

# Informing the audit risk assessment for London Borough of Southwark and Pension Fund 2022/23

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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 Southwark and Pension Fund's external auditors and Audit, Governance and Standards ('AGS') 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 AGS Committee under auditing standards.

## Background

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

This two-way communication assists both the auditor and the AGS 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 AGS Committee and supports the AGS 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 and Pension Fund 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 Southwark Council ('the Council') and Pension Fund's management. The AGS 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 2022/23?</p>	<p>There are no key events or issues that will have a significant impact on the 2022/23 financial statement</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by the Council and Pension Fund? 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>The accounting policies are reviewed for their appropriateness for both the council's and Pension Fund on an annual basis and have been for the 2022-23 final accounts.</p> <p>No.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>Council accounts</p> <p>There are no new financial instruments and no derivatives. Please refer to in notes 39, 40 and 41 for the classes of financial instruments used. This note will be updated for the pos</p> <p>Pension Fund</p> <p>Investment balances are set out in the Pension Fund accounts and this may include some incidental use of derivatives related to forward currency contracts.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>There were no significant transactions outside our normal course of business</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?	No
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
8. Other than in house solicitors, can you provide details of those solicitors utilised by Council and Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>Most legal work for the council is dealt with by the in house team. Where the in house team does not have capacity or specialist external expertise is required an external firm may be engaged either directly by officers in the relevant council department or by the council's in house team through a solicitors framework agreement.</p> <p>The pension fund investments team utilises solicitors to provide legal advice on the on boarding of new investments. This includes advising on legal documentation and the investment on boarding process. Pinsent Masons are employed by the Fund under the National LGPS Framework for Legal Services.</p> <p>There is no work being done on open litigation or contingencies from prior years.</p>

## General Enquiries of Management

Question	Management response
<p>9. Have any of the Council and Pension Fund'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</p>	<p>The Council and Pension Fund , in common with many other local authorities, did not achieve the publication of the statement of accounts by the statutory deadlines</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>The pension fund has a six year contract with Aon for the provision of investment advisory services. We also employ an independent advisor. They provide advice to officers and the pensions advisory panel, on areas such as the appointment and monitoring of external investment management services, and support the Fund in ensuring ongoing compliance with LGPS regulations.</p>
<p>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</p>	<p>Yes</p>



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

As London Borough of Southwark Council and Pension Fund'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 AGS 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 AGS Committee oversees the above processes. We are also required to make inquiries of both management and the AGS 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 London Borough of Southwark Council and Pension Fund's management.

# Fraud risk assessment

Question	Management response
<p>Has London Borough of Southwark Council and Pension Fund 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 London Borough of Southwark Council and Pension Fund risk management processes link to financial reporting?</p>	<p>a) Yes, the risk of material misstatement has been assessed.</p> <p>b) Yes, please refer to risk register supplied as part of the planning audit visit.</p> <p>c) Risk assessment covers the whole council which includes financial reporting.</p> <p>Regular updates to Audit, Governance and Standards committee.</p> <p>The council is required to manage its affairs to secure the economic, efficient and effective use of resources as reported in its financial statements and to safeguard its assets. It has appointed the strategic director of finance as the officer responsible for proper administration of its financial affairs (the S.151 officer).</p> <p>As part of his responsibilities, he is required to prepare the statement of accounts and in order to do this, he has taken reasonable and appropriate steps to prevent, detect and mitigate the risk of fraud. Assessment of this risk is therefore considered as part of the overall internal audit and anti-fraud proactive planning processes.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Fraud risk assessments are undertaken by the anti-fraud team supported by internal audit (BDO). These risks are considered as part of the internal audit and anti-fraud proactive planning processes and discussed with management.</p> <p>Management are ultimately responsible for managing the risks, but internal audit consider the control environment and provide challenge where appropriate.</p> <p>Significant control weaknesses, or those which remain unaddressed would be reported to the Audit, Governance and Standards (AGS) committee via the internal audit and anti fraud progress reports.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within London Borough of Southwark Council and Pension Fund as a whole, or within specific departments since 1 April 2022? If so, please provide details.</p>	<p><u>Internal Audit</u></p> <p>As in other years. Internal audit has identified various control weakness and compliance issues as part of their audit engagements. These have been reported to the Audit, Governance and Standards committee (AGS) and recommendations are routinely followed up to address issues identified.</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>Regular reports on risk issues (including anti-fraud) are communicated to Audit, Governance and Standards committee (AGS).</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 Southwark Council and Pension Fund where fraud is more likely to occur?</p>	<p><u>Internal Audit</u> Internal audit considers the risk of fraud routinely when scoping individual audits, and the risks covered reflect this as and when appropriate. Recent audit areas where risk of fraud is inherent in the system would include for example procurement, payments processes and direct payments. Specific concerns of fraud being evident have not be identified in recent audits.</p> <p>National Fraud Initiative data matching exercises look for anomalies within the Council and Pension Fund activities.</p>
<p>6. What processes do London Borough of Southwark Council and Pension Fund have in place to identify and respond to risks of fraud?</p>	<p>The annual internal audit plan and anti-fraud proactive plan are reported to the AGS committee, highlighting potential areas of risk. The internal audit progress reports also identify any control weaknesses. The progress report also includes outcomes from fraud investigations. The AGS committee also receive an annual report on whistle blowing outcomes, and the format of these reports has been reviewed against other local authority reporting to provide more information to the committee</p>

# Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for London Borough of Southwark Council and Pension Fund 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><u>Internal Audit</u></p> <p>As one source of assurance on the control environment, individual audits completed routinely consider both the adequacy of the design of the framework of internal audit control and the operational effectiveness of the controls in place. This routinely considers segregation of duties of e.g. preparation, approval and input, alongside IT systems access.</p> <p>All internal audit reports provide two opinions for the design and effectiveness of the control framework, and this information along with the significance and number of recommendations made feeds into the annual head of internal audit opinion and assurance statement.</p> <p>Where internal controls are found not to be in place or not working effectively, the council agreed action to address the issues found and recommendations made. All actions have a named 'responsible officer' and agreed timeframe for implementation.</p> <p>Internal audit follows up and reports to senior management and the Audit, Governance and Standards committee on the implementation rates and recommendations outstanding as part of its routine progress report.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p><u>Internal Audit</u></p> <p>As in any large organisation, the fact that responsibilities are delegated down requires the need for strong review and oversight of what is reported. Generally we have found that reporting is accurate and based upon evidence</p>

## Fraud risk assessment

Question	Management response
<p>9. How does London Borough of Southwark Council and Pension Fund 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 council has an induction programme, and a fraud and bribery response plan. Information and relevant documents are communicated via the intranet site and the council also offers training and awareness on anti-fraud which includes ethical behaviour. The staff code of conduct requires reporting of gifts and hospitality. Staff and any external advisors involved in procurements are also required to complete declarations of interest. The process of declaring interests has been subject to a recent audit review and recommendations arising will be implemented. The council's rules on gifts and hospitality are set out in the code of conduct, and relevant staff (including those involved in contracting) complete a declaration of interests. The Fairer Future Procurement Strategy and other council policies have encouraged ethical behaviour by contractors in areas such as the London Living Wage, anti-blacklisting and tax compliance. The Investment Strategy Statement for the Pension Fund stipulates that the Fund will seek to engage with and vote company shareholdings in accordance with high ethical standards. The council continues to maintain a high profile anti-fraud stance and to vigorously pursue those who attempt to defraud the council of the public funds which it administers. Once investigations have been completed, they are reported to the AGS committee. Any significant issues will be subject to an internal audit and the findings reported to the AGS committee. Where appropriate the council will publicise anti-fraud prosecutions.</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>Identification of high-risk posts – officers with ability to authorise payments and receive income are potential risk areas for consideration.</p> <p>The scheme of delegation and segregation of duties, dual authorities for authorised signatories are reviewed on a proactive planning basis by the anti-fraud team.</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>No. Declarations of interest requested at committee meetings for councillors would identify any related party transactions. Formal disclosure of related parties through the statement of accounts annual work.</p>

## Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the AGS Committee?</p> <p>How does the AGS 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><u>Internal Audit</u></p> <p>A separate anti-fraud progress report is presented to every AGS Committee. This includes a summary of the results of all internal audit work completed (finalised) since the previous meeting. The minutes of these meetings record actions arising (e.g. follow up work by management) are available on the Council's website</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>The council has a whistleblowing policy, which encourages staff and other concerned parties to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment. There are a small number of whistleblowing complaints each year and one led to a joint operation with the police. This has been advised to GT Director Ciaran McLaughlin who confirmed from an audit perspective that their responsibilities in relation to the matter had been appropriately discharged.</p> <p>There is an annual report to Audit, Governance and Standards Committee</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>None</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 AGS Committee, is responsible for ensuring that London Borough of Southwark Council and Pension Fund'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 AGS 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 Southwark Council and Pension Fund have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the London Borough of Southwark Council and Pension Fund regulatory environment that may have a significant impact on the London Borough of Southwark Council and Pension Fund financial statements?</p>	<p>The Council's constitution sets the legal framework for council business, including standing orders, financial regulations, schemes of delegation etc. The constitution is reviewed annually.</p> <ul style="list-style-type: none"> <li>• Attendance of S151 Officer and Monitoring Officer at Council meetings.</li> <li>• Reports to Full Council/Cabinet/Committees have legal implications considered by appropriate lawyers.</li> <li>• Liaison between lawyers and officers when considering decisions with possible legal implications.</li> <li>• The commissioning of internal audits. External reviews from external auditors, and other regulatory organisations.</li> <li>• Reference to the council's Risk Register</li> </ul> <p>Ongoing external advice is received on all aspects of compliance with The Pensions Regulator's codes of practice, and LGPS regulations. Changes in regulatory requirements, along with the action being taken to comply, are tabled at Local Pension Board meetings. The Local Pension Board provides a scrutiny function in ensuring full compliance.</p> <p>The Local Pension Board commissioned an independent review of compliance with The Pensions Regulator's codes of practice. An action plan was agreed to ensure full compliance and progress on implementation was reported back to the Board until completed.</p> <p>No.</p>
<p>2. How is the AGS Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<ul style="list-style-type: none"> <li>• Annual Governance Statement provides assurance through the annual review process.</li> <li>• Further assurance is provided through internal and external audit work.</li> <li>• S151 Officer and Monitoring Officer attend Audit, Governance and Standards Committee.</li> <li>• All strategic directors are required to attend AGS committee to discuss and to be held accountable governance within their service areas.</li> </ul>



## Impact of laws and regulations

Question	Management response
<p>5. What arrangements does London Borough of Southwark Council and Pension Fund have in place to identify, evaluate and account for litigation or claims?</p>	<p>Liaison between relevant Services and lawyers. Legal have input in all Cabinet / Council Assembly reports.</p> <p>Legal maintain an Exception Risk Register where they record, monitor and review any litigation or cases which are of significant financial risk to the council, an appeal to the Supreme Court or could lead to damage to the reputation of the Council.</p> <p>The legal department has a risk management procedure in its office procedure manual to identify and monitor risk in relation to legal cases. The exceptional risk register is reviewed quarterly by the Senior Management Team in Law and Governance</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</p>

# Related Parties

## Matters in relation to Related Parties

London Borough of Southwark Council and Pension Fund 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 Southwark Council and Pension Fund:
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the London Borough of Southwark Council and Pension Fund
- 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 London Borough of Southwark Council and Pension Fund, or of any body that is a related party of the London Borough of Southwark Council and Pension Fund

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 [type of body]'s perspective but material from a related party viewpoint then the London Borough of Southwark Council and Pension Fund 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 Southwark Council and Pension Fund's 2021/22 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and London Borough of Southwark Council and Pension Fund whether London Borough of Southwark Council and Pension Fund 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>	No
<p>2. What controls does London Borough of Southwark Council and Pension Fund have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none"> <li>Maintenance of a register of interests for Members requiring disclosure of related party transactions.</li> <li>Annual return from the chief officer team requiring confirmation that they have read and understood the declaration requirements and stating details of any known related party interests.</li> </ul>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	Not applicable.
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	Not applicable.

# 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 Southwark Council and Pension Fund will no longer continue?</p>	<p>Annual medium term financial forecasting, in year budget monitoring and year end reporting processes support the identification of continuation or discontinuation of statutory services.</p> <p>Monitoring of the council's usable reserves and cashflow forecasting</p> <p>A triennial actuarial valuation is conducted by the Fund's actuaries to ensure that there are sufficient funds available to cover accrued future pensions obligations. Where there is a shortfall, action is taken to increase contributions into the Fund to restore full funding. Between valuations, quarterly funding updates are produced by the Fund's actuaries and tabled at Pensions Advisory Panel meetings.</p> <p>A cash policy has been implemented to ensure the Fund has adequate liquid assets available to fund commitments as they fall due. This includes a detailed cash forecast being maintained which assists in decision making on the types of investment assets the Fund invests in, maintaining adequate levels of liquidity.</p>
<p>2. Are management aware of any factors which may mean for London Borough of Southwark Council and Pension Fund 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>No</p>
<p>3. With regard to the statutory services currently provided by London Borough of Southwark Council and Pension Fund does London Borough of Southwark</p>	<p>No</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?	None currently
2. How does the London Borough of Southwark Council and Pension Fund risk management process identify and address risks relating to accounting estimates?	Risk register identifies key risks.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Professionally qualified staff such as RICS are employed to identify methods and assumptions which are based on a fresh look at 2021-22 in addition to historical reviews.
4. How do management review the outcomes of previous accounting estimates?	Review previous years un/audited accounts.
5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	None for 2022-23

## 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>For the Pension Fund, Aon Hewitt is an external advisor. For the council no external advisors apart from CIPFA and adhoc interim consultant use.</p>
<p>7. How does the London Borough of Southwark Council and Pension Fund determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>Please refer to responses to the GT letter dated 21 September 2023, covering detailed subject responses.</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>Please refer to responses to the GT letter dated 21 September 2023, covering detailed subject responses.</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>Please refer to responses to the GT letter dated 21 September 2023, covering detailed subject responses.</p>



## 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>Please refer to responses to the GT letter dated 21 September 2023, covering detailed subject responses.</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>Please refer to responses to the GT letter dated 21 September 2023, covering detailed subject responses.</p>
<p>12. How is the AGS Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>Please refer to responses to the GT letter dated 21 September 2023, covering detailed subject responses.</p>

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Refer to detailed valuation reports	Review of inputs and outputs	In-house RICS qualified	Refer to detailed valuation reports	No
Council dwelling valuations	Refer to detailed valuation reports	Review of inputs and outputs	In-house RICS qualified	Refer to detailed valuation reports	No
Investment property valuations	Refer to detailed valuation reports	Review of inputs and outputs	In-house RICS qualified	Refer to detailed valuation reports	No
Depreciation	RAM calculates depreciation based on asset lives and opening fixed asset register balances	Review of inputs and outputs	No	No change in assumptions.	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	Actuarial models and assumptions provided by Aon Hewitt	Review of estimates and assumptions provided by actuary based on local knowledge and expertise.	Yes	See assumptions paper produced with valuation report	No
Level 2 investments	As provided by valuers	Review and challenge of advice and reports received.	Yes	Based on observable data	No
Level 3 investments	Advice and assumptions by valuers	Review and challenge of advice and reports.	Yes	Review of sensitivity	No
Fair value estimates	As provided by Treasury Adviser	Review and challenge of advice and reports.	Yes	Low level of uncertainty	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
NNDR appeals provisions	Council NDR provisions forecast model	Review of inputs and outputs	No	Consideration of increasing provision for check, challenges and appeals
Significant accruals(i.e., Annual Leave accruals)	Accruals method	Review of inputs and outputs	No	Accuracy of data source is SAP and employee data entry / record keeping
Credit loss and impairment allowances	Service credit loss and impairment allowances methodologies may be service specific	Review of inputs and outputs	No	Service credit loss and impairment allowances methodologies may be service specific

## 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?
PFI Liabilities	PFI Models	Annual review	The original models were produced by experts	Standard model and assumptions	No



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