

Informing the audit risk assessment for Warwickshire County Council 2020/21

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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 Warwickshire County Council's external auditors and Warwickshire County Council's Audit & Standards Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit & Standards Committee under auditing standards.

Background

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

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

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council'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 Warwickshire County Council's management. The Audit & Standards Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<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 effects of the Covid-19 and oil prices on global markets and the stock market will potentially impact investment fund values, which in turn will potentially impact on asset values. More generally any costs to the Authority of providing services to vulnerable people whilst the Covid-19 pandemic continues will impact on our risk reserves and reduce our capacity to take forward our planned change agenda in the short term. Over the medium term our priorities will be updated to reflect the need to support recovery and those most adversely impacted by the pandemic across Warwickshire. The extent of these impacts will be determined by the pace of economic recovery locally, nationally and internationally from the pandemic and the levels of longer term support needed for vulnerable individuals and communities.</p> <p>We have separately reported to management, on a monthly basis, any spend or income impacts which are Covid and non-Covid related so we can understand the impact of Covid on our reserves, the MTFS and BAU.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Warwickshire County Council?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>The accounting policies are reviewed annually to ensure they are relevant and complete. We have agreed a new policy for Group Accounts have amended our leasing policy to be consistent with the new accounting standard for leases. These amendments were both approved by the Audit and Standards Committee on 20 November 2020. These will not directly affect the financial statements for 2020-21.</p> <p>We will be preparing Group Accounts in 2021-22 consolidating the Warwickshire Property and Development Group (WPDG) in our financial statements and the new Leasing Standard IFRS16 is currently planned for implementation from 1 April 2022.</p>
<p>3. Is there any use of financial instruments, including derivatives?</p>	<p>Yes. The County Council's financial instruments consist of investments with fund managers, building societies and other local authorities, cash and cash equivalents, short term debtors and creditors and borrowings with the Public Works Loan Board. In 2020-21 we are lending monies to Coventry & Warwickshire Reinvestment Trust (CWRT) as part of the Government backed CBILs loan scheme to give access to local businesses to loan facilities during the pandemic.</p> <p>We do not make use of derivatives directly, however some funds invested in through fund managers could make use of derivatives to achieve their overall objectives.</p>

General Enquiries of Management

Question	Management response
<p>4. Are you aware of any significant transactions outside the normal course of business?</p>	<p>We are not aware of any significant transactions outside the normal course of business. The pandemic has led to the introduction of a range of additional services being introduced. These have all been funded from additional Government grant received to support Covid-response and/or temporary use of our cash balances. The 'new' services we have provided have included:</p> <ul style="list-style-type: none"> • Additional shared regional mortuary capacity • Shielding hubs • Test and trace • Short term changes to supplier payment terms to help businesses cash flows and rental dispensations.
<p>5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?</p>	<p>We are not aware of any changes in circumstances that would impair our non-current assets.</p>
<p>6. Are you aware of any guarantee contracts?</p>	<p>We are not aware of any contracts where WCC guarantees the performance of third parties. As part of the preparation of the statement of accounts we have assessed whether there are any guarantees we need to be aware of and have disclosed appropriately.</p>
<p>7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?</p>	<p>We are not aware of any loss contingencies and/or unasserted claims that would be material to the financial statements.</p>
<p>8. Other than in house solicitors, can you provide details of those solicitors utilised by Warwickshire County Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?</p>	<p>We use:</p> <ul style="list-style-type: none"> • Solicitors for our insurers on pot hole claims etc. • Solicitors for the disposal of land (not a contingency or a claim) • Solicitors for land development disposal and project work (not a contingency or a claim)

General Enquiries of Management

Question	Management response
<p>9. Have any of the Warwickshire County Council'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>None that we are aware of.</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<ul style="list-style-type: none"> • Treasury management consultants on market movements, PWLB and CIPFA consultations, Treasury Management Service Strategy and Investment Strategies and forecasting as part of an ongoing service contract • Various Counsel on various matters where required (i.e. employment advice, legal interpretation of contracts/legislation etc) • Specialist advisors on the development of the Authority's new risk framework and approach to risk management • Specialist advisors on the delivery of procurement savings and better contract management • Various subject matter experts to support the Authority's change programme. • Property, legal and subject matter experts to support the business cases for the creation of Warwickshire Recovery and Investment Fund (WRIF) and WPDG • Specialist advisors on local government reorganisation in Warwickshire • Specialist advisors to support the valuations in the Statement of Accounts including actuarial support and property valuations.

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

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

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

Fraud risk assessment

Question	Management response
<p>1. Have Warwickshire County Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>We have adopted the CIPFA Code of Practice for Managing the Risk of Fraud and Corruption and this is reflected in our anti-fraud policy.</p> <p>Our process for identifying and responding to the risk of fraud is undertaken via the Preventing Fraud, Bribery and Corruption Framework and the Council's Whistleblowing policy. We have reviewed fraud risk using the results of national studies and local experience. Awareness of the most significant fraud areas has been promoted through the staff magazine Working for Warwickshire, the intranet and Yammer. We have also promoted a specific fraud awareness online training module which is available to all staff. On the basis of these policies and frameworks we have assessed the risk of material misstatement due to fraud as low.</p> <p>All reports to decision-makers and those charged with governance include a financial implications section that is signed-off in advance by the senior managers in the Finance Service.</p> <p>Significant risks are actively managed by Corporate Board through the Strategic Risk register, using a consistent approach to financial risk assessment, and are reported to Members on a quarterly basis alongside the financial monitoring information. Furthermore, Council requires that Corporate Board take the key strategic risks and any mitigating action needed into account as part of preparing the annual MTFS refresh.</p>

Fraud risk assessment

Question	Management response
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Some of the key fraud risk areas were identified and highlighted in the Fraud Awareness Week. These were Procurement Fraud and Social Care Fraud. These were covered along with fraud methods which were Cyber Fraud, Social Engineering and Insider Fraud. The need for fraud awareness on these issues has been highlighted on the Intranet and Yammer and two articles in Working for Warwickshire:</p> <p>https://warwickshiregovuk.sharepoint.com/SitePages/Fraud-Awareness-Week.aspx</p> <p>https://web.yammer.com/main/threads/eyJfdHlwZSI6IlRocmVhZCIsImkljoiMTA1MzExMTU2NjYzOTEwNCJ9?search=fraud</p> <p>https://w4w.warwickshire.gov.uk/issue-4-16-april-2020/welcome/fraud-and-scams-be-vigilant</p> <p>https://w4w.warwickshire.gov.uk/issue-43-29-january-2021/news-round-up-1/fraud-awareness-week</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Warwickshire County Council as a whole or within specific departments since 1 April 2020?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>We are not aware of any instances of actual, suspected or alleged fraud that would have a material impact on the accounts. There is one instance of potential fraud currently being investigated. Risk issues are reported at a strategic level in quarterly monitoring reports. Fraud issues are reported to the relevant senior management and to the Audit & Standards Committee as appropriate. Control issues, fraud, risks and errors captured through the planned internal audit activity and through investigations are reported to management and reported in summary to the Audit & Standards Committee.</p> <p>We have not experienced any significant governance failures during the last year and our arrangements continue to be regarded as fit for purpose in accordance with the governance framework.</p> <p>Any major governance challenges are reflected in the organisation's strategic and service risk registers, which highlight actions being taken to address these challenges going forward.</p> <p>A prime purpose of the governance framework is to minimise the occurrence of strategic risks and to ensure that any such risks arising are highlighted so that appropriate mitigating action can be taken. We are satisfied that the challenges identified are addressed by council plans that the actions identified in those plans will address the issues highlighted in our review of effectiveness.</p> <p>The Code of Conduct and Council Policies require matters to be reported to the Monitoring Officer. Monitoring Officer reports to a bi-monthly statutory officers meeting those matters which are required to be disclosed. Monitoring officer has statutory duties in terms of review and investigation.</p>

Fraud risk assessment

Question	Management response
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Warwickshire County Council where fraud is more likely to occur?</p>	<p>There is always a risk of fraud in such a large and complex organisation. However, the governance and control environment, supported by the preventing fraud, bribery and corruption framework helps to mitigate the risk both in terms of the likelihood and impact.</p> <p>We have no particular concerns of areas or locations at risk of fraud that would not be identified through our frameworks.</p>
<p>5. What processes do Warwickshire County Council have in place to identify and respond to risks of fraud?</p>	<p>Preventing Fraud, Bribery and Corruption framework – published on the intranet outlines policies and procedures including the escalation procedure if required.</p> <p>We also participate in the National Fraud Initiative to ensure any risks of fraud are identified through partnership and data sharing arrangements.</p>
<p>6. How do you assess the overall control environment for Warwickshire County Council, 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>Our approach is set out in the Annual Governance Statement – which is reviewed by Audit & Standards Committee and approved by Council following lengthy consultation with senior managers across the organisation.</p> <p>Independent assurance is provided through Internal Audit reviews.</p> <p>External Audit provide an Annual Audit Letter to the Committee highlighting any areas of concern and recommendations following the annual audit of accounts.</p> <p>Procedures and processes are designed to minimise the potential for the override of controls. Financial reporting involves a broad spectrum of individuals with differing roles and responsibilities, and this spectrum of input minimises the risk of inappropriate influence over financial reporting.</p>

Fraud risk assessment

Question	Management response
7. Are there any areas where there is potential for misreporting?	We have not identified any areas where there is a potential for misreporting.
<p>8. How do Warwickshire County Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<ul style="list-style-type: none"> • Staff Code of Conduct, Member Code of Conduct and Contracts Standing Orders – reviewed each year and where major changes to structures and/or legislation etc. • Fraud Awareness Week and Do the Right Thing Week • Staff Register of interests and additional declarations for Members and senior officers • Register of gifts and hospitality • On-line fraud awareness training • Workers who are not employees of the County Council are required to sign a “code of conduct for workers” <p>We have put in place proper governance arrangements for overseeing what we do. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in a timely, open and accountable manner. These arrangements consist of all the systems, processes, culture and values which direct and control the way we work and through which we account to, engage with and lead our communities.</p> <p>We have approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016). Further information is on our website: http://www.Warwickshire.gov.uk/corporategovernance</p> <p>We have a whistleblowing policy in place with an emphasis on behaviours, governance and the employee code of conduct. We also have a Fraud Hotline.</p> <p>Employees are encouraged to report all concerns and that these will then be dealt with as appropriate. This is covered by council intranet page “What should I do if I suspect fraud”.</p> <p>No significant issues have been reported.</p>

Fraud risk assessment

Question	Management response
<p>9. 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>High risk posts are all posts capable of having significant individual influence/control over resources in the absence of adequate controls and division of duties. Risks are managed through general controls such as division of duties, procedures to manage resources, reporting requirements, IT security arrangements, training and professional qualification requirements, risk based internal auditing activity planning, and whistleblowing procedures.</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>We are not aware of any related party relationships or transactions that could give rise to instances of fraud.</p> <p>We have a Register of Interests and senior officer and Member additional declarations are completed annually.</p> <p>All staff and Members are required to declare any interests with related parties that could impact on their role within WCC and also ongoing in any involvement in the procurement of services or where that relationship may have other affects on their work.</p> <p>As part of the National Fraud Initiative we review where an employee is a company director and payments have been made to that company by the Council as part of reviewing whether all necessary declarations have been made.</p>
<p>11. What arrangements are in place to report fraud issues and risks to the Audit & Standards Committee?</p> <p>How does the Audit & Standards Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Terms of Reference for Audit & Standard Committee – extract from Constitution https://warwickshireintranet.moderngov.co.uk/documents/s1400/Section%207%20Responsibilities%20of%20the%20Audit%20and%20Standards%20Committee.pdf</p> <p>Reporting on fraud is incorporated into the regular Internal Audit reporting to the Audit & Standards Committee.</p>

Fraud risk assessment

Question	Management response
12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	We are aware of two whistleblowing complaints. One has been concluded and the second is currently being investigated.
13. Have any reports been made under the Bribery Act?	No

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 & Standards Committee, is responsible for ensuring that Warwickshire County 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 & Standards 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
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Warwickshire County Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>Our Constitution sets out the framework to ensure that all officers, key post holders and Members are able to fulfil their responsibilities in accordance with legislative requirements so that we are efficient, transparent, accountable to our citizens and compliant with the law. Roles and responsibilities for individual Members, the Council, Cabinet and senior officers, along with the delegation of statutory powers and executive functions, standing orders, codes of conduct and protocols on member / officer relations are documented. http://www.warwickshire.gov.uk/constitution</p> <p>A formal induction programme for members is undertaken following each quadrennial election which covers the legal principles governing decision-making and the code of conduct.</p> <p>All our reports to member bodies receive financial and legal checks prior to submission to ensure they comply with regulatory requirements.</p> <p>Each year Cabinet receives the Local Government and Social Care Ombudsman (LGSCO) annual review letter which contains a summary of statistics on the complaints made about the Council for the year ended 31 March.</p> <p>We are registered as a data controller under the Data Protection Act as we collect and process personal information and we have a named Data Protection Officer. We have General Data Protection Regulation (GDPR) compliant procedures that explain how we use and share information and processes to deal with reporting any breaches. All staff complete information compliance e-learning as part of our induction processes.</p> <p>We have consistent governance arrangements for our trading companies and wholly owned companies:-</p> <ul style="list-style-type: none">• We have shareholder agreement with each company which governs our relationship with the company and sets out which decisions require shareholder approval;• Annual General Meetings are held to ensure the Council is fully informed of the company's performance; and• Directors of each company have received "conflict of interest" awareness training and we actively monitor the risk of potential conflicts.

Impact of laws and regulations

Question	Management response
	<p>Assurance is managed by ensuring we have the appropriate people in roles and that the necessary induction has taken place. In addition we operate general controls such as division of duties, procedures to manage resources, reporting requirements, IT security arrangements, training and professional qualification requirements, risk based internal auditing activity planning, and whistleblowing procedures.</p> <p>3rd line of defence – internal audit reviews, e.g. pensions administration</p> <p>We are not aware of any changes. Governance issues and local government challenges from new legislation, funding and other pressures are set out at section 5 of the Annual Governance statement.</p> <p>We recognise that the final resolution of the McCloud pensions case is still to be determined. Our final accounts working papers set out our proposed accounting treatment on this issue. There is no change to the accounting treatment adopted last year.</p> <p>We undertake monthly financial reporting to Directorate Management Teams and Corporate Board, where the financial challenge identifies any issues. Separately we have bi-monthly statutory officers meetings, that all legal and senior managers input to, where such issues, if they exist, are raised. Our Monitoring Officer receives weekly reports to alert them to any regulatory issues.</p> <p>Services that are subject to statutory and regulatory regimes (i.e. health and safety/construction/public health/trading standards) liaise closely with legal and have their own reporting processes.</p> <p>Any Local Government and Social Care Ombudsman determinations that are adverse are reported to members and remedial actions followed. None are significant or likely to effect accounts for this year.</p>

Impact of laws and regulations

Question	Management response
<p>2. How is the Audit & Standards Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<ul style="list-style-type: none"> • Regular reporting to committee on all matters covered by forward plan and audit workplan. • Through the Annual Governance Statement and through the planning and reporting of a risk based programme of internal audit work each year. • Attendance by the Monitoring Officer or Deputy Monitoring Officer and S151 or Deputy S151 as well as Tier 3 Managers for Finance and Audit. Other Assistant Directors attend as required. This ensures committee can ask the question they feel important to ensure that they have assurance of compliance. <p>Audit & Standards approve draft Contract Standing Orders and must recommend them for approval to Council – this allows them to be robustly challenge officers regarding the compliance with regulations regarding spend.</p> <p>Separately, any key decision is also required to follow constitutional Key Decision procedure which ensures Member involvement and oversight.</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>We are not aware of any instances on non-compliance or suspected non-compliance.</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>We are not aware of any actual or potential litigation or claims that would affect the financial statements.</p>

Impact of laws and regulations

Question	Management response
<p>5. What arrangements does Warwickshire County Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>We undertake monthly financial reporting to Directorate Management Teams and Corporate Board, where the financial challenge identifies any issues. Separately we have bi-monthly statutory officers meetings, that all legal and finance senior managers input to, where such issues, if they exist, are raised.</p> <p>Constitutionally, litigation to be commenced requires delegated authority of the Chief Executive or their nominee. Responses to formal claims are routed via Legal and all appropriate senior managers (including the Monitoring Officer and S151 Officer) are alerted.</p> <p>Employment settlements are subject to approval via a vires arrangement by the Monitoring Officer and S151 Officer.</p>
<p>6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?</p>	<p>We have undergone a routine tax inspection by HMRC (covering VAT and PAYE) during 2020/21. These have now been completed and no significant issues have been identified. The VAT inspection has been officially closed with no issues identified.</p> <p>We have yet to receive formal confirmation that the PAYE inspection is fully closed but this is expected imminently. The only minor issue identified on the PAYE inspection has been that the staff awards dinner/awards were deemed to be a taxable benefit in kind. The Council paid £7,900 in backdate tax and National Insurance for the period 2017/18 to 2020/21. Arrangements will be put in place to ensure compliance for the awards evening in 2021/22.</p> <p>An OFSTED inspection was started in late 2019/20 but was then paused as a result of Covid. We do not yet know when this will be restarted/completed.</p>

Related Parties

Issue

Matters in relation to Related Parties

Warwickshire County Council 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 Warwickshire County Council;
- associates;
- joint ventures;
- an entity that has an interest in the Council that gives it significant influence over the Council;
- 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 Council, or of any entity that is a related party of the Council.

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 Council's perspective but material from a related party viewpoint then the Council 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 disclosed in Warwickshire County Council's 2020/21 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 Warwickshire County Council whether Warwickshire County Council has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>Warwickshire Property and Development Group – Approval to set up the company and to the first annual business plan was agreed by Cabinet in January 2021. The company was incorporated on 29 March 2021. with Steve Smith, the Assistant Director for the Commissioning Support Unit, as a company director until the appointment of the independent Board, the Managing Director and the Finance Director as well as the company set-up arrangements is currently on-going.</p> <p>Coventry & Warwickshire Reinvestment Trust (CWRT) – CBILS loan arrangement. This is a loan arrangement set up to provide businesses operating in Warwickshire with access to loans during the pandemic. CWRT is the lender and is a registered and approved commercial lending body. The scheme is backed by the Government backed British Business Bank. The authority is providing funds to CWRT. Loans will be repaid over 5 years with interest. The Government is guaranteeing 80% of the value of loans in instances of default and the Council has set up an earmarked risk reserve of £0.350m as further financial cover for losses.</p>
<p>2. What controls does Warwickshire County Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>As part of the closedown of accounts a number of processes have been put into place to determine any related parties and the nature of the relationships that exist for both the authority and staff. As part of these governance arrangements we request register of interests declarations are made by all Members and senior officers in addition to those that all staff are required to complete to declare any interest or relationships that exist which may affect the authority. We also canvass annually Legal Services and key finance and management staff to identify any partnerships or other related parties and ensure the appropriate disclosures are reported in the financial statements. Key codes of conduct outline responsibilities of those parties in recording and identifying those related parties and interests appropriately.</p>

Related Parties

Question	Management response
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	Any significant transactions and arrangements with related parties outside of the budgetary framework would require approval in line with financial regulations and the Constitution.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	Any significant transactions and arrangements outside of the normal course of business would be outside of the budgetary framework would require approval in line with financial regulations and the Constitution.

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 & Standards 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 & Standards Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<p>Covid-19 and the impact it has had on the value of financial assets volatility is a circumstance that the authority will need to consider and report on within the financial statements. Any accounting estimates and judgements and the consequential disclosures will be made in a way that has appropriate regard to the circumstances.</p> <p>Details of the basis for Level 2 and 3 investments (those where clearly quoted and fully observable valuation data is not available) will be included in the notes to the accounts.</p>
<p>2. How does the Council's risk management process identify and addresses risks relating to accounting estimates?</p>	<p>Senior management and the S151 officer consider the risk and judgements of material accounting estimates during the production of the accounts and ensure that the basis for the estimates and the effects of any judgements made and their associated risks are transparently reported.</p>
<p>3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>Key management staff engage with the experts, where they are involved, in clearly defining and reviewing the basis and appropriateness of assumptions and source data for use in key accounting estimates used in the financial statements, such as the valuation of property, plant and equipment and pensions liabilities. This is done on an annual basis as the first stage of the preparation for closedown. The discussion and challenge is documented. In other areas, where other key accounting estimates are material, senior finance staff ensure there is a robust system of review and challenge in assuring the appropriateness of methods, assumptions and source data of those estimates. Again the review and challenge process is documented.</p>
<p>4. How do management review the outcomes of previous accounting estimates?</p>	<p>Management review material estimates and variances as part of the hot review of the accounts prior to the publication of the draft accounts. The process is documented and will be used to inform the material judgements and estimates within the financial statements.</p>
<p>5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?</p>	<p>No material changes we made to the estimation process. We enhanced the management oversight and review of key estimates and assumptions in relation to the Pensions liability, meeting the actuary to discuss and confirm assumptions prior to the IAS19 statements being prepared. The purpose of this was to ensure the generic assumptions used across the LGPS were reasonable and applicable to the County Council.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>We use experts for the valuation of property, plant and equipment and pensions liabilities as these are material estimates and are recognised as key areas where an in-depth technical knowledge/specialism is required to provide adequate assurance over the validation of assumptions and required specialist knowledge is not be readily available in the Authority. Where specialist skills are required we have clear contracting requirements and a documented system of review and challenge.</p>
<p>7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>Where specialist skills are required the contracting requirements set out the assumptions, control activities and the format of the outputs required to enable an effective review and challenge process.</p> <p>Where controls are system driven these are documented and reviewed for appropriateness, with management oversight providing a separate professional view that the controls have been actioned appropriately and therefore that reliance can be placed on the figures.</p>
<p>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?</p>	<p>We document the review and challenge oversight by senior management. This includes independent verification of estimates and discussions with experts to understand the processes they have used and the reliability of the results.</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"> • Management's process for making significant accounting estimates • The methods and models used • The resultant accounting estimates included in the financial statements. 	<p>The nature and extent of the oversight in relation to accounting estimates includes:</p> <ul style="list-style-type: none"> • The agreement of assumptions in advance, including their appropriateness • Verification of the underlying data in advance • The methodology to be used to determine the value of estimates and its appropriateness • Review of the results for reasonableness, including comparative analysis with previous years • Sensitivity of the results to the key assumptions to assess materiality • Senior management sign-off of the outcomes of the quality assurance process

Accounting Estimates - General Enquiries of Management

Question	Management response
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 Appendix A)?	We are not aware of any such transactions.
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes, we believe the arrangements are reasonable.
12. How is the Audit & Standards Committee provided with assurance that the arrangements for accounting estimates are adequate ?	<p>We quantify the financial impact of estimation and uncertainty. This is reported to Audit and Standards as part of the Statement of Accounts.</p> <p>We report this risk assessment to Audit and Standards Committee and provide them with the opportunity to consider and comment if it does not align to their understanding of the organisation. To reach this stage the risk assessment has been through an internal assurance process through senior management within the Finance Service.</p>

Appendix A Accounting Estimates

Estimate	Question	Management response
Property Plant & Equipment Valuations / Impairments	1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No.
Property Plant & Equipment Valuations / Impairments	2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	Models used agreed with independent valuation experts and assessed to comply with the Code. No changes were made to these methods or models in 2020/21.
Property Plant & Equipment Valuations / Impairments	3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Assumptions discussed with independent valuation experts and assessed to comply with the Code. No changes were made to these assumptions in 2020/21.
Property Plant & Equipment Valuations / Impairments	4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Source data is from the opening balances on the Authority's financial systems, reconciled to the audited balance sheet and asset register. Data is also sourced from the property system (floorspace etc) and the education service (census and pupil rolls) and provided to the external experts. Data is reviewed for consistency with previous years and the reason for any material changes documented. No changes were made to the sources of data in 2020/21.

Appendix A Accounting Estimates

Estimate	Question	Management response
Property Plant & Equipment Valuations / Impairments	5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	We employ specialist valuers to undertake annual valuations and rely on expert opinion. These were procured using an agreed valuation process specification and timetable. All material land and building assets are being valued in 2020-21. We ask our Property experts and others holding assets within the authority to review assets for impairment.
Property Plant & Equipment Valuations / Impairments	6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	All data submissions received internally and from our expert valuers is reviewed and assessed against data provided to ensure accuracy, completeness and reasonableness. We obtain a valuation certificate and report on their results underlying the basis, assumptions and estimates used in the financial statements upon which we rely.
Property Plant & Equipment Valuations / Impairments	7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes.
Property Plant & Equipment Valuations / Impairments	8. Were any changes made to the key control activities this year? If so please provide details.	No changes were made to key control activities.

Appendix A Accounting Estimates

Estimate	Question	Management response
Property Plant & Equipment Valuations / Impairments	9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Based on advice and discussions with independent valuation experts, our internal experts and professional best practice. Consistency and sensitivity are also assessed and narrative included as part of the accounts to enable readers to understand the impact of the estimation uncertainty.
Property Plant & Equipment Valuations / Impairments	10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Based on advice and discussions with independent valuation experts, our internal experts and professional best practice.

Appendix A Accounting Estimates

Estimate	Question	Management response
Estimated remaining useful lives of PPE / Depreciation	1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No risks were identified relating to the material accuracy of this accounting estimate.
Estimated remaining useful lives of PPE / Depreciation	2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	Methods and models used agreed with independent valuation experts and assessed for compliance with the Code. No changes were made to these models and methods in 2021.
Estimated remaining useful lives of PPE / Depreciation	3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Assumptions used agreed with independent valuation experts and assessed for compliance with the Code. No changes were made to these assumptions in 2021.
Estimated remaining useful lives of PPE / Depreciation	4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Source data is from the opening balances on the Authority's financial systems, reconciled to the audited balance sheet and asset register. Data is also sourced from the property system (floorspace etc) and the education service (census and pupil rolls) and provided to the external experts. Data is reviewed for consistency with previous years and the reason for any material changes documented. No changes were made to the sources of data in 2020/21.

Appendix A Accounting Estimates

Estimate	Question	Management response
Estimated remaining useful lives of PPE / Depreciation	5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Yes, independent valuation experts. Procured through standard WCC procurement processes by the Property team in conjunction with Finance.
Estimated remaining useful lives of PPE / Depreciation	6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	All data submissions received internally and from our expert valuers is reviewed and assessed against data provided to ensure accuracy, completeness and reasonableness. We obtain a valuation certificate and report on their results underlying the basis, assumptions and estimates used in the financial statements upon which we rely.
Estimated remaining useful lives of PPE / Depreciation	7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes.
Estimated remaining useful lives of PPE / Depreciation	8. Were any changes made to the key control activities this year? If so please provide details.	No changes were made to the key control activities this year.

Appendix A Accounting Estimates

Estimate	Question	Management response
Estimated remaining useful lives of PPE / Depreciation	9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Based on advice and discussions with independent valuation experts, our internal experts and professional best practice.
Estimated remaining useful lives of PPE / Depreciation	10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Based on advice and discussions with independent valuation experts, our internal experts and professional best practice.

Appendix A Accounting Estimates

Estimate	Question	Management response
Measurement of Financial Instruments	1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No risks are expected but we will use management review and challenge alongside advice from experts, where appropriate to provide assurance over any accounting estimates or to quantify and material uncertainty, judgements and qualifications in the accounts.
Measurement of Financial Instruments	2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	We review financial instruments to ascertain the model appropriate methods and models for valuations on an annual basis, considering alternatives and using expert advice where appropriate. There have been no changes in 2020-21. New financial instruments have been categorised in accordance with accounting standards and valued according to that category.
Measurement of Financial Instruments	3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Assumptions are based on the professional and sector knowledge of treasury management staff, drawing on external expert advisors where appropriate. We have made no changes to the way we select these assumptions in 2020-21.
Measurement of Financial Instruments	4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	The source data for these accounting estimates is provided by our external expert advisors and the independent external statements have been reconciled to our financial systems. For share valuations we use the latest accounts of the company where they are material and have an active market. Where they are not material we include them at cost.

Appendix A Accounting Estimates

Estimate	Question	Management response
Measurement of Financial Instruments	5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	<p>We use specialist treasury management advisors to:</p> <ul style="list-style-type: none"> • assess the fair values of financial assets and liabilities • inform our assessments of potential credit losses and • provide regular investment information through the year to monitor and assess trends and emerging issues.
Measurement of Financial Instruments	6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	<p>Policy setting is guided by risk appetite, counterparty risk relative to size of instrument, and overall portfolio risk level. Regular reviews are conducted to ensure financial instruments are within policy and not expected to change.</p> <p>Reconciliation of cash and asset holdings to independent statements, including external statements.</p> <p>Segregation of duties in processing, recording and monitoring transactions.</p>
Measurement of Financial Instruments	7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	<p>Yes. Internal knowledge, external advice and benchmarking is used to assess the portfolio and the controls in place.</p>
Measurement of Financial Instruments	8. Were any changes made to the key control activities this year? If so please provide details.	<p>For 2020-21 the independent external statements from the institutions through which we invest our resources have been reconciled to our financial systems.</p>

Appendix A Accounting Estimates

Estimate	Question	Management response
Measurement of Financial Instruments	9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Independent Treasury Management advisors assess the fair values of financial assets and liabilities and any related potential credit losses. This includes information on the external marketplace and any issues that could impact our portfolio at the time of producing the estimates.
Measurement of Financial Instruments	10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Any valuations or possible changes to the financial instrument are supported by calculations, internal and external expert knowledge. Where necessary secondary calculations and assumptions are also included to evaluate the estimate.

Appendix A Accounting Estimates

Estimate	Question	Management response
Provisions for liabilities	1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	The basis, methodology and appropriateness of provisions will be assessed as part of the closedown of the accounts. Senior finance staff will ensure that this is documented and reviewed which will mitigate any risk of material misstatement.
Provisions for liabilities	2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	The design and methods used are determined by senior finance staff and assessed by management as part of the as part of the review of material provisions during closedown. There have been no changes in models or methods. Each provision is supported by a justification of the measurement basis detailing any assumptions made in their assessment.
Provisions for liabilities	3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Management are advised by appropriate qualified and experienced finance staff. There have been no changes in assumptions in 2020-21. Each provision is supported by a justification of the assumptions made in their assessment.
Provisions for liabilities	4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Management are advised by appropriate qualified and experienced finance staff. There have been no changes in source data in 2020-21. Each provision is supported by a justification of the source data used.

Appendix A Accounting Estimates

Estimate	Question	Management response
Provisions for liabilities	5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Specialist skills would be procured, if required. We did not require the use of specialist skills for the 2020-21 accounts.
Provisions for liabilities	6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Management monitor the operation of control activities by having clear annual review processes in place in respect of assessing provisions as part of the closedown process and ensuring senior finance staff review the basis, method and calculations.
Provisions for liabilities	7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, through the annual review process. New provisions have to be agreed by senior management in Strategic Finance.
Provisions for liabilities	8. Were any changes made to the key control activities this year? If so please provide details.	No.

Appendix A Accounting Estimates

Estimate	Question	Management response
Provisions for liabilities	9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Management are advised by appropriate qualified and experienced finance staff as part of the as part of the review of material provisions during closedown. This includes the consideration of estimation uncertainty and selecting the point estimate to use.
Provisions for liabilities	10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Management are advised by appropriate qualified and experienced finance staff as part of the as part of the review of material provisions during closedown. This includes the consideration of the sensitivity of the estimate to the methods and assumptions used and whether an estimate is sufficiently material for disclosure in the financial statements.

Appendix A Accounting Estimates

Estimate	Question	Management response
Accruals	1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	There are a number of different types of accounting accrual and the basis and any judgements used in assessing each of these are varied. Management ensure that there is a process in place for documenting rationale, estimation techniques, calculations and sensitivity. A challenge process ensures accruals are both reasonable and materially accurate.
Accruals	2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	Various senior finance staff ensure that the design, methods and models used in assessing accounting estimates of accruals are sound. Material accruals are reviewed by more senior finance staff and management will ensure these processes have taken place. All methods and models have been reviewed are part of closedown to ensure they remain sound and are a suitable basis for the accounts.
Accruals	3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Assumptions are selected and/or reviewed by appropriately qualified and experienced finance staff. Any changes to the assumptions and the effect of these has been documented as part of the closedown process.
Accruals	4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	The source data is selected and/or reviewed by appropriately qualified and experienced finance staff. Any changes to the source data and the effect on the accruals has been documented as part of the closedown process.

Appendix A Accounting Estimates

Estimate	Question	Management response
Accruals	5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	<p>Staff with suitable qualifications and experience are involved in the accounting estimates of accruals. Where material or significant judgements are involved in those estimates they are reviewed by more senior finance staff.</p> <p>Additional specialist skills would be procured as and when appropriate, although none were needed as part of closing the 2020-21 accounts.</p>
Accruals	6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Management monitor the operation of control activities by having clear annual review processes in place in respect of assessing accruals as part of the closedown process and ensuring senior finance staff review the basis, method and calculations.
Accruals	7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, the adequacy and robustness of controls is considered as part of the annual review process.
Accruals	8. Were any changes made to the key control activities this year? If so please provide details.	At this stage we do not expect any changes to key control activities but will report on any changes that emerge during the closedown process as part of the updated risk assessment.

Appendix A Accounting Estimates

Estimate	Question	Management response
Accruals	9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Management are advised by appropriate qualified and experienced finance staff as part of the as part of the review of material accruals during closedown. This includes the consideration of estimation uncertainty and selecting the point estimate to use.
Accruals	10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Management are advised by appropriate qualified and experienced finance staff as part of the as part of the review of material provisions during closedown. This includes the consideration of the sensitivity of the estimate to the methods and assumptions used and whether an estimate is sufficiently material for disclosure in the financial statements.

Appendix A Accounting Estimates

Estimate	Question	Management response
Pension Fund (LGPS) Actuarial gains/losses	1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	<p>Investment performance - We will use updated investment performance as at 31 March in order to minimise the impacts of estimated data.</p> <p>Employee data – We will use actual data to the end of January and then projected data for the final two months of the year. There is a risk the actual salary estimates for the last two months to ensure the information on actuarial gains and losses is timely. We will assess the reasonableness of any difference between the actual and projected data as part of the closure of the accounts.</p> <p>No other risks have been identified.</p>
Pension Fund (LGPS) Actuarial gains/losses	<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p>	<p>We commission the Warwickshire Pension Fund actuary to undertake this work on our behalf, in accordance with the Code and accounting standards.</p> <p>We are not aware of any changes to these methods or models in 2020/21.</p>
Pension Fund (LGPS) Actuarial gains/losses	<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>The assumptions are developed by our actuaries who are experts in their field. The starting point is to use assumptions appropriate for an average LGPS employer with broadly our liability profile. Assumptions are assessed for reasonableness through discussion with the actuary, including consideration of alternative assumptions tailored to the organisation. These are then finalised is a report prior to the actuarial gains and losses at 31 March are assessed.</p> <p>Any changes to assumptions will be detailed as part of this report.</p>

Appendix A Accounting Estimates

Estimate	Question	Management response
Pension Fund (LGPS) Actuarial gains/losses	<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>The source data is held by Warwickshire Pension Fund. Data submitted to the actuary is audited by the Funds auditors.</p> <p>Investment performance - We will use updated investment performance as at 31 March in order to minimise the impacts of estimated data.</p> <p>Employee data – We will use actual data to the end of January and then projected data for the final two months of the year to ensure the information on actuarial gains and losses is timely. We will assess the reasonableness of any difference between the actual and projected data as part of the closure of the accounts.</p> <p>This is the same as the approach used in 2019/20.</p>
Pension Fund (LGPS) Actuarial gains/losses	<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>Yes. We commission the Warwickshire Pension Fund actuary to undertake this work on our behalf, in accordance with the Code and accounting standards.</p>
Pension Fund (LGPS) Actuarial gains/losses	<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>There is an annual internal audit plan for Warwickshire Pension Fund that provides a level of assurance over control activities. Findings reported to the Local Pension Board and through updates to the Audit and Standards Committee.</p> <p>Employee data from the pensions systems is reconciled to payroll data.</p> <p>We receive a report from the Fund's actuary that provides an explanation of the key movements over the year and the impact of different market movements. We then meet with the actuary to discuss these as part of our management oversight, if required.</p>

Appendix A Accounting Estimates

Estimate	Question	Management response
Pension Fund (LGPS) Actuarial gains/losses	7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, assurance is placed on the expertise of the actuaries appointed by the Warwickshire Pension Fund. We assess the robustness of the controls through the additional reports we commission and meetings held to discuss the results.
Pension Fund (LGPS) Actuarial gains/losses	8. Were any changes made to the key control activities this year? If so please provide details.	We are not aware of any changes in the key control activities.
Pension Fund (LGPS) Actuarial gains/losses	9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	<p>Assurance is placed on the expertise of the actuaries appointed by the Warwickshire Pension Fund. We assess the robustness of the controls through the additional reports we commission and meetings held to discuss the results.</p> <p>Assumptions are assessed for reasonableness through discussion with the actuary, including consideration of alternative assumptions tailored to the organisation. We receive a report from the Fund's actuary that provides an explanation of the key movements over the year and the impact of different market movements. We use these reports and any meetings to provide assurance over the point estimate we use.</p>
Pension Fund (LGPS) Actuarial gains/losses	10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	These are calculated by the funds actuary, based on the agreed assumptions and the source data provided by the Warwickshire Pension Fund and included within the reporting.



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