

Informing the audit risk assessment for London Borough of Brent 2020/21



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

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between the London Borough of Brent (the 'Authority') external auditors and the London Borough of Brent's Audit and Standards Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Standards Committee under auditing standards.

Background

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

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

Communication

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

General Enquiries of Management

Question	Management response
<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>Covid-19, in particularly:</p> <ul style="list-style-type: none"> • in sourcing Notting Hill properties to Brent direct Leasing • delayed the delivery and output of the capital programme to ensure projects can proceed in covid secure environments • Bad debts provision on Collection Fund. Provision for appeals on business rates for Material Change in Circumstances (MCC) due to impact of Covid-19 on rateable value of business properties. • Level of bad debt provision
<p>2. Have you considered the appropriateness of the accounting policies adopted by London Borough of Brent? Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>We have reviewed our accounting polciies and have not identified any events or transactions that would cause us to adopt new accounting policies.</p>
<p>3. Is there any use of financial instruments, including derivatives?</p>	<p>No use of financial derivatives. Continue to transact in the same instruments as 2019/20 with no proposed changes. These include:</p> <p>Assets:</p> <p>Cash in hand; bank current and deposit accounts with NatWest bank; loans to small companies and housing associations; lease receivables; Trade receivables for goods and services provided; Money market fund</p> <p>Liabilities:</p> <p>Long-term loans from the Public Works Loan Board and commercial lenders; Short-term loans from other local authorities; Overdraft with NatWest Bank; Lease payables; Private Finance Initiative contracts; Trade payables for goods and services received</p>

General Enquiries of Management

Question	Management response
4. Are you aware of any significant transaction outside the normal course of business?	<ul style="list-style-type: none"><li data-bbox="726 270 1897 352">• A pooled budget has been provisionally agreed with Brent CCG for the CCG to pay for all additional social care costs arising from hospital discharges above budgeted levels due to Covid-19. This agreement is awaiting sign off before the invoice for these additional costs can be raised to Brent CCG.<li data-bbox="726 369 1897 423">• The Council has received Covid grants to mitigate a number of the resulting pressures. They have been captured on the monthly DMT monitoring reports.

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	No one off circumstance that would cause widespread impairment.
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?	<ul style="list-style-type: none"> • Those taking into account in the normal course of business by the Insurance team. Relevant provisions and contingent liabilities will be declared in the financial statements • Depends on whether the claims are possible or likely and their outcome. LG Futures will be carrying some work on behalf of Brent to assist in possible amount and treatment on MCCs mentioned in item (1) above.
8. Other than in-house solicitors, can you provide details of those solicitors utilised by London Borough of Brent during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<ul style="list-style-type: none"> • Probate solicitor Judge & Priestley - they are not involved in any open litigation. This solicitor firm is used to ascertain for clients who have passed away if they have any funds in their estate that can be used to settle outstanding Adult Social Care client contribution debts. • Towers used for PFI/PPP advice • Capita will use external solicitors for business rates as this is outsourced to assist us. • Pinsent Masons - complex contract dispute • CNWL (College of North West London) - Bevan Brittan - Negotiations on Terms of Reference • SK DEN (South Kilburn Decentralised Energy Network) - Womble Bond Dickinson (UK) LLP - Legal advice on SK DEN • Kennedys Law LLP, Legitimus Solicitors and Plexus Law – used for open litigation/ contingencies from prior year relating to insurance

General Enquiries of Management

Question	Management response
<p>9. Have any of the London Borough of Brent's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?</p>	<p>No</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<ul style="list-style-type: none"> • Local Partnerships around PFI/PPP contracts • Ernst and Young recommendations on Council structure; Redefining Local Services project engaged consultants looking at the future of various Environment services; and general tax advise. • Arlingclose Ltd - Treasury management advisors consulted on ongoing Treasury Management activities and provide regular market and regulatory updates. • Teno Energy Ltd - Commercial and finance consultant for SK DEN • Anthesis (UK) Ltd - Techno economic consultant for SK DEN • Deloitte - Hereford & exeter - Financial viability assessment • SQW Limited - St Raphaels's Estate - Financial viability assessment • The Council is undertaking negotiations in relation to settling final accounts for some of its new build projects with the support of a specialist claims consultant.

Fraud

Issue

Matters in relation to fraud

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

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

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

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

- assessment that the financial statements could be materially misstated due to fraud;
- process for identifying and responding to risks of fraud, including any identified specific risks;
- communication with the Audit and Standards Committee regarding its processes for identifying and responding to risks of fraud; and
- communication to employees regarding business practices and ethical behaviour.

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

Fraud risk assessment

Question	Management response
<p>1. Have London Borough of Brent 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 Authority's risk management processes link to financial reporting?</p>	<p>All material risks are considered as part of annual planning.</p> <p>There is a risk management framework in place corporately which requires all departments to identify, assess and manage all risk.</p> <p>Additionally we have a fraud risk assessment document for each department.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Whereas all financial systems are inherently at risk of fraud, we are satisfied that there are currently none which exceed management's risk appetite.</p> <p>Additionally, Internal Audit work with management annually to identify all areas where independent assurance may be helpful. This includes identifying which key financial systems and processes should be included in the audit plan if there are any emerging risk factors.</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 London Borough of Brent as a whole or within specific departments since 1 April 2020?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>All counter fraud work is reported quarterly to CMT and the Audit Committee. Papers are available online.</p>
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within London Borough of Brent where fraud is more likely to occur?</p>	<p>As above - fraud risk is inherent in all organisations. We manage this risk as part of our RM framework</p>
<p>5. What processes do London Borough of Brent have in place to identify and respond to risks of fraud?</p>	<p>As above</p>

Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for London Borough of Brent, including:</p> <ul style="list-style-type: none"> • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>These functions are part of the overall corporate governance and RM framework. Internal Audit provide independent assurance on the effectiveness of these arrangements via annual plan delivery and reporting to those charged with governance.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>No areas are at elevated risk for misreporting, there are a range of controls in place, and the council's internal audit team monitor the effectiveness of controls across the council, and monitor implementation of action plans to address any risks identified.</p>

Fraud risk assessment

Question	Management response
<p>8. How do London Borough of Brent communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>Fraud awareness programme, Intranet/ Yammer communications; induction</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Within finance, the highest risk areas are around changing supplier's and staff bank details, and making payments, so there are a range of controls in place to reduce risk of fraud and corruption including segregation of duties and procedures for approval.</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>I'm not aware of specific risks of related party relationships or transactions that could give rise to instances of fraud. The council requires members and staff to declare any potential conflicts of interest. Managers are required to monitor and approve or reject some declarations by their members of staff. Members' interests are declared to the monitoring officer and disclosed publically.</p>

Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit & Standards Committee?</p> <p>How does the Audit & 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>Quarterly reporting on the work of the counter fraud team to the Audit Committee. Audit Committee challenge and review these reports. Outcome is enhanced profile of the work of the counter fraud team.</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>We have a formal Whistle Blowing policy and reporting route. All Whistle Blowers are responded to and appropriate action undertaken.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>No</p>

Law and regulations

Issue

Matters in relation to laws and regulations

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

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

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

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

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does London Borough of Brent have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Authority's regulatory environment that may have a significant impact on the Authority's financial statements?</p>	<p>Management gain assurance in this area from the range of management controls in place to manage all services - e.g. including recruitment and training of appropriately qualified staff, a robust policy and procedure framework and effective management oversight and control.</p> <p>Legal and Financial implications are required to be included in all reports for decisions by Cabinet members and member level decision-making bodies as well as in all key decision report to officers. Additionally, independent and objective assurance is provided by the Internal Audit function as well as other external assurance providers .</p> <p>We are not aware of any changes to the Authority's regulatory environment that may have had a significant impact on the Authority's financial statements</p>
<p>2. How is the Audit & Standards Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Internal Audit annual plan is the key source of assurance for ASAC. This plan is focused on the highest risk areas for the Council. Each Audit review will consider compliance with policy, plans, laws and regulation as part of the scope for that review.</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?	<p>-A dispute in relation to the Council's continuing liability for void costs at a particular property.</p> <p>-Provision for Water charges case on HRA</p> <p>-Those taken into account already as part of the Council's Insurance processes</p> <p>-Contract dispute involving a joint venture regeneration scheme</p>
5. What arrangements does London Borough of Brent have in place to identify, evaluate and account for litigation or claims?	<p>Legal team</p> <p>Insurance claims processes</p> <p>Following principles stipulated by the FRS and CIPFA.</p> <p>Open communication with services through regular budget monitoring, Capital sub-boards and Capital Programme Board to raise and monitor any outstanding litigation.</p>
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	<p>From a HMRC prompt we identified non compliance on the VAT treatment to Election costs.</p> <p>This has now been resolved with HMRC and the penalty has been suspended.</p> <p>New process is now in place to ensure the VAT treatment for this is correct going forward.</p>

Related Parties

Issue

Matters in relation to Related Parties

London Borough of Brent 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 London Borough of Brent;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Authority;
- 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 Authority, or of any entity that is a related party of the Authority.

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 Authority's perspective but material from a related party viewpoint then the Authority 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 London Borough of Brent's 2019/20 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and London Borough of Brent; whether London Borough of Brent has entered into or plans to enter into any transactions with these related parties; and the type and purpose of these transactions. 	<p>Capital Letters Brent, in partnership with 15 other London boroughs, is a member of Capital Letters. This is a non-profit company, which secures accommodation to alleviate homelessness by financially incentivising landlords to rent their properties to eligible tenants suggested by the members. The Board is accountable to a Borough Representative Body, comprised of a representative from each member Council. Capital Letters is a company limited by guarantee, not having share capital. Consequentially the liability of members is limited and upon a winding up would not exceed £1. Capital Letters' accounts have not been consolidated into Brent's group accounts because Brent has limited influence on the company (less than 20% voting rights).</p>
<p>2. What controls does London Borough of Brent have in place to identify, account for and disclose related party transactions and relationships?</p>	<ul style="list-style-type: none"> Annual related parties return from Senior managers and Members where they'll disclose whether they have any related party transactions or relationship. All Members are required to submit register of interest Review of the GL transaction for related party transactions. Review process of the annual accounts (including review by the Director of Finance) to ensure related party relationship are captured.
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>The council's standard operating procedures apply to these items, including segregation of duties.</p>

Related Parties

Question	Management response
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	These transactions would require approval by two of the council's three statutory roles (Chief Exec, Director of Finance and Director of Legal Services, HR and Audit and Investigation).

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 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 and Standards Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<p>Impact on bad debt provisions; impact on collection rates from Covid, insurance claims provision</p> <p>Asset valuations estimates are updated annually based on the Council's 5 years rolling revaluation policy. The revaluation is carried out by external valuers.</p> <p>Depreciation estimates are updated annually to allow for additions, revaluations and impairments. Depreciation is based on the Council's straight line depreciation policy.</p> <p>Purchase Order Accruals are reviewed each year. This year historic purchase order accruals are written off, reviewed and then re accrued where required.</p> <p>Credit loss and debtors impairments- Estimates are reviewed annually and calculations are done to reflect impact on bad debt provisions for collection fund and housing benefits. In 2019/20 an additional 10% provision for impairment of doubtful debt was made on top of the normal provision calculation, we will be reviewing the rate for 2020/21.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>2. How does the Authority's risk management process identify and addresses risks relating to accounting estimates?</p>	<p>Included in Corporate Risk Register and Internal Audit Reviews</p> <p>Insurance claims provisions reviewed by external actuaries every few years</p> <p>Please see Risk Register</p>
<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?</p>	<p>Corporate Finance, Service DMTs and Audit Committee reviews</p>
<p>4. How do management review the outcomes of previous accounting estimates?</p>	<p>Review outturn against accruals made. Make improvements to accrual methodology based on this analysis.</p> <p>Sample checks of estimates.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?</p>	<p>Adult Social care- Following a review of the most recent year's outturn it was decided to improve the working papers for manual homecare expenditure accruals. Each accrual will have a working paper explaining the methodology for the accrual.</p> <p>HRA-Updated water charges case methodology as a result of further advice from the collective</p> <p>See answer on Enquiries of Management on MCC</p>
<p>6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Employ external experts where there is limited knowledge (e.g. PFI). Accruals to have supporting workings.</p> <p>External solicitors' consultation by exception.</p> <p>Professional judgement of the service areas involved. The Council engages external advisors where this is usual practice.</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>For Pension Fund- there will be senior finance review of all accruals proposed by the service. Chief Accountant provide regular guidance on accounting estimates and year-end activities.</p> <p>For Plant, Property and Equipment (PPE) valuations the external valuer's revaluation is reviewed and challenged by the Council's Property team's expert. The Council's finance team also reviews the revaluation. Every asset on the revaluation list are reviewed. Each year management are required to submit returns notifying finance of any impairment to ensure the valuation estimate are appropriate.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
<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>Senior Finance review of all accruals proposed by Service and material estimates</p> <p>For PPE Valuations, the external Valuer's estimates are reviewed by experts in this field from the Property team. The valuation are also reviewed by Finance and any significant difference are challenged.</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; and - The resultant accounting estimates included in the financial statements. 	<p>'-All of the homecare and other material accruals will be based on the YTD expenditure trend, with adjustments made for exceptional in-year items.</p> <p>-Senior finance review of material estimates.</p> <p>Using third party evidence and confirmations where possible.</p>
<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>LG Futures to assist Brent - provide general advice on material estimates calculated</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 & Standards Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Through this process

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	<p>Our assets are revalued on a 5 years rolling basis. The revaluations are done by the external valuers Wilks, Heads and Eve. Operational assets are valued at existing use value, specialised assets are revalued at depreciated replacement cost and surplus assets are revalued at fair value.</p> <p>Our external valuers also provides a market review/indexation review report each year.</p>	<p>External valuers are used to provide estimates. These are then reviewed and where necessary challenged by Property experts in the Council's Property team</p>	<p>Yes - external valuers for the valuation. Also external surveyor where required.</p>	<p>Uncertainty for valuation is inherent and especially during the Covid-19 pandemic. However our valuers' estimates are expert opinions based on best available estimates and in compliance with the CIPFA Code and the Statement of Asset valuation principles and guidance notes issued by the Royal institute of Chartered Surveyors (RICS). These estimates are also reviewed and were necessary challenged by our in house Valuers/experts</p>	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?
Council dwelling valuations	<p>Our assets are revalued on a 5 years basis. The revaluations are done by the external valuers Wilks, Heads and Eve. Council dwellings are valued using the beacon principle and at existing use value-social housing</p> <p>Our external valuers also provides a market review/indexation review report each year.</p>	<p>External valuers are used to provide estimates. These are then reviewed and where necessary challenged by Property experts in the Council's Property team</p>	<p>Yes- external valuers for the valuation</p>	<p>Uncertainty for valuation is inherent and especially during the Covid-19 pandemic. However our valuers' estimates are expert opinions based on best available estimates and in compliance with the CIPFA Code and the Statement of Asset valuation principles and guidance notes issued by the Royal institute of Chartered Surveyors (RICS). These estimates are also reviewed and were necessary challenged by our in house Valuers/experts</p>	<p>No</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?
Depreciation	<p>Straight line depreciation.</p> <p>Useful economic life (UEL) range as per our Brent policy of:</p> <p>Buildings (including HRA) 5 – 60 years as determined by the valuer</p> <p>Infrastructure 10 – 40 years</p> <p>Plant, Vehicles, Equipment & Machinery Up to 10 years</p> <p>Community Assets Not depreciated where held at nominal value.</p> <p>Land is not depreciated</p>	Buildings are the material items on our Property, plant and equipment. Their valuation and UEL are determined by our external valuers	Yes- external valuers for the valuation and UEL estimation	<p>Uncertainty for valuation is inherent and especially during the Covid-19 pandemic.</p> <p>However our valuers' estimates are expert opinions based on best available estimates and in compliance with the CIPFA Code and the Statement of Asset valuation principles and guidance notes issued by the Royal Institute of Chartered Surveyors (RICS).</p> <p>These estimates are also reviewed and were necessary challenged by our in house Valuers/experts</p>	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?
Fair value estimates (loans/investments)	Fair values are estimated as the price the lender would receive to sell the loans to another market participant on 31st March, based on observed market rates for similar transactions. Fair values include accrued interest for 31st March to enable direct comparison with the amortised cost.	Estimates provided by our Treasury Management Advisor for greater accuracy and sector knowledge.	Yes - information provided by our Treasury Management Advisors Arlingclose	Market Interest rates have been volatile during the past year however trend during Jan/Feb has been on the rise so more in line with pre-covid levels. Not able to use any other method for fair value estimation.	No
Valuation of defined benefit net pension fund liabilities					

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?
Fair value estimates (loans/investments)	Fair values are estimated as the price the lender would receive to sell the loans to another market participant on 31st March, based on observed market rates for similar transactions. Fair values include accrued interest for 31st March to enable direct comparison with the amortised cost.	Estimates provided by our Treasury Management Advisor for greater accuracy and sector knowledge.	Yes - information provided by our Treasury Management Advisors Arlingclose	Market Interest rates have been volatile during the past year however trend during Jan/Feb has been on the rise so more in line with pre-covid levels. Not able to use any other method for fair value estimation.	No
Valuation of defined benefit net pension fund liabilities	A roll forward approach from the 2019 valuation will be used it is not possible to assess the accuracy of the estimated liability as at the year-end without conducting a full valuation.	Detail provided in document titled "IAS 19 Process Questions"	Brent Pension Fund actuary – Hymans Robertson	Assumptions provided in the Hymans Robertson document "31 March 2021 Accounting – Assumptions and Options"	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	Calculated using the value of liability declared on summary forms by the Council's legal team.	<p>Monitoring of rent collection rates in year and prior years' trends Legal Department's advice on legal cases if any</p> <p>Finance ask the legal department to complete a summary form for each matter which includes the value of the liability, information on the matter and actions being taken to resolve.</p>	<p>Advice of the collective for the water charges case</p> <p>The Council's in-house legal team</p>	<p>"Assume YTD expenditure trend continues for accrual period Assume that prior years' income collection rates will apply</p> <p>Legal claims are inherently uncertain and the liability will depend on the outcome. A probability of success is used to calculate the provision.</p>	Calculated using the value of liability declared on summary forms by the Council's legal team.

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?
Income & Expenditure Accruals	Accruals based on YTD expenditure and any known future liabilities and receivables not yet invoiced	No	Assume YTD expenditure trend continues for accrual period	No	Accruals based on YTD expenditure and any known future liabilities and receivables not yet invoiced
Credit loss and impairment allowances	The allowances are calculated based on historic trends and an additional allowance is made to reflect the impact of Covid on possible future collection rates on debts	Historic trends	We may use external consultants to give us advice where needed	No	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?
PFI Liabilities	<p>The Liabilities are set out at the start of the PFI arrangements, depending on the agreement. It would be linked to the valuation of the asset received by the council.</p> <p>There is a fixed schedule to reduce the liability over the lifetime of the PFI, to reflect the payments made by the council.</p>	Accounting Model designed to help with the understanding	The Council would have used external PFI experts to agree and design the Accounting model.	100%	No



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