

Purpose

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

Background

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

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

This is a combined document with questions relating to both the Council and the Pension Fund.

Communication

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

General Enquiries of Management

Fraud,

Laws and Regulations,

Related Parties,

Going Concern, and

Accounting Estimates.

This report includes a series of questions on each of these areas and the response we have received from Dorset Council's management. The Audit and Governance 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 - Council	Management response - Pension Fund
1 What do you regard as the key events or issues that will have a significant impact on the financial statements for 2023/24?	None	None.
2 Have you considered the appropriateness of the accounting policies adopted by Dorset Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	The appropriateness of the accounting policies adopted by Dorset Council for will be considered before and during the process of preparing the financial statements. We do not anticipate any events or transactions that may cause us to change or adopt new accounting policies.	The appropriateness of the accounting policies adopted by Dorset Council for the preparation of the pension fund accounts will be considered before and during the process of preparing these statements. We do not anticipate any events or transactions that may cause us to change or adopt new accounting policies.
3 Is there any use of financial instruments, including derivatives? If so, please explain	Yes. For further details please see the 2022/23 disclosure notes.	Yes. For further details please see the 2022/23 disclosure notes.
4 Are you aware of any significant transaction outside the normal course of business? If so, What are they?	No, none that I am aware of.	No, none that I am aware of.
5 Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	Nothing Specific - we were relatively recently concerned by the RAAC issues - but inspections confirmed RAAC was not present in our school buildings.	n/a, question relates to Dorset Council.
6 Are you aware of any guarantee contracts? If so, please provide further details	No, none that I am aware of.	No, none that I am aware of.
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, none that I am aware of.	No, none that I am aware of.
8 Other than in house solicitors, can you provide details of those solicitors utilised by Dorset Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Contract team VWV Solicitors and Simon Keating of Keating Chambers - procurement advice - now resolved VWV – contract advice - resolved Lux Nova and Browne Jacobson - relating to an investment opportunity – resolved Peter Doughty of Pallant Chambers - contract advice - resolved	Please see comment for Dorset Council.
8	Governance Richard Wald KC and Jake Thorold of 39 Essex Chambers – judicial review - resolved	Please see comment for Dorset Council.
8	Regulatory team Solicitors Ashfords Section 106 work – on-going Compulsory Purchase Order – on-going Regeneration schemes - ongoing Michelmores Compulsory Purchase Order – on-going NPLaw Compulsory Purchase Order – on-going	Please see comment for Dorset Council.

Question	Management response - Council	Management response - Pension Fund
8	<p>Counsel –</p> <p>FTB Simon Bird KC and Merrow Golden – 2023/24 – planning advice - work completed Stephanie Bruce-Smith – 2023/24 – Judicial Review advice -work complete Brendan Brett – Planning inquiries 2023/24 and 2024/25 financial year - some work complete and some ongoing. Emyr Jones – 2023/24 – public inquiry - work complete Mark Westmoreland Smith – advice on Compulsory Purchase Order - work ongoing George Mackenzie – public inquiry this year and next Jeremy Phillips KC –advice 2023/24 - work complete Michael Rhimes – advice 2023/24 - work complete Annabel Graham-Paul – advice 2023/24 - work complete</p> <p>Landmark Chambers Mellissa Murphy – public inquiry – work complete across 2023/24 and 2024/25 Matthew Henderson – hearing this year – will have injunction proceedings 2024/25 James Neill - Public inquiry 2024/24 - work ongoing</p>	Please see comment for Dorset Council.
8	<p>Counsel –</p>	Please see comment for Dorset Council.
8	<p>Governance</p> <p>John Turnbull and Helen Randall, Trowers & Hamlins LLP – company governance and equal pay advice – completed 2023/24 Russell Holland PHP Law – advice and representation including judicial review [ongoing] Claire Wiles, Essex Legal Services – advice and representation [ongoing]</p>	Please see comment for Dorset Council.
9	No reports that I am aware of.	n/a, question refers to Dorset Council.
10	SWAP are asked as and when required to undertake audits on specific matters that may occur during the year. The only one I am aware of relates to the Repairs and Maintenance Framework.	Apex Group (formerly MJ Hudson): quarterly reports to the Pension Fund Committee summarising market conditions and the potential implications for investment performance and decisions, input into strategic asset allocation review. Mercer: strategic asset allocation review
11	This will be reviewed as part of the production of the financial statements.	No pension fund assets identified for which expected credit loss provisions may be required.

Fraud risk assessment

	Question	Management response - Council	Management response - Pension Fund
1a	Has Dorset Council assessed the risk of material misstatement in the financial statements due to fraud?	The Council is subject to a continuous review of key control areas through SWAP audits. The authority is also part of the National Fraud Initiative and takes part in data matching exercises to assist in the prevention and detection of fraud.	Please see comment for Dorset Council.
1b	How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?	The Council has a Anti Fraud, Corruption and Bribery policy; a whistleblowing policy and anti-money laundering policy. These can be viewed from this link - https://www.dorsetcouncil.gov.uk/chief-executives-policies-and-strategies . Key fraud risks are recorded within the risk register, and reviewed and updated by risk owners. Where incidents are fraud are identified (for instance, via whistleblowing) they are subject to investigation. A fraud action plan is reviewed and updated to reflect any actions from internal audits etc	Please see response for Dorset Council. All staff involved in the administration of the pension fund are employees of Dorset Council and therefore subject to the controls summarised.
1c	How do the local authority's risk management processes link to financial reporting?	Monitoring of ongoing risks and financial management are linked via a strategic reporting framework. This includes the use of a balanced scorecard reporting tool which monitors risk and the authority's financial position together. The dashboard is discussed as part of the monthly performance and risk reporting process. Additionally, risk is reflected as a dedicated element of the cabinet and committee reporting process for elected members, where each paper includes an assessment of the risk relating to the topic covered. – this includes financial papers/budget reports. Specific financial risks are detailed in the corporate risk register.	Please see comment for Dorset Council.
2	What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	The types of transactions that are deemed most at risk include high value creditor and housing benefit payments.	Pension benefits payments.
3	Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within	None found	No
4	As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	An annual fraud report is issued to Audit and Governance committee. Risk is reported quarterly to Audit and Governance Committee (those charged with governance) , and both Scrutiny Committees will also use the risk register to inform the Forward Plans. Senior Leadership Team are sighted on key risks via the performance monitoring framework.	Please see response for Dorset Council. All staff involved in the administration of the pension fund are employees of Dorset Council and therefore subject to the controls summarised.
5a	Have you identified any specific fraud risks? If so, please provide details	No.	No.
5b	Do you have any concerns there are areas that are at risk of fraud?	No.	No.

	Question	Management response - Council	Management response - Pension Fund
5c	Are there particular locations within Dorset Council where fraud is more likely to occur?	A whistleblow reported a number of incidents of potential fraud at a DC depot, which led to two members of staff leaving the authority. As a result of an internal audit investigation commissioned re these incidents, a report is due to be released imminently in respect of the wider depot assets.	Please see response for Dorset Council. All staff involved in the administration of the pension fund are employees of Dorset Council and therefore subject to the controls summarised.
6	What processes do Dorset Council have in place to identify and respond to risks of fraud?	Fraud risk is identified, recorded and managed within the Council's risk management process. There are currently 59 fraud related risks, most of which are ranked as Low. In line with the Councils zero tolerance for fraud, and fraud policy, where identified or alleged, investigations are undertaken	Please see response for Dorset Council. All staff involved in the administration of the pension fund are employees of Dorset Council and therefore subject to the controls summarised.
7a	How do you assess the overall control environment for Dorset Council, including: the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control?	A Local Code of Corporate Governance is reviewed and updated annually, to inform the Annual Governance Statement. The risk register is a living document, including identification and review of fraud risks. An ongoing plan of internal audit is maintained	Please see response for Dorset Council. All staff involved in the administration of the pension fund are employees of Dorset Council and therefore subject to the controls summarised.
7b	If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been	Following the depot incident of fraud, a set of recommendations were set out with the internal audit report. Wider whole authority recommendations will be issued	Please see response for Dorset Council. All staff involved in the administration of the pension fund are employees of Dorset Council
7c	What other controls are in place to help prevent, deter or detect fraud?	A whistleblowing policy is available and promoted at least annually. Where fraud is identified, consideration is given to whether the outcomes of investigation are communicated more widely.	Please see response for Dorset Council. All staff involved in the administration of the pension fund are employees of Dorset Council and therefore subject to the controls summarised.
7d	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	None that I am aware of.	None that I am aware of.
8	Are there any areas where there is potential for misreporting? If so, please provide details	None that I am aware of	None that I am aware of.
9a	How does Dorset Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?	Where fraud is identified, consideration is given to whether the outcomes of investigation are communicated more widely. More generally, the Council has a behaviours framework.	Please see response for Dorset Council. All staff involved in the administration of the pension fund are employees of Dorset Council and therefore subject to the controls summarised.
9b	How do you encourage staff to report their concerns about fraud?	A whistleblowing policy is available to all staff and others working on Council busines. This is promoted at least annually.	Please see response for Dorset Council. All staff involved in the administration of the pension fund are employees of Dorset Council and therefore subject to the controls summarised.
9c	What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details	The whistleblowing identifies reporting of "financial irregularities, including fraud, corruption or unauthorised use of public funds", alongside other areas of conduct/action. In the last 12 months, one issue of fraud was reported via whistleblowing and was investigated by internal audit. Following investigation, two members of staff left the employment of the authority	Please see response for Dorset Council. All staff involved in the administration of the pension fund are employees of Dorset Council and therefore subject to the controls summarised.
10a	How are the risks relating to these posts identified, assessed and managed?	See below	Please see response for Dorset Council. All staff involved in the administration of the pension fund are employees of Dorset Council and therefore subject to the controls summarised.

Question	Management response - Council	Management response - Pension Fund
10b From a fraud and corruption perspective, what are considered to be high-risk posts?	At present we identify high risk services, rather than individual posts. Following an update to our fraud action plan high risks posts will be identified for training purposes.	Please see response for Dorset Council. All staff involved in the administration of the pension fund are employees of Dorset Council and therefore subject to the controls summarised.
11 Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details	None that I am aware of	None that I am aware of.
12a What arrangements are in place to report fraud issues and risks to the Audit and Governance Committee?	An annual fraud report is issued to Audit and Governance committee. More regularly reporting to committee by internal audit as and when required. If higher risk fraud is identified, this is captured within risk management reporting (currently reporting extreme risks).	Please see response for Dorset Council. All staff involved in the administration of the pension fund are employees of Dorset Council and therefore subject to the controls summarised.
12b How does the Audit and Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?	Consideration of the annual report. The Chair of Audit and Governance Committee is also identified as the member fraud champion	Please see response for Dorset Council. All staff involved in the administration of the pension fund are employees of Dorset Council and therefore subject to the controls summarised.
12c What has been the outcome of these arrangements so far this year?	The Annual Fraud report was considered and discussed at the Audit and Governance Committee on 22nd July 2024.	Please see response for Dorset Council. All staff involved in the administration of the pension fund are employees of Dorset Council and therefore subject to the controls summarised.
13 Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	See 9c above	See 9c above
14 Have any reports been made under the Bribery Act? If so, please provide details	None	None

Fraud

Matters in relation to fraud

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

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

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

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

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

We need to understand how the Audit and Governance Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Governance 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 Dorset Council's management.

Impact of laws and regulations

Question	Management response - Council	Management response - Pension Fund
1a How does management gain assurance that all relevant laws and regulations have been complied with?	Dorset Council has a statutory Monitoring Officer, appointed under section 5 Local Government Housing Act 1989. The Monitoring Officer is required to intervene and report under Section 5A of the 1989 Act to the Cabinet if he thinks it likely that any act or omission by the Council is or is likely to be unlawful. As well as being a practising solicitor the Monitoring Officer is a member of the Council's Senior Leadership Team and so is able to provide direct assurance and if necessary challenge on legal compliance to the rest of SLT. The Monitoring Officer is supported in his role by the Head of Legal Services (Deputy Monitoring Officer) and by each of the legal services business partners and their teams (aligned to the work of the Council's directorates in delivering council priorities).	Please see comment for Dorset Council.
1b What arrangements does Dorset Council have in place to prevent and detect non-compliance with laws and regulations?	The Monitoring Officer (MO) is consulted on and signs off reports to the Full Council, the Cabinet and committees. Reports cannot go forward without approval of the MO. The MO is also represented at all of the Council's decision making meetings as part of ensuring that the Council acts within and through the law. The MO meets monthly with the lead officer from the South West Audit Partnership to review progress in delivering the internal audit programme and any emerging issues. The MO oversees the Council's Whistleblowing policy and procedure through which staff are encouraged to raise concerns, including of legal non-compliance. The Council has joined Cifas, an important step in helping us to counter fraud whether fraud perpetrated by our own staff or service users.	Please see comment for Dorset Council.
1c Are you aware of any changes to the local authority's regulatory environment that may have a significant impact on the local authority's financial statements?	No, none that I am aware of.	No, none that I am aware of.
2 How is the Audit and Governance Committee provided with assurance that all relevant laws and regulations have been complied with?	Through the role of the Monitoring Officer, outlined above. The Monitoring Officer attends or is represented at all meetings of the Audit and Governance Committee. The Monitoring Officer is responsible for keeping the Council's Constitution up to date and within the law and he reports directly to the Audit and Governance Committee on changes to the Constitution. The Assurance Team, which sits within Legal and Democratic Services is accountable to Monitoring Officer. The Assurance Team plays a key role, not only in developing and reporting to the Audit and Governance Committee on key assurance approaches and documents, including the Annual Governance Statement. It also plays a key role in ensuring transparency in our decision making, a central component in ensuring that the council acts within and through the law. In addition to the Audit and Governance Committee's responsibility for good governance and the Council's control framework there are two overview committees and two scrutiny committees more closely involved in service issues and again the Monitoring Officer attends or is represented at these committees to ensure that they act within and through the law.	Please see comment for Dorset Council.

Question	Management response - Council	Management response - Pension Fund
3 Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2023 with an on-	No, none that I am aware of.	No, none that I am aware of.
4 Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	Contracts team and Governance do not have any actual or potential cases involving claim by or against the council for more than £500k.	Please see comment for Dorset Council.
5 What arrangements does Dorset Council have in place to identify, evaluate and account for litigation or claims?	An exercise is undertaken for closing the accounts each financial year, whereby senior officers, including the Monitoring Officer and Head of Legal Services (Deputy Monitoring Officer) , are contacted to provide information about any such matters that they are aware of. This information is then evaluated by Finance and appropriate action taken, which would include to accrue, make a provision or include as a disclosure in the published accounts.	Please see comment for Dorset Council.
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	No, not that I am aware of.	No, none that I am aware of.

Law and regulations

Matters in relation to laws and regulations

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

Management, with the oversight of the Audit and Governance Committee, is responsible for ensuring that Dorset Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Governance 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.

Related parties

Question	Management response - Council	Management response - Pension Fund
<p>1 Have there been any changes in the related parties including those disclosed in Dorset Council'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 Dorset Council • Whether Dorset Council has entered into or plans to enter into any transactions with these related parties • The type and purpose of these transactions 	<p>Collaborative relationships are identified and reviewed for closedown each financial year. The working paper for 2022/23 will be provided to accompany this response.</p> <p>Relevant information is disclosed in the related party transactions disclosure note to the accounts. The published draft 2022/23 accounts will be provided alongside this response. The 2023/24 accounts may include a disclosure for a new HR consultant/agency recruitment LATC with Kent Council, effective from 1 April 2024.</p>	<p>No</p>
<p>2 What controls does Dorset Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Councillors are required to declare all relevant information about related parties for the Register of interests. This process is overseen by the Monitoring Officer and members of the Democratic and Electoral Services team.</p> <p>An exercise is also undertaken for closing the accounts each financial year, whereby Councillors and the Senior Leadership Team, are contacted to provide information about interests in related parties and transactions between those organisations and Dorset Council.</p> <p>This information is all evaluated by Finance and appropriate action taken, and relevant disclosures made in the related party transactions disclosure note to the accounts.</p>	<p>Please see comment for Dorset Council.</p>

Matters in relation to Related Parties

Dorset Council is 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 Dorset Council;

-associates;

-joint ventures;

-a body that has an interest in the authority that gives it significant influence over the local 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 local authority, or of any body that is a related party of the local 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 local authority's perspective but material from a related party viewpoint then the local 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.

Going concern

Question	Management response - Council	Management response - Pension Fund
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 Dorset Council will no longer continue?	This is identified as part of the budget setting process. Services provide details of their pressures (in a template) which are overseen by management.	n/a
2 Are management aware of any factors which may mean for Dorset Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No	n/a
3 With regard to the statutory services currently provided by Dorset Council, does Dorset Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Dorset Council to cease to exist?	Yes	n/a

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.

Accounting estimates - General Enquiries of Management

Question	Management response - 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?	The disclosure notes to the accounts for critical accounting judgements, and for sources of estimation uncertainty, identify and explain consideration of a) asset classifications, valuations and useful lives, b) lease classifications, c) providing for potential liabilities, d) assessment of requirement for group accounts, e) pension liability, f) property, plant and equipment.	Please refer to the 2022/23 disclosure notes to the pension fund accounts.
2 How does the local authority's risk management process identify and address risks relating to accounting estimates?	The council holds a risk register which is regularly updated (by quarter) and a report goes to Audit and Governance Committee. The register is maintained by the BI and Performance Team	Please see comment for Dorset Council.
3 How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Changes in accounting estimates would be updated subject to changes in the CIPFA code or if errors have been identified in the accounts.	Please refer to the 2022/23 disclosure notes to the pension fund accounts.
4 How do management review the outcomes of previous accounting estimates?	Any changes to accounting estimates would have an impact to quarterly monitoring and the outturn reports which is reported to members, with explanations about the changes. As part of the review of the statement of accounts, this are reviewed by S151 officer, Deputy S151 Officer and the Policy & Compliance management team.	Please refer to the 2022/23 disclosure notes to the pension fund accounts.
5 Were any changes made to the estimation processes in 2023/24 and, if so, what was the reason for these?	No - there were no changes to processed for 2023/24.	No.
6 How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Management allocate the tasks to appropriately qualified staff and will obtain specialist contractors expertise as and when required.	Please refer to the 2022/23 disclosure notes to the pension fund accounts.
7 How does the local authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The two main areas of accounting estimates are the pension liability and the valuations of land and buildings.	Please refer to the 2022/23 disclosure notes to the pension fund accounts.
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?	If there are significant changes in movement then the council will query these with the specific expert, as this is why their expertise was sought. The council does rely on their specialist skills because that is why they were commissioned.	As Council response.
9 What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements.	Management completes quarterly budget monitoring reports and the outturn report which is reported publicly to members at Cabinet and Audit and Governance (those charged with governance) which includes any consideration of changes to accounting estimates and the assumptions that have been made. The Statement of Accounts which includes the estimates of the actuary and asset valuer are presented to the Audit & Governance Committee.	Quarterly reporting to the Pension Fund Committee and Local Pension Board.
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?	Appendix A provides the detail of the accounting estimates.	Please refer to the 2022/23 disclosure notes to the pension fund accounts.
11 Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	The management responses for the accounting estimates in Appendix A are accurate.	n/a, question relates to Dorset Council.
12 How is the Audit and Governance Committee provided with assurance that the arrangements for accounting estimates are adequate ?	The work is carried out by the accountant and then it is checked by a senior manager to ensure the estimate is reasonable. The S151 officer, Deputy S151 officer	The work is carried out by one member of the Treasury and Investment team then checked by another member of the team and reviewed by the Service Manager to

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 and Governance 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 and Governance Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Appendix A Accounting Estimates - Council

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: <ul style="list-style-type: none"> Assessment of degree of uncertainty Consideration of alternative estimates 	Has there been a change in accounting method in year?
Land and buildings valuations	Land/Buildings are revalued by qualified external valuers. The CIPFA code states it is acceptable to have buildings revalued as part of a rolling 5-year programme - but we have decided to get buildings revalued on a rolling 4-year programme instead to ensure greater accuracy. External Valuers will rely on Existing Use valuations or fair value valuation depending on asset class.	The disclosure notes to the accounts for critical accounting judgements, and for sources of estimation uncertainty, identify and explain consideration of asset classifications, valuations and useful lives and property, plant and equipment.	Qualified external valuers are used for the purpose.	Qualified external valuers are used for the purpose - who would consider the most accurate basis for forming an opinion of the value in line with the CIPFA code requirements.	No.
Depreciation	Straight line method over the estimated useful life of the asset in question.	The disclosure notes to the accounts for critical accounting judgements, and for sources of estimation uncertainty, identify and explain consideration of asset classifications, valuations and useful lives and property, plant and equipment.	The system processes depreciation based on UELs entered for each asset so no external experts required. UEL's would be updated if valuers suggest a new UEL would be more appropriate.	The depreciated cost of each asset will naturally be regulated over time because the accumulated depreciation is written out when we receive a revaluation from the qualified external valuers. This helps to ensure the estimates never stretch too far from a true valuers view of the true asset value.	No.
Valuation of defined benefit net pension fund liabilities	Please refer to the 2022/23 disclosure notes.	Please refer to the 2022/23 disclosure notes.	Barnett Waddingham are engaged to the Council with expert advice about the assumptions to be applied	Please refer to the 2022/23 disclosure notes.	No.
Fair value estimates	Please refer to the 2022/23 disclosure notes.	Please refer to the 2022/23 disclosure notes.	Please refer to the 2022/23 disclosure notes.	Please refer to the 2022/23 disclosure notes.	No.
Provisions	NNDR Appeals - Data from VO, local knowledge and professional judgement.	The VOA appeals downloads provide some tangible evidence on which the estimates are based.	No	The level of appeals provision is discussed and agreed by Finance in conjunction with the Revenues & Benefits Business & Finance Lead.	No.
Accruals	Data from SAP, information from services and professional judgement.	The accruals are reviewed by the accountants who support the budget area and signed off by the Service Managers.	No	All accruals will be supported by relevant evidence.	No.
Credit loss and impairment allowances	Please refer to the 2022/23 disclosure notes.	Please refer to the 2022/23 disclosure notes.	Treasury management advisors - Arlingclose	Please refer to the 2022/23 disclosure notes.	No.
PFI Liabilities	Fair value will be assessed by calculating the NPV of the cashflows expected of the remaining life of the contract.	The code requires disclosure of the PFI liabilities.	Property valuer - Savills	The will be no impact on the primary financial statements as this will be a disclosure.	No.

Appendix A Accounting Estimates – Pension Fund

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: <ul style="list-style-type: none"> • Assessment of degree of uncertainty • Consideration of alternative estimates 	Has there been a change in accounting method in year?
Level 2 investments	Please refer to the 2022/23 disclosure notes.	Please refer to the 2022/23 disclosure notes.	Please refer to the 2022/23 disclosure notes.	Please refer to the 2022/23 disclosure notes.	No.
Level 3 Investments	Please refer to the 2022/23 disclosure notes.	Please refer to the 2022/23 disclosure notes.	Please refer to the 2022/23 disclosure notes.	Please refer to the 2022/23 disclosure notes.	No.
Actuarial present value of future retirement benefits	Please refer to the 2022/23 disclosure notes.	Please refer to the 2022/23 disclosure notes.	Please refer to the 2022/23 disclosure notes.	Please refer to the 2022/23 disclosure notes.	No.
Management to add any further material estimates	n/a	n/a	n/a	n/a	No.