

Bath and North East Somerset Council and Avon Pension Fund

Responses from Management:

| Auditor question | Response (For APF as well) |
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| What do you regard as the key events or issues that will have a significant impact on the financial statements for 2017/18? | Continued reductions and uncertainty in Government Grant Funding and delivery of the Council's approved savings plans. WOE Devolution and creation of new Mayoral Combined Authority including move of WOE/LEP arrangements within the new MCA at the end of the previous financial year. |
| Have you considered the appropriateness of the accounting policies adopted by the Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? | Yes and no significant changes. |
| Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements? | No |
| How would you assess the quality of the Council's internal control processes? | Reasonable – the work of internal audit, finance teams and legal services provide assurance to support this. However, budget reductions and increased demand in some service areas have increased the level of risks and further processes to scrutinise spend and contracts has been put in place. |
| How would you assess the process for reviewing the effectiveness of internal control? | Reasonable – the work of internal audit provides assurance along with the Head of Internal Audit Opinion and Annual Governance Statement. |
| How do the Council's risk management processes link to financial reporting? | The Council has a well-established system of dashboard reporting for revenue and capital budgets which takes account of this. Financial risks are assessed as part of the budget setting process. Risks were outlined within the budget setting report and will continue to be monitored and reported through a new monthly dashboard and regular budget monitoring reports. |
| How would you assess the Council's arrangements for identifying and responding to the risk of fraud? | Reasonable – the work of internal audit provides assurance that material misstatement due to fraud is not occurring. |
| What has been the outcome of these arrangements so far this year? | To my knowledge (and as informed by management and the Head of Audit) I am not aware of any specific frauds, or areas with a high risk of fraud where fraud had been detected |

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| What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud? | <p>The Council prepares a monthly financial dashboard which provides a detailed analysis of each individual service's financial performance.</p> <ul style="list-style-type: none"> - This identifies the latest position, current issues or potential risks to meeting service budgets as well as a forecast to the end of the financial year. - The dashboard provides a view both against revenue and capital budgets with individual commentaries on major projects or initiatives using a RAG status. - The Accounts themselves are based on the financial ledger used by the Councils Agresso Financial Management System. - This system is managed and monitored by the Council's Finance Service and has inbuilt into it sufficient controls to reduce or remove the risk of fraud and corruption i.e.: – <ul style="list-style-type: none"> a) authorisation limits for individual officers; (i.e. journals) b) controlled access to only authorised parts of the system; c) reconciliation processes to balance control accounts |
| Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response? | None (as informed by management and the Head of Audit) |
| Have any reports been made under the Bribery Act? | None (as informed by management and the Head of Audit) |
| As a management team, how do you communicate risk issues (including fraud) to those charged with governance? | <ul style="list-style-type: none"> • Decision Making reports to Cabinet and Council • S151 Reports as necessary • Internal Audit Reports • Whistle Blowing procedures • Annual Governance Statement and Assurance Framework to Audit Committee • The Council's Operational Plan • Revenue Budget Setting and Capital Programme Reports |
| As a management team, how do you communicate to staff and employees your views on business practices and ethical behaviour? | <p>Staff are reminded from their induction course and on a periodic basis of the Code of Conduct and the various sections within it and the need to declare any relationships (financial and non-financial) which staff may have with contractors employed by the council.</p> <p>Reminders are done formally through the Monitoring Officer and disseminated through management team meetings and via email and intranet.</p> <p>The Whistle blowing policy applies to staff, members, suppliers, contractors, volunteers and anybody acting on behalf of the council. The independent staff counselling service has agreed to act as a 'signpost' for anybody who wishes to raise any</p> |

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| | concerns they may have, anonymously. Participation in the NFI data matching exercise and messages on payslips. |
| What are your policies and procedures for identifying, assessing and accounting for litigation and claims? | As set out in the Annual Accounts |
| Is there any use of financial instruments, including derivatives? | Financial Instruments are held in accordance with the Approved Treasury Management Strategy, a year end list has been provided. The Council holds no derivatives |
| Are you aware of any significant transaction outside the normal course of business? | None |
| Are you aware of any changes in circumstances that would lead to impairment of non-current assets? | None |
| Are you aware of any guarantee contracts? | None. The Council has provided a number of guarantees in respect of the pension deficit for admitted bodies when staff transfer under TUPE e.g. the West of England Combined Authority. |
| Are you aware of allegations of fraud, errors, or other irregularities during the period? | None (as informed by management and the Head of Audit) |
| Are you aware of any instances of non-compliance with laws or regulations or is the Council on notice of any such possible instances of non-compliance? | None of which I am aware |
| Have there been any examinations, investigations or inquiries by any licensing or authorising bodies or the tax and customs authorities? | None of which I am aware |
| Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement? | None of which I am aware |
| Where the financial statements include amounts based on significant estimates, how have the accounting estimates been made, what is the nature of the data used, and the degree of estimate uncertainty inherent in the estimate? | As set out in the Annual Accounts and supporting notes |

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| Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? | 20 NHS foundation trusts are involved in litigation to claim NDR charitable relief affecting 49 local authorities including Bath and North East Somerset Council. The LGA is acting for the affected authorities and it is confident that the claim will be unsuccessful. Our assessment is that the risk of success of the claim is low and therefore no financial provision has been made in the accounts. However, the issue will be noted as a Contingent Liability within the accounts. |
| Although the public sector interpretation of IAS1 means that the financial statements should be prepared on a going concern basis, management are required to consider whether there are any material uncertainties that cast doubt on the Council's ability to continue as a business. What is the process for undertaking a rigorous assessment of going concern? Is the process carried out proportionate in nature and depth to the level of financial risk and complexity of the organisation and its operations? How will you ensure that all available information is considered when concluding the organisation is a going concern at the date the financial statements are approved? | Specific assessment will be undertaken and recorded |
| Can you provide details of those solicitors utilised by the Council during the year. Please indicate where they are working on open litigation or contingencies from prior years? | In-house legal support from the Council provided in relation to general queries and appeals against pension decisions. Osbourne Clarke is instructed on more specialist issues. There are no open litigation or contingencies from prior years. |
| Can you provide details of other advisors consulted during the year and the issue(s) on which they were consulted? | Ernst and Young – as Financial Business Partners various financial advice and due diligence. |
| Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? | None as informed by the Head of Legal Services and Head of Audit |