

Informing the audit risk assessment for Somerset County Council & Somerset Pension Fund 2020/21

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Somerset County Council & Pension Fund's external auditors and Somerset County Council & Pension Fund's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

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

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

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the authority's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Somerset County Council & Pension Fund's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response – County Council	Management response – Pension Fund
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?</p>	<p>The Covid-19 Pandemic has had a significant impact both in terms of additional costs, staffing redeployment, and grants. This has had an impact as the focus for the authority has been to support the public health and wellbeing of our residents. The Council has received just under £75m of Covid-19 Grants and has monitored and reported the use of these grants against the Government's criteria for spend.</p> <p>The valuation of assets required has improved but further improvements are planned for the 2021/22 accounts.</p>	<p>The impact of Covid on the funding levels of the Somerset Fund.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Somerset County Council & Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>Compliance with the CIPFA Code will mean that we use appropriate accounting policies.</p>	<p>In the light of the annual revisions to the CIPFA code of Practice and other 'best practice' guidance, we continually review our accounting policies and consider how they affect the Pension fund Accounts. Compliance with the CIPFA Code will mean that we use appropriate accounting policies.</p>
<p>3. Is there any use of financial instruments, including derivatives?</p>	<p>All financial instruments are disclosed in our notes to the accounts within our Statement of Accounts. During 2020/21 we invested £25m in Pooled Funds and this will be disclosed within the Statement of Accounts. There is no use derivatives by SCC.</p>	<p>Yes, there are specific notes in the accounts covering the use and value of derivatives.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business?</p>	<p>No none.</p>	<p>No.</p>

General Enquiries of Management

Question	Management response – County Council	Management response – Pension Fund
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	<p>No none.</p> <p>An assessment is made annually by our valuers of our non-current assets and whether any impairment has occurred in the year.</p>	No none.
6. Are you aware of any guarantee contracts?	Guarantee bonds that are in place have been assessed as not material.	No.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	Yes, we are aware of all outstanding legal cases which are assessed for any loss contingencies as part of our Statement of Accounts processes.	No.

General Enquiries of Management

Question	Management response – County Council	Management response – Pension Fund
<p>8. Other than in house solicitors, can you provide details of those solicitors utilised by Somerset County Council & Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?</p>	<p>External instructions in the main are not litigation related, they are far more likely to be in relation to contracts, s106 agreements and complex matters of law:</p> <p>Foot Anstey – immigration advice</p> <p>Browne Jacobson – Adult Social Care advice</p> <p>Bevan Brittan – Adult Social Care advice</p> <p>Anthony Collins – Funding agreement/Unitary advice</p> <p>Goughs – s106</p> <p>Mendip District Council – s106</p> <p>Carbon Law – s106</p> <p>DAC Beachcroft – s106</p> <p>Walston & Co – s106</p> <p>DWF – s106</p> <p>Alletsons – Care/Supervision order</p> <p>Michelmores – Lands Tribunal matter, claim for additional funds following a compulsory purchase order</p>	<p>There wasn't any legal work on open litigation or contingencies during 2020/21.</p>

General Enquiries of Management

Question	Management response – County Council	Management response – Pension Fund
<p>9. Have any of Somerset County Council & 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?</p>	<p>A report of fraud has been made by a provider but is not material to the financial statements. Internal controls have been strengthened as a result.</p>	<p>No.</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>The council has regularly used advisors / consultants across various services on a range of issues to provide expert advice. For finance, we use advice for various specialisms such as specific VAT advice, insurance brokers, treasury advisors and LG Futures for financial forecasting & modelling.</p> <p>Some external advice was sought regarding Local Government Reorganisation in Somerset.</p> <p>If there is a particular area that further details are required this can be provided.</p>	<p>The Somerset Pensions Committee employs an Investment Consultant to sit on the Committee to advise on investment matters. The consultant has been in place for many years.</p> <p>Barnett Waddingham on actuarial matters.</p>

Fraud

Issue

Matters in relation to fraud

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

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

As Somerset County Council & 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 Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

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

Fraud risk assessment

Question	Management response – County Council	Management response – Pension Fund
<p>1. Have Somerset County Council & 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 authority's risk management processes link to financial reporting?</p>	<p>We do not believe this to be an issue as no material frauds have been identified during the year. We believe that the risk of unknown material fraud to be low.</p> <p>Our control environment around fraud control has not changed from previous years. A key part of our arrangements is the use SWAP Ltd as our Internal auditors. SWAP has now completed a baseline assessment for fraud and we now have an action plan for improvement.</p> <p>There is robust medium term financial plan in place to ensure a sound budget is set for the year. This has been risk assessed and those risks have been included in the budget report. These risks will continue to be monitored and reported as part of budget monitoring. Comprehensive monthly budget monitoring ensures the risks of over or underspending are well managed and projects remain on track. Budget monitoring is part of the overall system of internal controls designed to mitigate against risks of incorrect financial reporting.</p>	<p>We do not believe this to be an issue as no material frauds have been identified during the year. We believe that the risk of unknown material fraud to be low.</p> <p>Internal audit processes are in place and no instances of fraud have been identified in 2020/21.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Accounts payable and payroll.</p>	<p>Pension payments in relation to pensioner deaths not being notified to the Pensions Administration Team.</p>

Fraud risk assessment

Question	Management response – County Council	Management response – Pension Fund
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Somerset County Council & Pension Fund as a whole or within specific departments since 1 April 2020? As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Yes there have been some instances that have been recorded and in some cases processes amended as a result.</p> <p>Regular risk updates are presented to the Audit Committee and annually an Anti-Fraud and Corruption Paper is also presented to this committee. This paper includes a summary of actual, suspected and alleged frauds over the previous year.</p>	<p>No instances of fraud since 1 April 2020.</p> <p>The Fund Risk Register is continually assessed, updated and reported to every Pensions Committee.</p>
<p>4. Have you identified any specific fraud risks? Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within Somerset County Council & Pension Fund where fraud is more likely to occur?</p>	<p>Areas at risk of fraud are identified by:</p> <ul style="list-style-type: none"> • SWAP audit work • SWAP Fraud alerts • Staff allegations • Risk register/assessments <p>Cases of attempted electronic fraud through phishing etc are increasing.</p>	<p>Pensioner deaths being unreported to the Fund, resulting in continuation of payments to the deceased's bank account.</p> <p>Yes, see above.</p> <p>N/a.</p>
<p>5. What processes do Somerset County Council & Pension Fund have in place to identify and respond to risks of fraud?</p>	<p>SWAP fraud alerts are circulated to all Strategic Managers. The Council has an Anti Fraud and Corruption Policy, Anti Money Laundering Policy, Anti – Bribery Policy, Anti Tax Evasion Policy and Whistleblowing Policy. The Council holds a register that records reports of fraud and any consequent actions to improve processes.</p>	<p>The Pensions Administration Team receive regular reports informing them of pensioner deaths.</p>

Fraud risk assessment

Question	Management response – County Council	Management response – Pension Fund
<p>6. How do you assess the overall control environment for Somerset County Council & Pension Fund, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>Through effective audit through SWAP. The Finance Business Partners work closely with services in upholding those controls.</p> <p>The Council has a Fraud and Corruption Policy, Whistle blowing Policy, Anti money Laundering Policy, Anti Bribery Policy and Anti Tax Evasion Policy.</p> <p>No.</p>	<p>Good overall control environment in place with periodical internal audit reviews carried out, based on perceived level of risk.</p> <p>The Pension fund is a low risk environment due to the high level of regulation, segregation of duties and check and control in place.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>None identified</p>	<p>This is always going to be some risk of this but we believe it is very small.</p>

Fraud risk assessment

Question	Management response – County Council	Management response – Pension Fund
<p>8. How do Somerset County Council & 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?</p> <p>Have any significant issues been reported?</p>	<p>The Council operates a Code of Conduct for both officers and members. Regular updates through CORE brief, staff induction & training. All outside organisations contracted are bound by strict ethical behaviours contained within their contract. Reporting procedures laid out in Anti-Fraud and Corruption Policy. Also through the Council's whistleblowing policy. Staff must report any concerns they may have regarding fraud and corruption, whether it relates to dishonest behaviours by Council employees, Members, Contractors or by others. No significant issues have been reported during the financial year 2020/21.</p>	<p>The Pension Fund doesn't have any staff. The SCC staff that provide a service to the Fund operate under the normal HR Policies of the Council. All outside organisations contracted by the Fund are bound by strict ethical behaviours contained within their contract?</p> <p>Staff are encouraged to report any concerns about fraud as part of SCC's Whistleblowing Policy. No issues have been reported this year.</p> <p>No issues have been reported in 2020/21.</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are risks relating to these posts identified, assessed & managed?</p>	<p>Because of the overall governance framework and internal control environment there are no posts that are considered to be high-risk.</p>	<p>Investments Manager</p> <p>High level of check and control and segregation of duties.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>All elected members and senior officers are required to provide details of any related party relationships on an annual basis.</p> <p>SCC staff are bound by the Council's Contract Standing Orders to ensure proper procurement practices are followed at all times.</p>	<p>No. All elected members on the Pensions Committee and Board are required on an annual basis to provide details of any related party relationships.</p> <p>SCC staff are bound by the Council's Contract Standing Orders to ensure proper procurement practices are followed at all times.</p>

Fraud risk assessment

Question	Management response – County Council	Management response – Pension Fund
<p>11. What arrangements are in place to report fraud issues and risks to the Audit Committee? How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?</p>	<p>The Anti-Fraud and Corruption Policy sets out the ways to report and investigate fraud. An annual fraud report is made to Audit Committee each year (note this is due to be reviewed by the Committee in June). SWAP report regularly to the Audit Committee. The Audit Committee can also call in any report with a Partial assessment and will review that recommendations have been carried out. This year the Audit Committee approved that any high priority findings of non-opinion audits would also be reviewed. No instances of fraud have been reported in 2020/21 (note the report covering 2020/21 is due to be presented in July 2021. This year the Audit Committee approved that any high priority findings of non-opinion audits would also be reviewed by the committee.</p>	<p>Any instances of fraud or the identification of the risk of fraud would be reported to Pensions Board by either Internal Audit or SCC's Audit Committee.</p> <p>No instances of fraud have been reported in 2020/21.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No.</p>	<p>No.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>No.</p>	<p>No.</p>

Law and regulations

Issue

Matters in relation to laws and regulations

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

Management, with the oversight of the Audit Committee, is responsible for ensuring that Somerset County Council & 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 the Audit Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

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

Impact of laws and regulations

Question	Management response – County Council	Management response – Pension Fund
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with? What arrangements does Somerset County Council & Pension Fund have in place to prevent and detect non-compliance with laws and regulations? 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>Somerset County Council's constitution and scheme of delegation outlines the rights, responsibilities and duties of the Council and its officers. The Monitoring Officer oversees compliance with the constitution and scheme of delegation, and reports on matters he believes are or are likely to be illegal or amount to maladministration. The Monitoring Officer seeks legal advice should he require it, additionally he checks that Legal Services are consulted as part of any decision making process.</p>	<p>SCC staff regularly monitor Pensions Regulations.</p> <p>SCC staff responsible for managing the finances of the Fund regularly check and keep up to date with the LGPS Regulations.</p> <p>No.</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>All committee report require sign off by statutory officers and other key officers and there is a clear section on legislation.</p>	<p>All Pension Fund Policies and Statements are bought to, explained to and approved by the Pensions Board.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?</p>	<p>No.</p>	<p>No.</p>

Impact of laws and regulations

Question	Management response – County Council	Management response – Pension Fund
4. Is there any actual or potential litigation or claims that would affect the financial statements?	A Lands Tribunal matter mentioned earlier and another claim in respect of the same development (but a different site) potentially will require pay-outs if successful. Both matters relate to compulsory purchase in respect of a road scheme. Both of these claims have been considered at year-end, and disclosed in line with accounting regulations.	No.
5. What arrangements does Somerset County Council & Pension Fund have in place to identify, evaluate and account for litigation or claims?	Legal Services evaluate instructions upon receipt and advise internal service clients accordingly. Service departments (with the support of Corporate) make their own arrangements in respect of accounting for litigation or claims.	If these occurred they would be reported to Committee by Officers.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No.	No.

Related Parties

Issue

Matters in relation to Related Parties

Somerset County Council & Pension Fund are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by Somerset County Council & Pension Fund;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the authority, or of any entity that is a related party of the authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the authority's perspective but material from a related party viewpoint then the authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response – County Council	Management response – Pension Fund
<p>1. Have there been any changes in the related parties including those disclosed in Somerset County Council & Pension Fund's 2019/20 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 Somerset County Council & Pension Fund whether Somerset County Council & Pension Fund has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	No.	No.
<p>2. What controls does Somerset County Council & Pension Fund have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>The authorities elected Members are sent an annual questionnaire to identify any material related party transactions, and the findings from the responses are disclosed in the published accounts.</p> <p>The authority reviews existing contractual arrangements to determine whether the authority has significant influence over the other parties due to the considerable proportion of business provided to them by the authority. Any material findings are disclosed in the published accounts.</p> <p>The authority publishes an annual Partnership Register, and a review of all key decisions is carried out annually to identify any new transactions/relationships.</p>	<p>The authorities elected Members are sent an annual questionnaire to identify any material related party transactions, and the findings from the responses are disclosed in the published accounts.</p> <p>The authority reviews existing contractual arrangements to determine whether the authority has significant influence over the other parties due to the considerable proportion of business provided to them by the authority. Any material findings are disclosed in the published accounts.</p>

Related Parties

Question	Management response – County Council	Management response – Pension Fund
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	No related parties.	No related parties.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	Following approved processes regarding segregation of duties and payment approval protocols.	Following approved processes regarding segregation of duties and payment approval protocols.

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

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

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

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

Specifically do Audit 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 – County Council	Management response – Pension Fund
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?	These are all disclosed in the Statement of Accounts.	The only significant estimates within the Accounts are IAS19 figures provided by the Actuary and Level 3 estimates provided by the Fund Managers.
2. How does the authority's risk management process identify and addresses risks relating to accounting estimates?	<p>The authority reviews the previous year's Statement of Accounts and the Auditor's report to add further assurances and review any areas requiring further robustness. An example of this is as a result of the 19/20 audit findings, the risk of material inaccuracy in our property valuations has been considered this year.</p> <p>The issue from 2019/20 in relation to property indices (used in DRC estimations) has been addressed, and more evidencable rates will be used for 2020/21 onwards.</p> <p>The authority has also implemented a check/challenge process into the valuation exercise to ensure the accuracy of the formal property valuations.</p>	Same as County Council.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	The team attends technical updates to ensure they are aware of any changes required and follow CIPFA Code guidance.	Same as County Council.
4. How do management review the outcomes of previous accounting estimates?	Material variations would impact on budget monitoring.	Same as County Council.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	The employee benefit accrual is now based on staff leave data as reported in the authority's HR system (SAP) where details of untaken leave is held. Previously, the accrual was based on a sample return of leave data completed by officers.	No changes.

Accounting Estimates - General Enquiries of Management

Question	Management response – County Council	Management response – Pension Fund
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Disclosure of existing critical judgements is made within the notes to the accounts within our Statement of Accounts.	Same as County Council.
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?	These are reviewed by the Chief Accountant and the S151 Officer.	Same as County Council.
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	We ensure that those providers are suitably qualified. In addition to this we are introducing more check and challenge to accounting estimates. In the area of property valuations further internal check and challenges have been introduced.	Same as County Council.
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. 	Accounting estimates are tested for reasonableness and also compared to previous years to pick up any anomalies. The Chief Accountant is professionally qualified and very experienced. Also see above response re property valuations. The methods and models used are consistent with those used in similar authorities.	Same as County Council.

Accounting Estimates - General Enquiries of Management

Question	Management response – County Council	Management response – Pension Fund
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendices A & B)?	No.	No.
11. Are the management arrangements for the accounting estimates, as detailed in Appendices A & B reasonable?	Yes.	Yes.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Audit Committee members attend a training session each year prior to the Statement of Accounts being presented for approval. The Committee are then walked through the Statement of Accounts including the accounting policies. Any material variations compared to previous years are explained.	Same as County Council.

Appendix A - County Council 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 PPE	Current or Fair Value (based on Existing Use Value; Highest and Best Use, and DRC – depending on class of asset)	The authorities professional team of in-house valuers follow RICS guidance and incorporate a peer review to ensure the correct estimation method is adopted.	The authority uses its own in-house team of RICS qualified valuers.	The authority's in-house team of qualified valuers assess the uncertainty, and elect the most suitable estimate based on RICS guidance.	The DRC rates used for Externals is now based on evidencable data rather than a historic rate.
IAS 19 Pension Liabilities	The models used are provided/recommended by the pension fund actuary (Barnett Waddingham – a leading independent pensions consultant).	Management will have considered the skills/knowledge of the experts as part of the framework process (as they are unable to join the framework unless suitably qualified). All information rec'd will have been signed off by a qualified actuary. Management will also complete a sense-check on all information rec'd and query where necessary.	Barnett Waddingham – a leading independent pensions consultant, was to provide actuarial advice to the Pension Fund.	Barnett Waddingham use their professional experience to determine the most suitable estimates. The authority uses its knowledge of potential future salary increases to determine the most suitable salary increase estimation.	No.

Appendix A - County Council 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?
Accruals ST Creditors	Service finance teams process their own creditor accruals based on service knowledge. Approval is required from the Service manager prior to processing SAP. Corporate closing guidance is provided to service teams to make them aware of any rule changes and confirm the correct SAP entries.	Accrual postings are monitored and controlled through the authority's monthly budget monitoring process.	No.	Assumptions are based on service knowledge, and statutory guidance.	No.
Depreciation, Amortisation and Impairment	<p>Management consider a combination of accounting guidance (from CIPFA and RICS) and professional knowledge/experience of the authority's asset portfolio to select/design the estimation models used.</p> <p>Depreciation/Amortisation is calculated on a straight-line basis over the assets useful life.</p>	Information provided is peer reviewed within the Property Services team prior to submission to management.	The authority uses its own in-house team of RICS qualified valuers.	Management rely on the authority's in-house team of property professionals to consider the sensitivity of the estimate, and the level of disclosure in the financial statements.	No.

Appendix A – County Council Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
PFI Liabilities	Management use the audited PFI model provided by the PFI consultants on the commencement of the contract.	The authority monitors the operation of control activities through its in-house contract management team. Annual indexations are agreed prior to the model being updated, and annual unitary charge payments are reconciled back to the model each year.	Management use the audited PFI model provided by the PFI consultants on the commencement of the contract.	Management use the PFI model to determine the year-end liability position.	No.
Finance Leases Liabilities	Actuarial Method	The leasing register is continually updated for leasing changes (from information provided by property services; schools and finance officers). Corporate Finance also attend regular training events to ensure the register is updated for any change in accounting standards.	No	The estimation uncertainty for this liability is considered minimal, as the estimation is based on contractual cashflows and are compliant with accounting regulations.	No.

Appendix B – Pension Fund 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?
<i>Valuation of the Pension Liability</i>	Provided by Fund actuary	As per actuary advice.	Yes, Barnett Waddingham.	As per actuary advice.	No.
Valuation of level 3 investments	Provided by External Fund Managers	Provided by External Fund Managers.	Yes, Arlingclose.	Arlingclose will consider the underlying assumptions and assess the uncertainty in their calculations.	No.
FV Disclosures	The FV models used have been provided by the authority's treasury management advisors (Arlingclose).	Management uses its in-house finance experts to sense check the models and assumptions provided by the treasury management advisors. Statutory guidance is considered as part of the review process.	Yes, Arlingclose.	Estimation uncertainty is considered by the authority's treasury management advisors, and in-house finance team. Where uncertainty exists, the authority adopts the prudence concept when selecting the point estimate to use.	No.

Appendix A – County Council 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?
Accruals – Employee leave accrual	<p>The employee leave accrual (for non-teaching staff) is processed from SAP, where untaken leave is recorded for all users. This leave is linked through payroll records to assign a value of untaken leave for every user.</p> <p>The teacher's accrual is based on school term times, and number of working days in April, as their contracts are term time only.</p>	The data is based on actual untaken leave not an estimate.	No.	The data is based on actual untaken leave not an estimate.	The non-teaching leave accrual was previously based on a sampled return from employees. As staff are now asked to report their leave balances on SAP, the employee leave accrual is based on actuals and therefore a more accurate assessment.
Bad debt provision	Debts are reviewed monthly and any debts that are deemed to be irrecoverable are provided for.	Knowledge by the Accounts Receivables team in likelihood of recoverability and the aging of the debts.	No.	Management delegate the assumptions to service teams, as they have the knowledge to make a judgement on the debt. Service teams will consider the estimation uncertainty during their review.	No.



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