Borough Council 2020/21

**Paul Dossett**  
Partner  
T 020 7728 3180  
E [paul.dossett@uk.gt.com](mailto:paul.dossett@uk.gt.com)



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.

# Table of Contents

<b>Section</b>	<b>Page</b>
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
Accounting Estimates	20
Accounting Estimates - General Enquiries of Management	21
Appendix A – Accounting Estimates	24

## Purpose

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

## Background

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

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

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

## Purpose

This report includes a series of questions on each of these areas and the response we have received from Maidstone Borough Council's management. The Audit, Governance 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
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?</p>	<p>The key events which are anticipated to have an impact on the 2020/21 financial statements are as follows:</p> <ul style="list-style-type: none"> <li>- Increase in property, plant and equipment (£10.5m) caused by material capital expenditure on the Lockmeadow Entertainment Complex, Innovation Centre and residential property developments and acquisitions;</li> <li>- An increase in the pensions liability (£16.1m) arising from changes in financial assumptions used by the actuary.</li> <li>- Increase in short term creditors (£7.1m) arising from Covid-19 business grants held at year end and s106 contributions held on behalf of third parties.</li> <li>- Increase in earmarked reserves, (£13.9m) from s31 grants received to compensate for expanded business rates reliefs in 2020/21. This will be used to offset the deficit on the collection fund which will be repayable from 2021/22.</li> </ul>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Maidstone Borough Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>Accounting policies are kept under review throughout the year and are formally reviewed as part of the preparation of the annual financial statements. There are no material changes expected to the Council's accounting policies for 2020/21.</p> <p>No new accounting policies have been adopted for 2020/21.</p>
<p>3. Is there any use of financial instruments, including derivatives?</p>	<p>Financial instruments are disclosed within the notes to the accounts and include treasury investments, loans, relevant classes of debtors and creditors.</p>

## General Enquiries of Management

Question	Management response
4. Are you aware of any significant transaction outside the normal course of business?	No.
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	We are not aware of any such circumstances, although this will be subject to review by the external valuer.
6. Are you aware of any guarantee contracts?	No.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	The financial statements incorporate provisions for potential losses, however there are no anticipated losses which would have a material impact on the financial statements
8. Other than in house solicitors, can you provide details of those solicitors utilised by Maidstone Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	The most significant area of spend was in relation to development control appeals, many of which are ongoing. A full list will be provided to the external auditors with the supporting working papers to the financial statements.

## General Enquiries of Management

Question	Management response
9. Have any of Maidstone 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?	The most significant area of spend on external advisors was for the local plan review. A full list will be provided to the external auditors with the supporting working papers to the financial statements.

# Fraud

## Issue

### Matters in relation to fraud

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

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

As Maidstone 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, Governance 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, Governance and Standards Committee oversees the above processes. We are also required to make inquiries of both management and the Audit, Governance 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 Maidstone Borough Council's management.

## Fraud risk assessment

Question	Management response
<p>1. Have Maidstone 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 assessed the risk of misstatement in the financial statements due to fraud and concluded that this risk is unlikely to result in material misstatement.</p> <p>The Council's financial systems are safeguarded from the risk of fraud by a robust internal control framework which is subject to regular independent review by internal audit.</p> <p>The Council does not set performance targets linked to financial outturn and the incentive for deliberate misstatement of disclosures within the accounts is therefore considered to be minimal.</p> <p>Risk management processes are forward looking in nature, and focus on future uncertainties regarding the Council's budgetary position.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Housing Benefits, Business Rates, Council Tax and Covid-19 Business Grants.</p>

## Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Maidstone Borough Council as a whole or within specific departments since 1 April 2020? As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>We are aware of three fraud cases relating to business grants, and one case of external payroll fraud. Fraud relating to housing benefit claims, council tax and business rates are investigated by the Mid Kent Fraud Team.</p> <p>Consideration of risk management forms part of all committee reports. A corporate risk register is in place, and fraud and other risks are also considered by the Corporate Governance Group. The Director of Finance and Business Improvement reports budget strategy risks to all meetings of the Audit, Governance and Standards Committee.</p>
<p>4. Have you identified any specific fraud risks?  Do you have any concerns there are areas that are at risk of fraud?  Are there particular locations within Maidstone Borough Council where fraud is more likely to occur?</p>	<p>No material fraud risks have been identified in relation to the financial statements.</p> <p>As identified above, the areas considered to be at the highest risk of fraud are Housing Benefits, Business Rates, Council Tax and Covid-19 Business Grants.</p>
<p>5. What processes do Maidstone Borough Council have in place to identify and respond to risks of fraud?</p>	<p>Procedures are in place to ensure compliance with financial regulations and contract procedure rules. These elements of the Council's constitution formally identify the procedures required in relation to financial transactions to reduce the risk of fraud.</p> <p>All financial systems maintained by the Council are subject to regular review by Internal Audit and are monitored by the Director of Finance and Business Improvement. Payments to individual suppliers exceeding £40,000 are approved by bank signatories, and the weekly payment run for creditors is subject to review by the s151 Officer. A dedicated fraud team is in place to identify and respond to fraud relating to revenues and benefits.</p>

## Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for Maidstone Borough Council, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>The overall approach is set out in the Annual Governance Statement – which is reviewed by Audit, Governance &amp; Standards Committee and approved by Policy &amp; Resources Committee.</p> <p>The internal control environment is subject to annual independent review by Mid Kent Internal Audit, and External Audit provide an Annual Audit Letter to the Committee highlighting any areas of concern and recommendations following the annual audit of accounts.</p> <p>Procedures and processes are designed to minimise the potential for the override of controls. Financial reporting involves a broad spectrum of individuals with differing roles and responsibilities, and this spectrum of input minimises the risk of inappropriate influence over financial reporting.</p> <p>Staff are not placed under any undue pressure in relation to the achievement of financial targets.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>As stated elsewhere in this document, the Council does not set performance targets linked to financial outturn and the incentive for deliberate misreporting is therefore considered to be minimal.</p>

## Fraud risk assessment

Question	Management response
<p>8. How do Maidstone Borough Council communicate and encourage ethical behaviours and business processes of its 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>	<ul style="list-style-type: none"> <li>- Ethical behaviour is encouraged through the Staff Code of Conduct and onboarding process for new staff, the Member Code of Conduct and Contract Procedure Rules.</li> <li>- The Council has a Whistleblowing Charter, Anti-fraud and Corruption and Anti Money Laundering policies in place which are actively promoted to staff.</li> <li>- The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016).</li> <li>- We are not aware of any significant concerns raised by staff which would be likely to have material impact on the financial statements.</li> </ul>
<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>High risk areas are posts which require the holder to authorise payments and/or receive income or let contracts on behalf of the Council.</p> <p>Risks are mitigated through general controls including segregation of duties and authorisation protocols, procedures to manage resources, reporting requirements, IT security arrangements, training and professional qualification requirements, risk based internal auditing activity planning, and whistleblowing procedures.</p>
<p>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>No</p>

## Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit, Governance and Standards Committee?</p> <p>How does the Audit, Governance 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>Internal audit report to the Audit, Governance and Standards committee on a regular basis. The Committee is informed of the assurance ratings for reviews undertaken by internal audit and follow-up actions taken.</p> <p>The Head of Internal Audit's Annual Report and Audit Opinion will be reported to the Audit, Governance and Standards committee in July.</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>No</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, Governance and Standards Committee, is responsible for ensuring that Maidstone 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, Governance 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 Maidstone 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>The Constitution sets out the framework to ensure that all officers, key post holders and Members are able to fulfil their responsibilities in accordance with legislative requirements.</p> <p>Roles and responsibilities for members, committees and senior officers, are documented within the Constitution.</p> <p>The Council's Monitoring Officer and Mid Kent Legal Services review all decision reports prior to publication to ensure that proposals comply with relevant legislation.</p> <p>Management is not aware of any changes to the regulatory environment that would have a significant impact on the financial statements.</p>
<p>2. How is the Audit, Governance and Standards Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Through the Annual Governance Statement and through the planning and reporting of a risk based programme of internal audit work each year.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?</p>	<p>No</p>

## Impact of laws and regulations

Question	Management response
4. Is there any actual or potential litigation or claims that would affect the financial statements?	No, there is no ongoing litigation expected to have a material impact on the financial statements.
5. What arrangements does Maidstone Borough Council have in place to identify, evaluate and account for litigation or claims?	The Monitoring Officer is a member of the Corporate Leadership Team and maintains oversight over key events which may give rise to litigation or claims. This information is communicated to the finance team through liaison with the legal team. Finance Officers then consider how this information should be reflected in the accounts.
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

Maidstone 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 Maidstone 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 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 Maidstone Borough Council's 2019/20 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and the Council</li> <li>whether the Council has entered into or plans to enter into any transactions with these related parties</li> <li>the type and purpose of these transactions</li> </ul>	<p>No</p>
<p>2. What controls does the Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>All Members and Officers are required to complete an annual declaration of interests to identify related party relationships. The Register of Interests is maintained by Mid Kent Legal Services. Related party transactions are (where material) disclosed in the Statement of Accounts.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Payments to a single supplier exceeding £40,000 are subject to separate authorisation by bank signatories. Adequate segregation of duties exist for the disbursement of funds via any route.</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 of the normal course of business would be referred to the Corporate Leadership Team or Policy and Resources Committee as appropriate.</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, Governance and Standards Committee members:

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

We would ask the Audit, Governance and Standards 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?	Property valuations, depreciation, pensions liability, arrears and provisions for business rates appeals.
2. How does the Authority's risk management process identify and addresses risks relating to accounting estimates?	<p>It should be noted that although the accounting estimates relating to property and pensions represent some of the most significant numbers in the financial statements in terms of value, the statutory accounting arrangements for local authorities mean that variations in these estimates would be unlikely to impact on the Council's spending power and are therefore not considered to pose a significant risk to financial resilience.</p> <p>The corporate risk register recognises a significant risk in relation to the recoverability of business rates and council tax.</p>
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Key management staff engage with the experts, where they are involved, in clearly defining and reviewing the basis and appropriateness of assumptions and source data for use in key accounting estimates used in the financial statements, such as the valuation of property, plant and equipment and pensions liabilities. This is done on an annual basis as part of the preparation for closedown. Discussion and challenge is documented. In other areas, where other key accounting estimates are material, senior finance staff ensure there is a robust system of review and challenge in assuring the appropriateness of methods, assumptions and source data of those estimates.

## Accounting Estimates - General Enquiries of Management

Question	Management response
4. How do management review the outcomes of previous accounting estimates?	<p>Year on year variance analysis is conducted as part of the review of the financial statements prior to publication, in order to assess the reasonableness of current and prior years' estimates, and to understand any significant movements.</p> <p>The process for writing off irrecoverable debt and issuing refunds following a successful rateable value appeal also enables management to carry out an in year assessment of the adequacy of the impairment and provision entries.</p>
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	No.

## Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Where the estimation techniques involved require input from a qualified professional with reference to technical guidance, management determine whether or not these skills are available in house.</p> <p>Property valuations are undertaken by a suitably qualified external valuer, Harrisons and IAS19 calculations for pensions are supplied by the actuary to Kent Pension Fund, Barnett Waddingham. Provisions for business rates appeals are calculated by finance officers with reference to contextual information supplied by the VOA and Analyse Local. The Council's external treasury management advisor, Link also assists with the provision of fair value information regarding loans and investments where required.</p> <p>Management consider that other estimates referred to in this document can be made by the in house team, under the oversight of the Head of Finance and the Director of Finance and Business Improvement, both of whom are qualified accountants.</p>
<p>7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>Property and pension related valuations are prepared on an annual basis and control activities include thorough analysis of the reports and outputs prepared by experts and review for consistency with internal records. Useful lives are estimated for depreciation purposes and are safeguarded through regular review and maintenance by the corporate property team.</p> <p>Arrears are reported to budget managers on a monthly basis, and reviewed in quarterly meetings with service Heads.</p>
<p>8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>Management derives assurance over the inputs and internal records used in calculating these estimates from periodic internal audit reviews. The relationship with the external valuer, Harrisons, is managed by the Property Services Manager, working closely with the Senior Finance Manager. The relationship with the pensions actuary, Barnett Waddingham is managed by Kent County Council as the pension fund manager, who maintain regular communication with member authorities.</p>

## Accounting Estimates - General Enquiries of Management

Question	Management response
<p>9. What is the nature and extent of oversight and governance over management’s financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> <li>- Management’s process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	<p>The nature and extent of the oversight in relation to accounting estimates includes:</p> <ul style="list-style-type: none"> <li>• The agreement of assumptions in advance, including their appropriateness</li> <li>• Verification of the underlying data in advance</li> <li>• The methodology to be used to determine the value of estimates and its appropriateness</li> <li>• Review of the results for reasonableness, including comparative analysis with previous years</li> <li>• Sensitivity of the results to the key assumptions to assess materiality</li> <li>• Senior management sign-off of the outcomes as part of the quality assurance process</li> </ul>
<p>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)?</p>	<p>No</p>

## Accounting Estimates - General Enquiries of Management

Question	Management response
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes
12. How is the Audit, Governance and Standards Committee provided with assurance that the arrangements for accounting estimates are adequate ?	<p>Details of accounting estimates and significant judgements are disclosed to members of the Audit, Governance and Standards committee within this paper, and through the financial statements. Committee members are given the opportunity to review and comment on the draft financial statements prior approving the audited document.</p> <p>Budget risks are also regularly reported to the committee, and this report incorporates future uncertainty and the likelihood and impact of adverse events arising.</p> <p>In the event that significant accounting estimates were so inaccurate as to compromise financial resilience, this would be reported to members through regular budget monitoring updates throughout the year.</p>

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Valuations provided by a qualified external valuer for selected properties on an annual basis.	Operational assets need to be revalued at least every five years, but larger value assets are assessed either annually or bi-annually.	The Council engages the services of a suitably qualified valuer.	The impact of a 10% reduction in estimated values is modelled in the Statement. This is considered to be appropriate in the context of the overall value of the properties.	No
Heritage Assets	Heritage asset values disclosed in the accounts are based on 2011 valuations undertaken for insurance purposes with reference to information from auction houses. The values are reviewed annually for insurance purposes.	The majority of heritage assets are located at the Council's museums and are identified from records obtained from officers from this area.	No	Updating the valuations for the heritage assets on the balance sheet may produce different results to the 2011 values. However, the cost of such an exercise is not commensurate to the benefits of this information to users of the accounts. This approach is allowed by the Code and has been disclosed in the notes to the accounts.	No
Investment property valuations	Valuations provided by a qualified external valuer for selected properties on an annual basis.	Investment properties are revalued on an annual basis.	The Council engages the services of a suitably qualified valuer.	The impact of a 10% reduction in estimated values is modelled in the Statement. This is considered to be appropriate in the context of the overall value of the properties.	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?
Depreciation	Properties depreciated over suitable useful lives based on the level of repairs and maintenance that will be incurred.	Useful lives are reviewed when the properties are revalued.	The appropriate useful life to the Council is determined by the Capital Accountant in consultation with officers from the relevant service area.	The impact of a one year reduction in useful lives is modelled in the Statement. This is considered to be appropriate in the context of the overall value of the properties.	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	The liability is assessed by a pensions actuary.	The actuary uses professional judgement and actuarial data to assess the extent of the liability.	The actuary is appointed by the Kent County Council Pension Fund on behalf of the Council who are one of the members of the scheme.	A 0.1% increase in the discount rate and a 0.1% increased in the assumed level of pension increases is modelled, along with an increase of one year in life longevity. This is considered to be appropriate in the context of the overall value of the properties.	No
Provisions (including NNDR appeals)	An assessment based on data around current and potential losses from appeals against the rateable values of business premises. Other provisions are not material.	Valuation information is provided by the Valuation Office Agency (VOA)	The Council's appeals provision is made with reference to an assessment of potential losses by an external advisor.	A 10% increase in the yield losses from successful appeals is assessed to show the potential impact. Consideration will be given to alternative figures depending on the underlying economic conditions.	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?
Accruals	Accruals of income and expenditure are recognised where the value exceeds £10,000.	Accruals are identified through commitment accounting and by service accountants in consultation with budget managers.	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest available information has been used.	No
Impairment for doubtful receivables.	Allowances are made for doubtful receivables. Different methodologies are used for the different classes of debtor. Generally speaking, estimates are based on the age of the debt or known factors which indicate that debts may not be recoverable.	The calculation is derived from aged debtor listings taken from the general ledger and revenues and benefits systems.	No	The notes to the accounts detail the impact on debtor balances and a deterioration in collection rates is modelled.	No



---

[grantthornton.co.uk](http://grantthornton.co.uk)

© 2021 Grant Thornton UK LLP

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.