

Informing the audit risk assessment for South Downs National Park 2023/24

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Agenda Item 18 Report PR23/24-48 Appendix 2

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

Table of Contents

Section	Page
Purpose	4
General Enquiries of Management	6
Fraud	9
Fraud Risk Assessment	10
Laws and Regulations	15
Impact of Laws and Regulations	16
Related Parties	18
Going Concern	20
Accounting Estimates	22
Accounting Estimates - General Enquiries of Management	23
Appendix A – Accounting Estimates	27

Purpose

The purpose of this report is to contribute towards the effective two-way communication between South Downs National Park Authority's external auditors and South Downs National Park Authority's Policy and Resources 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 Policy and Resources Committee under auditing standards.

Background

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

This two-way communication assists both the auditor and the Policy and Resources 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 Policy and Resources Committee and supports the Policy and Resources 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 South Downs National Park Authority's management. The Policy and Resources 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 2023/24?	SDNPA wholly controlling the South Downs Commercial Operation Ltd company will mean that group accounts will again be required for 2023/24.
2. Have you considered the appropriateness of the accounting policies adopted by South Downs National Park Authority? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	We do not consider that any events or transactions that a change of accounting policies is required for 2023/24. None identified
3. Is there any use of financial instruments, including derivatives? If so, please explain	There are none identified
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	There are none identified

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?	There are none identified
6. Are you aware of any guarantee contracts? If so, please provide further details	There are none identified. Delegated planning agreements are on an activity basis with no guarantees in place.
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	There are none identified. Contingent liabilities and assets will be disclosed as normal but none are expected to be material.
8. Other than in house solicitors, can you provide details of those solicitors utilised by South Downs National Park Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	In-house legal services are provided by West Sussex County Council (planning enforcement and litigation). Paris Smith LLP (major applications) and Daniel Kolinsky QC (Astley House, Lewes planning appeal).

General Enquiries of Management

Question	Management response
9. Have any of the South Downs National Park Authority'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	No none known
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	None identified
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	.None identified

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

As South Downs National Park 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 Policy and Resources 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 Policy and Resources Committee oversees the above processes. We are also required to make inquiries of both management and the Policy and Resources 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 South Downs National Park Authority's management.

Fraud risk assessment

Question	Management response
<p>1. Has South Downs National Park Authority 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>The authority has a number of areas of potential fraud risk. However, the authority has appropriate controls over its key financial systems, effective governance arrangements and has effective counter-fraud and whistleblowing arrangements in place. Fraud investigations are co-ordinated and managed within an Orbis-wide counter-fraud team under contract to SDNPA led by an audit manager. To support the above, the Internal Audit and Counter fraud service undertakes a wide range of reviews and utilises a broad set of techniques to detect fraud. These include the examination of counter fraud controls in individual audits and data analytics. The service supports the Authority's whistleblowing process and provides fraud awareness training and guidance to ensure all services are aware of fraud risks.</p> <p>The authority has an effective Risk Management Framework that includes a Corporate Risk Register (reported to Policy & Resources Committee), Directorate-level risks and project-level risks as well as other risk assessment processes. Corporate Risk 2 concerns Finance & Budgets and sets out the Authority's treatment and mitigation of this risk. Corporate Risk 22 covers Income Generation risks and mitigations. Primary mitigations concern effective monitoring and reporting, identifying corrective action promptly, holding sufficient risk reserves and effective Medium Term Planning. The Annual Budget Report also includes an assessment of MTFS risks and considers risk provisions, reserves and working balances to offset and mitigate identified general and specific financial, legal and contractual risks.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>See above</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within South Downs National Park Authority as a whole, or within specific departments since 1 April 2023? If so, please provide details</p>	<p>None identified</p>

Fraud risk assessment

Agenda Item 18 Report PR23/24-48 Appendix 2

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Communication on risk issues (including fraud) is to the Policy & Resources Committee who consider the Annual Audit Plan, the External Audit Plan, Counter-Fraud and Corporate Governance policies, as well as receiving regular updates from Internal Audit on audit plan progress and audit review outcomes (including alerts on reports giving limited assurance). There is also direct communication with the Chair of Policy & Resources Committee when required.</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 South Downs National Park Authority where fraud is more likely to occur?</p>	<p>There is a relative low risk of fraud at the authority.</p> <p>No</p> <p>None specific.</p>
<p>6. What processes do South Downs National Park Authority have in place to identify and respond to risks of fraud?</p>	<p>The Internal Audit and Counter Fraud Service adopts a wide range of techniques to detect fraud. These include the examination of counter fraud controls in individual audits and data analytics. The service supports the authority's whistleblowing process and provides fraud awareness e-learning.</p>

Fraud risk assessment

Agenda Item 18 Report PR23/24-48 Appendix 2

Question	Management response
<p>7. How do you assess the overall control environment for South Downs National Park Authority, 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 authority's internal audit service, delivered in partnership with East Sussex County Council and Surrey County Council, conducts approximately 35 days of assurance and counter fraud activity a year focussing on the authority's governance, risk management and internal control arrangements. A significant proportion of this work specifically involves an examination of the effectiveness of the Authority's internal control arrangements and conclusions are provided on this are provided within individual audit reports and within an annual internal audit report and opinion. The reports issued in 2023/24 to date received either partial or substantial assurance. This is overseen by the Policy and Resource Committee who are responsible for the effectiveness of the internal control environment and the effectiveness of the internal audit provision.</p> <p>The Corporate Risk Assessment process ensures that the authority considers and puts in place appropriate mitigations to minimise the risk of fraud and corruption. This is kept under regular review by Policy & Resources Committee.</p> <p>Over-ride is always possible and the risk cannot be fully eliminated. However, governance and control environment together with risk assessment and identification through the Corporate Risk Framework and Internal Audit assessment ensures that this risk is minimised through having considered the reporting and oversight that can help to minimise such risks going undetected. This includes ongoing advice from Internal Audit concerning segregation of duties, authorisation processes (particularly in an increasingly remote working environment), and appropriate reporting content and frequency.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>There are none identified</p>

Fraud risk assessment

Agenda Item 18 Report PR23/24-48 Appendix 2

Question	Management response
<p>9. How does South Downs National Park Authority 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 authority's governance arrangements include codes of conduct for members and officers, an anti-fraud & corruption strategy, and a whistleblowing policy. These are periodically updated to ensure they remain relevant e.g. providing advice on using social media. The authority captures and records disclosure of interests and related party transactions for members and officers, enabling more effective management review of declarations. The authority's website includes copies of all key policies and constitutional documents and these are also available on its intranet for all managers and staff.</p> <p>The Authority promotes its Whistle Blowing Policy regularly and Internal Audit promotes Anti-Fraud & Corruption awareness through its review work which periodically covers all key areas of risk across the Authority.</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>Managers responsible for procuring goods or services. The risk is both from undermining procurement processes and/or collusion with bidders/contractors. The authority's Local Code of Corporate Governance includes contract Standing Orders and waiver authorisation processes which are designed to minimise these risks, particularly in relation to high value procurements where there is additional scrutiny and approvals required. Staff working in income processing, treasury, banking or other areas present fraud risks, particularly through collusion but these services are provided under contract to SDNPA which provides automatic segregation of duties. There are some centres where income is collected and these have clear reconciliation processes and segregation of duties and are periodically audited. Budgets provide a second line defence in that variances would highlight a need for investigation.</p>

Fraud risk assessment

Question	Management response
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>None identified. In addition, the authority keeps a full record of member declarations and staff related party declarations and keeps these under review. The primary mitigation is through the governance arrangements, contracts/agreements and contract Standing Orders. This precludes member involvement in any procurement and evaluation processes, except at the award stage, in relation to related parties such as the South Downs Trust or South Downs Commercial Operations Ltd. In addition, members sitting on boards of related parties are precluded from voting on decisions by the SDNPA. Similarly, officers are limited to maximum contract awards through Contract Standing Orders and Financial Regulations before needing to seek committee approval. Related parties have clear governance and decision-making structures that ensure conflicts of interest are recorded and managed.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Policy and Resources Committee?</p> <p>How does the Policy and Resources 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>This is through the Policy & Resources Committee who consider the Annual Audit Strategy and Plan, the External Audit Plan, Counter-Fraud and Corporate Governance matters and policies, as well as receiving regular updates from Internal Audit on audit plan progress and audit review outcomes (including alerts on reports giving limited assurance).</p> <p>The Policy & Resources Committee notes the progress against the Audit Plan and receives executive summaries of key audit reviews which enables members to question and challenge recommendations for improvement.</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>There are none identified</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>There are none identified</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 Policy and Resources Committee, is responsible for ensuring that South Downs National Park Authority'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 Policy and Resources 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 South Downs National Park Authority 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>The authority's Local Code of Corporate Governance ensures that all relevant laws and regulations are followed in the conduct of the Authority's business. The Code sets the framework for decision making, which includes a Committee structure with terms of reference to determine the decisions and delegations to committees and chief officers. The Code includes Contract Standing Orders to ensure procurement regulations are complied with and Codes of Conduct to ensure high standards of conduct and governance. The authority's Policy & Resources committee has oversight of key policies such as Whistleblowing and Codes of Conduct, which are monitored. Regular reporting to this committee ensures that audit investigations are reviewed and trends identified. Two independent members are included on this committee to provide additional expertise as well as external challenge. Every report to committee includes a detailed set of implications and the authority uses a 'Committee Clearing System' where reports are circulated to key officers, including contracted legal and finance officers to ensure key implications are taken into account in the decision-making process. We are not aware of any changes to the authority's regulatory environment which would have a significant impact on its financial statements for 2023/24.</p>
<p>2. How is the Policy and Resources Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The committee is advised by the Monitoring Officer and receives regular reports in relation to the audit activity undertaken by the authority's internal audit service. Questions are raised and responded to at committee, and if necessary member working groups are established to look more closely at any areas of concern. As noted above, all reports to committees are required to include implications provided by nominated officers, including finance and legal, to provide committees with assurance that decisions take into account relevant regulations and are legally compliant.</p>

Impact of laws and regulations

Question	Management response
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation during the 2023/24 financial statements? If so, please provide details	There are none identified
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	There are none identified

Impact of laws and regulations

Question	Management response
5. What arrangements does South Downs National Park Authority have in place to identify, evaluate and account for litigation or claims?	The authority has an annual review process as part of the work underpinned into its annual closure of accounts. This includes questions being put to directors and other relevant officers to identify litigation or claims activity which is then followed up to assess implications for the accounts.
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	There are none identified.

Related Parties

Matters in relation to Related Parties

South Downs National Park Authority 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 South Downs National Park Authority;
- 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 South Downs National Park Authority's 2023/24 financial statements?</p> <p>If so, please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and South Downs National Park Authority whether South Downs National Park Authority has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>No changes from what was disclosed in 2022/23 accounts.</p>
<p>2. What controls does South Downs National Park Authority have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Identification and assessment of relationships is built into the annual closure of accounts timetable to ensure identification and consideration of implications for the accounts and disclosure notes.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>This will be controlled by the relevant contractual agreements and defined governance arrangements (Articles) authorised by Policy & Resources Committee and the authority. Where there are financial transactions, the authority will have approved budget allocations for any contributions, grants or other payments it is expected to make to a related party and similarly for any income or repayments it is expected to receive. Budgets are approved by the National Park Authority.</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?	Standard Financial Procedures and the Code of Corporate Governance regulate all transactions. Officers cannot undertake transactions outside the normal course of business without an approved budget.

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 South Downs National Park Authority will no longer continue?</p>	<p>Ensuring that statutory services provided by the authority can continue is part of the normal financial and operational management processes/controls. The statutory framework within which the authority operates requires forward financial planning, prudent provision for repayment of debt and affordability test for new debt and the setting of a balanced budget annually. South Downs National Park Authority operates appropriately within this framework and has not undertaken any new risky investments or borrowing (an appropriate and prudent response to the current economic environment/uncertainties).</p>
<p>2. Are management aware of any factors which may mean for South Downs National Park Authority 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>None that we are aware of.</p>
<p>3. With regards to the statutory services currently provided by South Downs National Park Authority, does South Downs National Park Authority 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 South Downs National Park Authority to cease to exist?</p>	<p>No, there are no plans for South Downs National Park Authority to cease to exist and the authority expects to continue delivery of statutory services for the foreseeable future. Full details of the authority's latest budget plans and savings gap/challenges are set out in the authority's budget report to 30 March 2023 National Park Authority meeting. The authority has set a balanced budget for 2023/24.</p>

Going Concern

Question	Management response
<p>4. Are management satisfied that the financial reporting framework permits South Downs National Park Authority 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, management are satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements.</p>

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Policy and Resources 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 Policy and Resources 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>The authority has PPE that requires professional valuations (including the Seven Sisters County Park land and buildings) and is an admitted body of the West Sussex Pension Fund and requires a professional actuarial valuation of its pension fund liabilities and assets.</p> <p>The authority has a range of unexceptional Financial Instruments and Investments that require valuation and disclosure in accordance with its accounting policies. Some provisions and reserves may require judgements and estimates (e.g. debt impairments) and these are reviewed at least annually to consider the accounting treatment and information required to inform estimates.</p>
<p>2. How does the authority's risk management process identify and address risks relating to accounting estimates?</p>	<p>Experienced and qualified accountants have been contracted to work with services to obtain appropriate financial information and develop estimates in accordance with the authority's accounting policies. Where necessary, external expertise such as experienced actuarial firms, property valuers or other financial advisers may be engaged directly or indirectly if the authority considers it needs independent advice and/or does not otherwise have access to the expertise.</p>
<p>3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>A structured closure of accounts process has been put in place, led by the Brighton & Hove City Council Financial Accounting team, which is accompanied by guidelines as to information that managers/budget holders should consider and provide as part of the process. The process is subject to oversight by the Chief Finance Officer. Questions are also put to the Senior Management Team regarding potential liabilities and commitments as part of the process.</p>
<p>4. How do management review the outcomes of previous accounting estimates?</p>	<p>By analysing significant comparative movements annually to understand if any improvement in the valuation or estimation method is required. Through the annual audit findings report and ongoing liaison with the external audit to identify areas where improved methodology or information may be required to inform estimates. Through review and application of accounting code, best practice and guidance notes.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
5. Were any changes made to the estimation processes in 2023/24 and, if so, what was the reason for these?	No changes for 2023/24.

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Through identification of areas that require estimation or valuation in the first instance and then making an assessment of the capacity and skills available to conduct this internally. Where the internal skills do not exist or cannot be provided by the contracted financial services providers (Brighton & Hove City Council), external expertise is normally sought for non-trivial or material judgements.
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?	The Authority follows best practice guidance, Cipfa practitioner guidance and the relevant accounting Codes of Practice and Financial Reporting Standards and embeds these in instructions directly or through partners e.g. West Sussex Pension Fund, to specify the requirements that must be met to provide a valid estimation, judgement or valuation.
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>For external expertise, this will be through procurement processes which will request evidence of the quality assurance processes to be provided by the supplier.</p> <p>Internally, this is through senior management oversight and S151 oversight of the process including reviews of all non-trivial and material estimates.</p>
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <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. 	Please see above.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>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?</p>	<p>No significant additional items identified to those in Appendix A. The Authority provides a full list and explanation of critical judgements within its Statement of Accounts which in 2022/23 were:</p> <ul style="list-style-type: none"> • Retirement Benefit Obligation; • Valuation of Property, Plant and Equipment.
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>Please see evidence above for the process of identifying, procuring and improving estimates and valuations. The Authority considers that these are robust processes that ensure that appropriately qualified expertise is utilised in the production of estimates, particularly significant and material judgements.</p>
<p>12. How is the Policy and Resources Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>The report accompanying the approval of the accounts sets out the Authority's quality assurance approach for the production of the financial statements including key judgements and estimates.</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?
General Commentary/ Context	Is set out substantially in the CIPFA Code of Practice and associated guidance notes (underpinned by International Financial Reporting Standards). The practitioner notes are comprehensive in the advice provided (and acted on) with respect to, for example, non-current assets.	For the Authority (as for most authorities) there are three material areas of estimation where judgement is applied to balance sheet values: Non-current assets; Investments/cash equivalents (financial instruments) and; Pension fund liabilities.	This is set out for each area of accounting estimation identified by the external auditors below.	In applying the CIPFA Accounting Code of Practice/IFRS there is limited scope for local interpretation in the accounting estimates. In the areas where specialist professional advice is required the Authority uses the services of appropriately qualified experts and reviews and quality controls the outputs prior to finalising the Statement of Accounts.	No (the approach to estimation as per the CIPFA Accounting Code of Practice as informed/underpinned by IFRS is substantially consistent between accounting years).
Land and buildings valuations	The method of estimation is set out in detail the accounting policies under the section on Property, Plant and Equipment (PPE).	Asset valuations are subject to quality control, detailed review and year-on-year analytical review as part of the processes underpinning the production of the Statement of Accounts and associated working papers. Property valuations are supported by a detailed valuation report setting out the assumptions and supporting evidence behind the valuations. The standard process is for a draft report to be reviewed by management (which allows for challenge of the valuer's assumptions and supporting evidence) prior to the final valuation report being issued/incorporated into the final accounts.	Independent and appropriately RICS-qualified external valuers are used for the majority of valuations.	These are set out in the external valuers reports.	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	The method of estimation is set out in detail the accounting policies under the section on Property, Plant and Equipment (PPE).	The controls include the Authority's asset register annually updated in line with the Authority's programme of capital investment, annual review of asset lives and analytical review of depreciation charges changes year-on-year.	No.	There is limited scope for interpretation under the Code as acknowledged in the accounting policies.	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	This is set out in detail in the Authority's note to the Statement of Accounts "Defined Benefit Pension Schemes".	The defined benefit pension liability valuation estimate is produced by a firm of appropriately qualified and experienced actuaries (for 2023/24 this is Hymans Robertson LLP). Full details of the actuarial assumptions are set out in the annual IAS19 actuarial report and the valuation is carried out in line with the relevant professional standards.	Yes, professional actuarial valuation.	These are set out in detail in the note to the accounts and the relevant actuarial valuation. For example, assumed long term investment returns net of pay and price inflation, the life expectancy of existing and future pensioners.	No.
Level 2 investments	The is set out in detail in the Authority's accounting policies, for example, under "Fair Value Measurement". Please note that the Authority holds no level 2 investments (" <i>...that do not have regular market pricing, but whose fair value can be determined based on other data sources or market prices</i> ").	N/a	N/a	N/a	N/a

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?
Level 3 investments	This is set out in detail in the Authority's accounting policies, for example, under "Fair Value Measurement".	Fair value measurements method was adopted in 2022/23 and will continue to be for 2023/24.	No	Details and assumptions will be set out in the note to the accounts.	No
Fair value estimates	This is set out in detail in the Authority's accounting policies under "Fair Value Measurement".		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?
Provisions	The method of estimation is set out in detail in the Authority's accounting policies under "Provisions".	There is a comprehensive annual review of potential provisions as part of annual closedown process.	No	No provisions in 2022/23 and none expected for 2023/24 at present.	No
Accruals (Including annual leave accrual)	The method of estimation is set out in the closing guidance notes for both the finance team and the budget holders. As required by the accounting Code of Practice/IFRS, the Authority aims to account for income and spending in the year the effects of the transactions are experienced and not simply when the payments are made or received.	This is set out in detail in the closing instructions to finance teams and budget holders with a minimum	No (but all accruals are reviewed/checked by the finance team prior to posting in the ledger).	All accruals are either precise allocations between financial years based on services paid for and received as per the relevant invoices or, if the invoice for the service has yet to be received, based on informed judgement (either information from the supplier or historic patterns of spending/income).	No

