

AGENDA NO: 12



INDEPENDENT AUDIT COMMITTEE - 11 DECEMBER 2018

DORSET STATEMENT OF ACCOUNTS 2017/18 – DEFINED BENEFIT SENSITIVITY

REPORT BY LUCINDA HINES

PURPOSE OF THE REPORT

The purpose of this report is to update the Committee on the actions taken and the conclusions reached in relation to the query raised on the annual statement of accounts.

1. INTRODUCTION

This Committee, at its meeting on the 17th July, raised a query in respect of Note 32 in the Dorset Statement of Accounts for 2017/18. The question was raised as to why the amounts shown in the defined pension sensitivity to an increase/decrease in salaries were significantly less when compared to the same note within the Devon and Cornwall Statement of Accounts. It was agreed that this would be checked and an explanation sought.

2. ACTIONS TAKEN

- 2.1 It was firstly confirmed that the figures in the Statement of Accounts agreed to the information received from the Actuary.
- 2.2 A query was then raised with the Actuary that prepared the pension actuarial valuations for both forces' accounts. The initial response was that it is possible that different authorities have varying degrees of sensitivity to the salary increases due to differences in the age of the membership profile and the proportion of the accrued benefits between the final salary and CARE schemes, hence some variation between figures is to be expected.
- 2.3 However, whilst looking into this query the Actuary also noted an error with the calculation that produced the salary sensitivity figures. This resulted in the provision of an adjusted report albeit this was received too late for any amendment to the published audited accounts.
- 2.4 As a result of the receipt of revised figures it has been necessary for the Chief Finance Officers to consider the appropriate action to be taken.

3. REVISIONS

3.1 The figures published in the Statement of Accounts are set out below:

Note 32.1.5

Impact on the Defined Benefit Obligation in the Scheme	Increase in Assumption	Decrease in Assumption
	£'000	£'000
Mortality age rating assumption (increase or decrease in 1 year)	55,337	(53,159)
Rate of increase in salaries (increase or decrease by 0.1%)	372	(371)
Rate of increase in pensions (increase or decrease by 0.1%)	27,656	(27,106)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(27,384)	27,986

3.2 The revised figures are:

Impact on the Defined Benefit Obligation in the Scheme	Increase in Assumption	Decrease in Assumption
	£'000	£'000
Mortality age rating assumption (increase or decrease in 1 year)	55,337	(53,159)
Rate of increase in salaries (increase or decrease by 0.1%)	1,969	(1,961)
Rate of increase in pensions (increase or decrease by 0.1%)	27,656	(27,106)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(27,384)	27,986

3.3 The Actuary has confirmed that there is no impact on any other figures in the accounts.

4. PROPOSED ACTIONS AND REASONING

4.1 The 2017/18 Statement of Accounts have been audited and published. This is a minor disclosure note that has no impact on any of the core financial statements. Prior year comparators are not normally included in the accounts for this Note so there will be no opportunity or need to restate the figures in the 2018/19 Statements.

4.2 The External Auditors will be advised of the detail during the audit of the 2018/19 Statement of Accounts.

4.3 Concern over the error has been raised with the Actuary. They have given assurances that this error will not occur in the future, by introducing additional checks. Internal comparative checks will also be undertaken in the future, as part of the accounts preparation procedures.

4.4 This has been reported to the Resource Control Board and agreed.

5. RECOMMENDATIONS

5.1 Members are asked to note the actions taken.

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