

# Informing the audit risk assessment for Waverley Borough Council 2022/23



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

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## Purpose

The purpose of this report is to contribute towards the effective two-way communication between the Waverley Borough Council's external auditors and the 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,
- 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 Waverley Borough Council's management. The Audit and Standards Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

## General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?	<p>Cost of Living crisis alongside increased inflation rates and interest rates.</p> <p>Covid-19 has continued to depress income from prior to the pandemic and finalisation of covid-19 grants.</p>
2. Have you considered the appropriateness of the accounting policies adopted by Waverley Borough Council. Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	<p>The Section 151 Officer at the time was satisfied that Waverley's accounting policies are appropriate and comply with statutory requirements and the Code of Practice.</p> <p>Small changes in clearer categories and valuations agreed by audit &amp; risk committee in year – no material impact.</p> <p>No changes however please note a new Section 151 officer in post.</p>
3. Is there any use of financial instruments, including derivatives? If so, please explain	<p>Financial instruments are as prior year – no derivatives</p>
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	<p>No</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?	Not aware
6. Are you aware of any guarantee contracts? If so, please provide further details	No.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No.

## General Enquiries of Management

Question	Management response
<p>8. Other than in house solicitors, can you provide details of those solicitors utilised by Waverley Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?</p>	<p>12 College Place, Bevan Brittan, Bishop &amp; Sewell LLP, Cornerstone Barristers, DAC Beachcroft LLP, Davitt Jones Bould, Devonshires Solicitors LLP, Didlaw Limited Client account, Freeths LLP, Gatehouse Chambers Limited, Landmark Chambers</p> <p>Open Litigation</p> <ul style="list-style-type: none"> <li>- Planning enforcement Inquiry (EN/2023/07) land know as Woodmans Hyde Lane Churt GU10 2LP</li> <li>- WA/2022/01887- request for legal advice on availability and Counsel instr. on Public Inquiry-Land at Scotland Park, Haslemere- APP/R3650/W/23/3327643</li> <li>- S. 288 Statutory review claim against appeal APP/R3650/W/23/3316848.</li> <li>- Waverley Lane, Farnham WA/2022/01621- statutory challenge. APP/R3650/W/22/3311941</li> <li>- s.288 Challenge - Lower Weybourne Lane appeal decision (ref: APP/R3650/W/22/3310793)</li> <li>- Instruct Counsel for Public Enquiry - Wrotham Hill Cottage, GU8 4PA</li> <li>- Injunction breach – land north of Lydia Park, Stovolds Hill, Cranleigh</li> <li>- Dunsfold Common Land title advice</li> <li>- LPP2 Statutory Challenge</li> </ul>



## General Enquiries of Management

Question	Management response
9. Have any of Waverley 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? If so, please provide further details	Not aware of any material matters in the year
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<ul style="list-style-type: none"> <li>• Orchard Information systems – Orchard IT support</li> <li>• Agilyx – Agresso IT support</li> <li>• Midland HR – Itrent IT support</li> <li>• Montague Evans – property valuation &amp; advice</li> <li>• Gleeds – development advice</li> <li>• Haverley – housing development value for money reports</li> <li>• Allen Construction – cost estimates</li> </ul>
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	Not aware of any material matters in the year.

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

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

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

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

## Fraud risk assessment

Question	Management response
<p>1. Has Waverley 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 Authority's risk management processes link to financial reporting?</p>	<p>A Corporate Fraud Risk Assessment has been completed and is reviewed annually.</p> <p>Fraud arrangements include being a partner in the Surrey Counter Fraud Partnership. Waverley has a certified fraud officer, who deals with housing fraud investigations, other areas of fraud that may materialise are dealt with by the Internal Audit Manager. Improvements to controls and systems are developed from any associated investigations.</p> <p>Council's whistle-blowing arrangements publicised on the website and Council's intranet.</p> <p>Actual and alleged cases of fraud are all reported to the S151 Officer as required by the Council's Financial Regulations.</p> <p>Internal audit plan takes account of risk of fraud and corruption when identifying priority audits.</p> <p>Investigation as necessary of NFI reports. The Council subscribes to the National Anti-fraud Network where periodic notification is obtained of fraudulent practices primarily circulating in the Local Government sector but also of other sectors. Any relevant information coming out of these notifications are disseminated to relevant staff for action.</p> <p>Monthly management sign off of all reconciliations of key feeder systems and interfaces including bank. Multi officer sign off is required for bank detail changes, BACS and CHAPs payments.</p> <p>Monthly treasury management meetings which examine treasury transactions, comparative balances and cash flows.</p> <p>Fraud and corruption issues are included in the staff induction course and the Anti-Fraud and Corruption Strategy. Staff are also aware to the standards required by their own professional institutes Professional Codes of Conduct CIPFA, AAT, CIMA and IIA etc)</p>

## Fraud risk assessment

Question	Management response
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	Asset disposals, benefits, expenses.
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Waverley Borough Council as a whole, or within specific departments since 1 April 2021? If so, please provide details	None aware of.

## 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>Risk issues such as the risk policy and registers are reviewed periodically by senior management and are shared with the audit &amp; risk committee. The audit &amp; risk committee Chairman will also be notified of instances of fraud if and when they come to light.</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 Waverley Borough Council where fraud is more likely to occur?</p>	<p>No particular concerns or locations, although some reliance is placed on members of staff acting in accordance with policies and procedures and those members of the public making applications for services to be honest and provide accurate information before obtaining our services.</p>
<p>6. What processes do Waverley Borough Council have in place to identify and respond to risks of fraud?</p>	<p>Internal controls are in place however where concerns are raised that these are not being operated in accordance with operational requirements, either these will be highlighted in Internal audit Report or raised by members of Staff through the Website through the fraud report IT, or the fraud line alternative and most commonly they will notify the Internal Audit Manager.</p> <p>The authority also participates in the National Fraud Initiative where cases of conflict of information held by other parties may bring to light issues that require further investigation by the council.</p> <p>Risk assessment of the Internal Audit Plan is completed and there is a fraud response plan that is utilised if a suspicion of fraud is raised.</p>

# Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Waverley 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)? If so, please provide details</p>	<p>The overall control environment of the authority is adequate, policies and procedures are in place, all levels of staff of are aware of these and are aware of the consequences of non- compliance re our Code of Conduct. This is included in the Internal audit Annual Report an assessment of the authority's control environment based on the work completed in the year being reported.</p> <p>The reviews completed by internal Audit provides management with assurances that control are working in the areas reviewed as part of the Internal Audit Plan, including assurance that controls are working effectively and segregation of duties is in place, where it is found that this is not the case, recommendations and action plans will be put in place to rectify issues raised.</p> <p>Heads of Services also have the opportunity to raise any concerns about areas in their own service area or other areas of the council that they feel may not have controls working effectively, these are then considered for inclusion in the Internal Audit Plan.</p> <p>Controls in place include, staff policies and procedures, conditions in contracts with third parties, good working practices that include separation of duties and effect internal controls. The detection of fraud through the fraud report it, participation in NFI and local data matching exercises including those with neighbouring authorities through the SCFP.</p> <p>The potential for override of controls, the main risk areas are people, they can be educated and informed of what is expected of them re codes of conduct and processes to be followed. However, if the opportunity, motivation or reward is greater, then the temptation to complete a fraudulent act may materialise.</p>

# Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Waverley 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)? If so, please provide details</p>	<p>Nevertheless it has been assessed that there is limited opportunity to override controls and no evidence of inappropriate influence re financial reporting due to the processes and procedures in place.</p> <p>Council's whistle-blowing arrangements publicised on the website and Council's intranet allows issues to be raised.</p> <p>Actual and alleged cases of fraud are all reported to the Strategic Director (S151 Officer) as required by the Council's Financial Regulations.</p> <p>Internal audit plan takes account of risk of fraud and corruption when identifying priority audits.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>Not aware of any areas.</p>

# Fraud risk assessment

Question	Management response
<p>9. How does Waverley Borough Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The authority has a staff Code of Conduct and this is supported where applicable by the requirements of professional institutions code of conduct that staff will be required to adhere to as part of their attainment of that qualification/s.</p> <p>Staff are also made aware of Fraud and corruption issues as part of the staff induction course.</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>Fraud – possibly all posts – cannot eliminate though roles relating to corruption below could be likely possibilities</p> <p>Corruption – Roles involving Procurement, Contract Monitoring, Payment of suppliers, recovery of debts and collection of income, awarding of grants.</p> <p>These would be assessed as part of the processes in operation ensuring that separation of duties is in place and internal controls are working effectively.</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</p> <p>Staff declaration of interests completed at initial commencement of employment and a requirement in the Staff Code of conduct for the employee to revisit this if circumstances change in the period of employment.</p> <p>Members and senior officers are required to make a yearly declaration.</p>



## Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit and Standards Committee?</p> <p>How does the Audit and Standards Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Fraud issues are reported to the audit &amp; risk committee as they occur.</p> <p>The audit &amp; risk committee also receive at each audit &amp; risk committee a report on the results of the work completed re housing fraud relating to Right to Buy, non- residency or housing application fraud, where the true circumstances of tenants have not be declared and any other issues such as fraudulent Disabled Facilities grants applications.</p> <p>The audit &amp; risk committee receives the Audit Plan Progress report which includes the reviews completed, number of recommendations raised and their risk levels and the status of implementation at each audit &amp; risk committee.</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>Not aware of any.</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 and Standards Committee, is responsible for ensuring that Waverley 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 Audit and Standards 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 Waverley 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 Waverley Borough Council's regulatory environment that may have a significant impact on the Authority's financial statements?</p>	<p>The reviews completed by Internal Audit would include the overview of the relevant laws and regulations in connection with the area being reviewed.</p> <p>The Council provides staff with regulatory training to ensure that all staff are aware of their roles relating to the law and regulations. RIPA, Safeguarding, Data Protection, Cyber Risks</p> <p>Where non-compliance has been identified it is expected that member of staff could report this to either their line manager, Head of Service, Monitoring Officer or internal Audit.</p> <p>Management overview within their service Areas re ensure training is provided re laws and regulatory changes and provided the necessary training and awareness.</p> <p>The Council has in place the following policies:</p> <ul style="list-style-type: none"> <li>• Financial Regulations</li> <li>• Contract Procedure Rules</li> <li>• Capital Strategy (incorporating Treasury Management Framework)</li> <li>• Fraud Framework incorporating Anti Money Laundering</li> <li>• Income and debt Management Policy</li> </ul> <p>The audit &amp; risk committee actively monitors the governance arrangements in place.</p> <p>Not aware of any of any changes to the Authority's regulatory environment that may have a significant impact on the Authority's financial statements.</p>

## Impact of laws and regulations

Question	Management response
2. How is the Audit and Standards Committee provided with assurance that all relevant laws and regulations have been complied with?	This information is provided to the audit & risk committee on an exceptions-only basis. If any failures or non-compliances arise, then they would be reported to the Committee (and, as appropriate, other relevant committees).
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details	No.
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	No.

## Impact of laws and regulations

Question	Management response
<p>5. What arrangements does Waverley Borough Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>Article 14.3 of the Council’s Constitution states:</p> <p>“Legal proceedings</p> <p>(a) The Borough Solicitor is authorised to institute, defend or participate in any legal proceedings in any case where such action is necessary to give effect to decisions of the Council;</p> <p>(b) If time permits and there is a significant change of circumstances from when the Council took a decision, the Borough Solicitor will report to the Executive on the cost involved;</p> <p>and (c) Where a case of urgency arises and the Borough Solicitor considers that such action is necessary to protect the Council’s interests, the Borough Solicitor is authorised to institute, defend or participate in any legal proceedings.”</p> <p>Therefore all litigation either commenced or defended by the Council is conducted by the Borough Solicitor and the Legal Services team under the Borough Solicitor’s sub-scheme of delegation (latest version 17 July 2019).</p> <p>All incoming litigation is passed to and assessed by the Legal Services team in consultation with the relevant service team leader, Head of Service, Strategic Director and/or the Chief Executive, as appropriate for the level of risk, sensitivity, financial impact and any other relevant factors. Councillors will also be briefed depending on the assessment of those same factors.</p>

## Impact of laws and regulations

Question	Management response
<p>5. What arrangements does Waverley Borough Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>The Borough Solicitor, in consultation with Management Board, will report to the Executive and any other relevant committee(s), including Full Council, should this be considered necessary at any stage before, during or following a litigation matter.</p> <p>The only litigation matters not dealt with centrally by the Legal Services team are claims for rent arrears and/or possession, which are dealt with by the Council's Rents Ream, and the recovery of Council Tax, Business Rates and sundry debts, which are dealt with by the Council's Recoveries team. Those matters are delegated to those individual teams under the Borough Solicitor's sub-scheme of delegation</p>
<p>6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details</p>	<p>No, not aware of any.</p>

# Related Parties

## Matters in relation to Related Parties

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

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Waverley Borough Council;
- associates;
- joint ventures;
- a body 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 body 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 Waverley Borough Council's 2020/21 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and Waverley Borough Council</li> <li>whether Waverley Borough 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 changes.</p> <p>Waverley is in a collaboration with Guildford BC and has a joint management team which has been in place since October 2022. The costs of the JMT are shared, however Waverley is the main employer. The two authorities remain separate legal entities.</p>
<p>2. What controls does Waverley Borough Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Staff declaration of interests completed at initial commencement of employment and a requirement in the Staff Code of conduct for the employee to revisit this if circumstances change in the period of employment.</p> <p>Members and senior officers are required to make a yearly declaration.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>We send out an electronic form to Councillors and senior officers to identify any related party transactions. We require a declaration from all. Any transactions identified will be reported to the audit &amp; risk committee and published in the accounts if necessary.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>All payments on the financial system require approval from an appropriate officer, transactions go through workflow build into the system. High value transactions have to go through additional layers including Head of Service &amp; Head of Finance depending on the value.</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
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 Waverley Borough Council will no longer continue?	Regular performance monitoring and environment scanning by services, ensuring staff have up to date training to keep up to date with external factors.
2. Are management aware of any factors which may mean for Waverley Borough Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No.
3. With regard to the statutory services currently provided by Waverley Borough Council , does Waverley Borough Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Waverley Borough Council to cease to exist?	Yes. No expectation to stop any services. Waverley has undergone a joint management restructure in collaboration with Guildford BC, however this is to preserve services by delivering efficiencies. Further collaboration is anticipated but details of further collaboration has not yet been agreed. The two councils will remain legally separate entities.
4. Are management satisfied that the financial reporting framework permits Waverley Borough Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes, a going concern basis is the most appropriate basis to prepare Waverley BC's accounts.

# 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?	PPE, Pensions, accruals, impairment allowance.
2. How does the Authority's risk management process identify and address risks relating to accounting estimates?	Regular updates, discussion where required, review of accounts. Use of experts where deemed necessary.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Depends on the estimates concerned. Look at historic data, movements in the market, changes to legislation, accounting standards.
4. How do management review the outcomes of previous accounting estimates?	Accounting estimate are reviewed by management, then the accounts are taking to audit & risk committee in a number of informal sessions to go through the accounts in detail and provide internal scrutiny before a final formal audit & risk committee for sign off.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	No.

## 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>Look at internal knowledge and capacity.</p> <p>Pensions dealt with by SCC.</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>Assessment of potential impact on accounts and if will impact users of accounts/if will impact if accounts show true and fair view.</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>Regular meetings with the team, comparisons to past activity, comparisons to budgets , identification of changes in the business and of the economic environment.</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"> <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>audit &amp; risk committee are charged with oversight of financial statements including accounting estimates. Management review accounts and discuss assumptions with accountancy team.</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?	No.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Yes
12. How is the Audit and Standards Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Yes – this is covered in the audit & risk committee briefing each spring and in the final accounts report to the AC.

## 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	Valued as per RICS regs & CIPFA code	All values reviewed to ensure no unexpected changes, large changes reviewed, assessed against comparables in local area.	Yes – internal valuers & Montague Evans	Valuations will state comparables	No
Council dwelling valuations	Valued as per RICS regs & CIPFA code	All values reviewed to ensure no unexpected changes, large changes reviewed, assessed against comparables in local area.	Yes – internal valuers	Valuations will state comparables	No
Investment property valuations	Valued as per RICS regs & CIPFA code	All values reviewed to ensure no unexpected changes, large changes reviewed, assessed against comparables in local area.	Yes – internal valuers & Montague Evans	Valuations will state comparables	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	<p>Depreciation is based on the useful life of the asset as assess by the valuer.</p> <p>For equipment, including IT service managers will assess remaining useful life which will inform the depreciation calculation</p> <p>HRA depreciation is calculated on a straight line basis for 60 years</p>	Depreciation calculations will be compared to the previous year to assess for significant changes in charge	Not applicable for the depreciation calculation	For the HRA depreciation assumptions are made on the useful life of buildings.	Yes
Valuation of defined benefit net pension fund liabilities	From the Actuary report	Review of assumptions provided by SCC & actuary	Yes – Surrey Pension Fund use actuary – Hymans Robertson	Set out in report	No
Fair value estimates	From external report	Review of assumptions provided by Link.	Yes – Link Asset Services.	Set out in report	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	Historical data and patterns of activity and debt recovery.	In year monitoring, use of actual invoices not paid in year and collection statistics.	No	Assumptions are based economic environment.	No
Income & Expenditure Accruals	Services knowledge and historical data using best information available at the time. Includes unpaid invoices and value of work undertaken but not yet paid.	Use of actual invoices not paid in year, purchase orders raised but cleared. Income Due	No	Depends on the accrual in question, many differing assumptions.	No
Credit loss and impairment allowances	Historical data	In year monitoring, use of actual invoices not paid in year and collection statistics.	No	Assumptions are based economic environment.	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	n/a				
PFI Liabilities	n/a				



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