

Informing the audit risk assessment for London Borough of Barnet Council 2023/24

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit 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 London Borough of Barnet Council's external auditors and London Borough of Barnet Council's Audit 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 Committee under auditing standards.

Background

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

This two-way communication assists both the auditor and the Audit 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 Committee and supports the Audit 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 London Borough of Barnet Council's management. The Audit 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 2023/24?</p>	<p>High inflation and interest rates, increases in demand for social care and reduction in parking related income are key issues that may have a significant impact.</p> <p>The correcting of structural overstatement of income in development and regulatory services following the ending of the contract with Regional Enterprise Ltd may have a significant impact.</p> <p>These issues are likely to result in an overspend for 2023/24 requiring a drawdown from reserve, thus reducing our reserves.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by London Borough of Barnet 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>Yes, the Corporate Accounting Team assess the appropriateness of accounting policies.</p> <p>No, other than changes due to financial reporting regulations</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>The Council makes Treasury investments such as money market funds, gilts, and fixed deposits but does not make use of derivatives.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>Brent Cross Plot loan facility is a significant transaction outside the normal course of business.</p> <p>The Council have created a £100m loan facility available to our strategic partners Related Argent. The purpose of the transaction is to support the regeneration of the scheme (Plot 1) in this instance ensuring Sheffield Hallam University are on site in an agreed timeframe. The council have undertaken detailed due diligence including a positive submission to the Subsidy Control Unit, CBRE market advice and KPMG accounting treatment.</p>

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? If so, what are they?	We are not aware of any changes in circumstances that would lead to an impairment of non-current assets.												
6. Are you aware of any guarantee contracts? If so, please provide further details	Brent Cross Plot 1 RA agreement guarantees our cost of borrowing over the life of proposal. Saracens Cophall LLP loan facility agreement provides a guarantee.												
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	Not aware of any												
8. Other than in house solicitors, can you provide details of those solicitors utilised by London Borough of Barnet Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>Gowling WLG (UK) LLP for Brent Cross Bevan Brittan LLP for the Re contract Pinsent Masons for strategic & commercial projects: <i>North Finchley, Graham Park North East, Great North Leisure Park- Development Agreement, LBB Investment Partnership, Modular Housing Development Agreement and Hendon Hub.</i></p> <p>List of other law firms paid during the year.</p> <table border="0"> <tr> <td>Seddons Law LLP</td> <td>Trowers and Hamblins</td> </tr> <tr> <td>Guile Nicholas Solicitors</td> <td>Luqmani Thompson and Partners</td> </tr> <tr> <td>Bindmans LLP</td> <td>Mergul Law</td> </tr> <tr> <td>Galbraith Branley Solicitors</td> <td>Osbornes Solicitors LLP</td> </tr> <tr> <td>Thompsons Solicitors</td> <td>Russell-Cooke Solicitors</td> </tr> <tr> <td>GT Stewart Solicitors</td> <td>Wilson Solicitors LLP</td> </tr> </table>	Seddons Law LLP	Trowers and Hamblins	Guile Nicholas Solicitors	Luqmani Thompson and Partners	Bindmans LLP	Mergul Law	Galbraith Branley Solicitors	Osbornes Solicitors LLP	Thompsons Solicitors	Russell-Cooke Solicitors	GT Stewart Solicitors	Wilson Solicitors LLP
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General Enquiries of Management

Question	Management response
9. Have any of the London Borough of Barnet 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	Not aware of any.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	31Ten for general investment advice. KPMG, CBRE and Gowlings WLG (UK) LLP on Brent Cross Plot 1. KPMG and Pinsent Masons on Hendon Hub. Link Group for Treasury Management
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	IFRS 9 impairment review is carried out each year on debtor and loan balances. ECR calculations are done for loans to Saracens and Open Door Homes.

Fraud

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 Committee and management. Management, with the oversight of the Audit 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 Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As London Borough of Barnet 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 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 Committee oversees the above processes. We are also required to make inquiries of both management and the Audit 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 London Borough of Barnet Council's management.

Fraud risk assessment

Question	Management response
<p>1. Has London Borough of Barnet 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>We are not aware on any fraud that may have a significant impact on the financial statements.</p> <p>Barnet has a dedicated Corporate Anti Fraud Team (CAFT), that sits within the Assurance and Public Protection Directorate (as does internal audit) although they are separate teams. Each year the Internal Audit and CAFT team produce a joint Annual Strategy and Plan which includes the Anti Fraud Strategy and Fraud Risk/s for the coming year. This plan and strategy is approved at GARMS (previously Audit Committee for 23/24) and can be found at (Public Pack)Agenda Document for Audit Committee, 26/04/2023 19:00 (moderngov.co.uk) Fraud risk locally and nationally is documented, considered and responded to in developing this plan. There is also strategic / corporate risk on the corporate risk register, as well as individual service fraud risks detailed on their risk registers. The plan for 24/25 will be reported to the April 2024 meeting.</p> <p>A half year and annual report CAFT report is also presented to the GARMS – the CAFT 6 month report can be found here (Public Pack)Agenda Document for Governance, Audit, Risk Management and Standards Committee (GARMS), 27/11/2023 19:30 (moderngov.co.uk) The CAFT annual report will be reported to the July 2024 meeting.</p> <p>Risk reporting is reported at GARMS as well as Overview and Scrutiny and Cabinet. This is aligned to the financial and performance reporting cycle.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Refer to report in Q1 Fraud risk assessment</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within London Borough of Barnet Council as a whole, or within specific departments since 1 April 2023? If so, please provide details</p>	<p>Refer Q1, all reported within the CAFT reports.</p> <p>In addition, the GARMS committee has been kept updated with regards to current whistleblowing allegation which GT have been commissioned to review.</p>

Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>We hold Directorate risk registers and review strategic and service risks on a quarterly basis. Each quarter the risks are reviewed by risk owners/managers, reported to Directorate Senior Leadership Teams (SLTs) and signed off by the Executive Directors before being submitted to the corporate risk team. Strategic risks and service risks scoring 12 and above (escalation point) are discussed at the Council Management Team (CMT), with any queries followed up. The strategic and high-level service risks (scoring 15 and above) are then reported to Governance, Audit, Risk Management and Standards (GARMS) Committee.</p> <p>Internal Audit also regularly audit our risk approach and process. For 23/24, the audit focused on risk management within Children's Services and Strategy & Resources and how relevant risks in these areas are reported at a corporate level. The draft report is currently being agreed and provides positive assurance. The report will be agreed as final during April 2024.</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>Are there particular locations within London Borough of Barnet Council where fraud is more likely to occur?</p>	<p>There are several fraud risks identified on Directorate risk registers (within Adults, Assurance, Customer & Place and Strategy & Resources).</p> <p>Refer to report in Q1 Fraud risk assessment</p>
<p>6. What processes do London Borough of Barnet Council have in place to identify and respond to risks of fraud?</p>	<p>A risk can be identified by staff at any time by raising it with a risk champion, who should ensure that it is discussed at an appropriate senior-level meeting and, if accepted as a risk, adding it to the relevant risk register.</p> <p>Refer to report in Q1 Fraud risk assessment</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for London Borough of Barnet 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 Head of Internal Audit Annual Opinion for 2022/23 and 2021/22 provided Reasonable Assurance over the control environment. The Opinion for 2023/24 will be drafted in May 2024 and presented to GARMS Committee in June 2024. Through the Internal Audit work programme, where control weaknesses (either control design or control operating effectiveness) are identified, suitable actions are agreed with management. All critical and high priority actions are followed up and implementation confirmed to the GARMS Committee. A sample of medium priority actions are also followed up and the outcome reported to Committee. Where actions are not implemented in line with agreed deadlines, the responsible officer attends Committee to take any questions and provide suitable updates.</p> <p>In relation to Fraud our annual strategy and plan sets out how we help prevent, deter or detect fraud. The 23/24 strategy was previously approved at Audit Committee and can be found here and can be found at (Public Pack)Agenda Document for Audit Committee, 26/04/2023 19:00 (modern.gov.co.uk) an interim report on the work of CAFT team was presented to GARMS here (Public Pack)Agenda Document for Governance, Audit, Risk Management and Standards Committee (GARMS), 27/11/2023 19:30 (modern.gov.co.uk) The CAFT annual report will be reported to the July 2024 meeting.</p> <p>We are not aware of any areas of 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>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>We are not aware of any. Refer to report in Q1 Fraud risk assessment</p>

Fraud risk assessment

Question	Management response
<p>9. How does London Borough of Barnet 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? Have any significant issues been reported? If so, please provide details</p>	<p>The council has a code of conduct for all staff.</p> <p>All staff and contractors are required to undertake mandatory fraud prevention training, online, every 12 months. The training covers fraud, bribery and corruption as well as other economic crime. Training details how to report suspicions of fraud through various channels and a dedicated whistleblowing process. These open ways of reporting are there to ensure that anyone can report suspicious activity in a way they feel comfortable.</p> <p>Bespoke in-person training delivered by CAFT manager to departments across the organisation. Additionally, the counter fraud team actively participate in the yearly Fraud Awareness Week to encourage reporting. This is done by online webinars and 'fraud stalls' across the Borough.</p> <p>Refer to report in Q1 Fraud risk assessment</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>Refer to report in Q1 Fraud risk assessment – high risk posts relating to fraud in the UK are in areas where officers have the ability to make and authorise payments and agreeing contracts.</p>
<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>Not aware of any.</p> <p>We have regular assessments of processes and procedures (this would normally happen within the internal audit process).</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit 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>Strategic and high-level service risks (scoring 15 and above) are reported to Governance, Audit, Risk Management and Standards (GARMS) Committee on a quarterly basis.</p> <p>Six monthly and annual progress reports are produced to the GARMS Committee, the Assistant Director for Counter Fraud attends the Committee. Members are able to ask questions and feedback.</p> <p>Refer to report in Q1 Fraud risk assessment and reporting.</p> <p>These arrangements work well. There is also a good relationship with the Chair of GARMS.</p>
<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>A whistle blowing matter is currently with BDO, GT and Senior management. An update is expected at the GARMS meeting in April 2024.</p> <p>We have a whistle blowing hotline and email address for anyone to report matters, this is managed by senior officers in the Assurance and Public Protection directorate. Whistleblowing matters are reported as required / appropriate - with statistics and summaries also in the CAFT interim and annual reports.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</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 of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that London Borough of Barnet 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 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 London Borough of Barnet 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>CIPFA code is reviewed annually for forthcoming changes and compliance with those. Government bulletin updates are reviewed and assessed for compliance. All reports to Council, Cabinet and Committees require clearance from legal to ensure relevant laws and regulations are complied with. HBPL the council's shared legal practice clear all cabinet, committee and council reports to ensure that decisions have a legal basis. They also clear delegated powers report that document officer decisions as requested to ensure compliance with the law. The Monitoring Officer manages the legal team, and they alert risks and non-compliance to her so that it can be dealt with. External law firms are consulted when required for contracts and agreements made in the course of business.</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Regular reports to Governance, Audit, Risk Management and Standards committee are provided on corporate complaints and ombudsman complaints.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2023 with an on-going impact on the 2023/24 financial statements? If so, please provide details</p>	<p>Of the non-compliances we are aware of there are none with an ongoing impact on the 2023/24 financial statement.</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>Having reviewed risk cases there are none that we are aware of for that would affect the financial statements for 2023/24.</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does London Borough of Barnet Council have in place to identify, evaluate and account for litigation or claims?	<p>HB Law provide advice on specific cases; an assessment is made on the likelihood of successful litigation and a provision or contingent liability is reported as appropriate. For example, Provisions for Ordinary Residence cases in Adults social care.</p> <p>Claims which fall under the Council's insurance arrangements are managed by the in-house Insurance Claims Team were reserves are set and provisions made under advice from an independent Actuary</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	Not aware of any

Related Parties

Matters in relation to Related Parties

London Borough of Barnet 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 London Borough of Barnet 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 London Borough of Barnet Council's 2023/24 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 Barnet Council • whether London Borough of Barnet Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	<p>Related party disclosure for 23/24 is currently being collated, not aware of any changes at the moment.</p> <p>During 2023/24 the council undertook a review of companies, loans, investments and trusts to collate all key information into a single area. CMT have agreed that in 2024/25 this information will be reported quarterly to CMT Assurance to ensure that there is an appropriate corporate oversight of council companies and other bodies that the council has an interest in to ensure that relationships with related parties are managed appropriately.</p>
<p>2. What controls does London Borough of Barnet Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>For council members and senior officer - we ask them to fill out a questionnaire regarding any positions or transactions with Third Party organisations. We also check this against the register of interest for each member which is published on the Barnet council website. We check the disclosures against the expenditure for the financial year which provides the amount disclosed in the SOA.</p> <p>For the subsidiaries- we have a checklist we ask the relevant contacts to review and amend where appropriate. This checklist informs us of any changes that have occurred in the subsidiaries and whether these changes impact their relationship to LBB</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Payment approval processes are in place for payments through Integra (finance system) with segregation of duties between requestors and approvers. Treasury payments for PO/CHAPS route, these require dual authorisation and dual approval via the bank's payment release portal.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Payment approval processes are in place for payments through Integra (finance system) with segregation of duties between requestors and approvers. Treasury payments for PO/CHAPS route, these require dual authorisation and dual approval via the bank's payment release portal.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit 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 London Borough of Barnet Council will no longer continue?</p>	<p>The council has a Budget setting and MTFs process which is carried out each year. In addition, there is regular reporting to the Corporate Management Team (CMT) and Cabinet on the in-year budget position. We also have a well-established risk reporting framework.</p>
<p>2. Are management aware of any factors which may mean for London Borough of Barnet 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>Not aware of any factors</p>
<p>3. With regard to the statutory services currently provided by London Borough of Barnet Council, does London Borough of Barnet 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 London Borough of Barnet Council to cease to exist?</p>	<p>Expect to continue to deliver for the foreseeable future</p>
<p>4. Are management satisfied that the financial reporting framework permits London Borough of Barnet 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>Yes</p> <p>Yes</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 Committee members:

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

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

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	IFRS 16 Leases - this standard gives rise to the need for related disclosure under IAS 8 on the impact of a new standard that has been issued but not yet adopted. Lease liability and right-of-use class of transactions require an estimated impact disclosure. Material estimates relate to LGPS Pensions, PPE valuations, PFI liability.
2. How does the Council's risk management process identify and address risks relating to accounting estimates?	Accounting estimates are detailed in the Statement of Accounts, these are reviewed annually. The Statements are also reported to GARMS committee. Assessments are made on the rationale and data used for estimates prior to making accounting estimates.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Knowledge of the organisation in its activities, public sector environment in which it operates and industry practices and standards, the code of practice and IFRS standards are used to identify the methods and assumptions. Experts in their field, for example Actuary, Valuers, Engineers, for specific classes of assets are used to identify methods, assumptions and source data in relation to accounting estimates.
4. How do management review the outcomes of previous accounting estimates?	Accounting estimates are reviewed annually, for example Provisions are re-assessed to establish if they are still needed for unresolved cases. Bad debt provisions made, the write-offs applied against them, and recovered items are reviewed to assess the outcomes of previous estimates. A review of PPE valuations are carried out, comparing with prior valuations and movements across different categories.
5. Were any changes made to the estimation processes in 2023/24 and, if so, what was the reason for these?	Not aware of any however, some estimations are yet to be made as we arrive at financial year end.

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>Specialised skills are required for valuation of assets and estimation of useful life, for example property, plant and equipment, in-house expertise and external experts are used based on materiality as required.</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>Management in relevant teams are asked to review assumptions used for estimates which must be supported by working papers. Similarly, estimates received from external sources are reviewed for accuracy, appropriateness and materiality for accruals.</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>Accruals are prepared by services; they are then reviewed by Finance Business Partners prior to submission, followed by Corporate Accounting Team review for appropriate evidence and rationale. Accruals must be approved by heads of services and finance.</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>Budget monitoring process reports financial position, this measures actuals and forecast estimates against budgets on a regular basis. Monitoring reports are presented to Cabinet and Committees with explanation for significant variances.</p>

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?	Not aware of any
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	The arrangements for accounting estimates are reviewed for compliance against the code of practice and IFRS standards.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Material accounting estimates used are prepared by experts in their field, whether that is in house or external, and internal checks are in place to review for appropriateness.

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	Existing Use Value basis using the following methods - Depreciated Replacement Cost (DRC) method/ Comparable method/ Investment method and Residual method	Individuals within the valuations team will carry out valuations and provide expert opinion and reasons for a particular valuation from an agreed list.	Yes	N/A	No
Council dwelling valuations	Basis is existing use value for social housing (EUV-SH) using Comparable method	Individuals within the valuations team will carry out valuations and provide expert opinion and reasons for a particular valuation from an agreed list	Yes	N/A	No
Investment property valuations	Fair Value basis using Comparable method/Investment method	Individuals within the valuations team will carry out valuations and provide expert opinion and reasons for a particular valuation from an agreed list.	Yes	N/A	No
Depreciation	Straight line HRA – HRA business plan PFI – PFI model produced by GT	Calculation based on straight line, HRA business plan, or PFI model	Yes	N/A	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	An IAS19 report is provided by the Actuary for each year.	These are disclosed in the report for each financial year for provisional and final figures	Yes	The IAS19 report is provided for provisional and final figures.	No
Level 2 investments	Fair Value		Yes – Link	N/A	No
Level 3 investments	Fair Value		Yes – Link	N/A	No
Fair value estimates	The valuation basis adopted for assets carried at fair value uses Level 2 inputs – i.e. inputs other than quoted prices that are observable for the financial asset/liability.		Yes	Accrued interest included in FV calculation of financial instruments	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	Case by case, provisions are supported by documents when raised, usually based on third party evidence.	Closing Team reviews and approves/rejects all bids for raising or drawing down provisions.	No	Case by case	No
Accruals	Case by case, accruals usually require third party evidence as justification.	Closing Team reviews and approves/rejects all accruals before posting.	No	Case by case	No
Credit loss and impairment allowances	IFRS 9 guidance- Varies for each service. Mostly based on historical trend analysis of write offs and this is applied to each age bracket. Services also base loss allowances on knowledge and discussions with the customers owing debt.	Closing Team provide the services with a very high-level analysis of write offs. Any changes to the loss allowances are reviewed before posting to the ledger	No for Short term debtors Yes for long term debtors	Service determine case by case	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Finance lease liabilities	Based on information in lease agreements.	Closing Team reviews and challenges.	No	N/A	No – but IFRS 16 implementation from 24/25.
PFI Liabilities	Grant Thornton model used	Taken from model, Head of Finance and Closing Team reviews workings and Note for the Accounts	Grant Thornton	N/A	No



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