



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

**M. Pearson
CLERK TO THE AUTHORITY**

**To: The Chair and Members of the Audit &
Governance Committee**

(see below)

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AUDIT & GOVERNANCE COMMITTEE **(Devon & Somerset Fire & Rescue Authority)**

Thursday, 28th October, 2021

A meeting of the Audit & Governance Committee will be held on the above date, **commencing at 11.00 am in The Committee Rooms, Somerset House, Devon & Somerset Fire & Rescue Service Headquarters, Clyst St George, Exeter** to consider the following matters.

M. Pearson
Clerk to the Authority

A G E N D A

PLEASE REFER TO THE NOTES AT THE END OF THE AGENDA LISTING SHEETS

1 Apologies

2 Minutes (Pages 1 - 6)

of the previous meeting held on 30 July 2021 attached.

3 Items Requiring Urgent Attention

Items which, in the opinion of the Chair, should be considered at the meeting as matters of urgency.

PART 1 - OPEN COMMITTEE

4 Internal Audit Progress Report 2021-22 - Quarter 2 (Pages 7 - 16)

Report of the Director of Governance & Digital Services (AGC/21/6) attached.

5 Corporate Risk Register (Pages 17 - 32)

Report of the Director of Governance & Digital Services (AGC/21/7) attached.

6 Devon & Somerset Fire & Rescue Authority Financial Statements 2020-21 (Pages 33 - 36)

Report of the Director of Finance & Resourcing (Treasurer) (AGC/21/8) attached.

a Audit Findings for the Devon & Somerset Fire & Rescue Authority 2020-21 (Pages 37 - 74)

The Audit Findings for the Devon & Somerset Fire & Rescue Authority is a document prepared by Grant Thornton, the Authority's External Auditor. The document sets out the external audit findings and opinion on the Authority's Financial Statements for the year ended 31 March 2020.

The Committee considered an initial Audit Findings document at its meeting held on 30 July 2021, however, it was not possible to finalise the financial statements at that stage. This document therefore provides an update to the Committee on the progress made since the previous meeting (as highlighted in yellow) and is submitted for consideration (as attached).

b 2020-21 Letter of Representation (Pages 75 - 78)

Accompanying the External Audit Findings is the Letter of Representation which is attached **FOR APPROVAL**.

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Healey MBE (Chair), Brazil, Dr. Buchan, Napper, Parker-Khan, Prowse (Vice-Chair), Roome, Shayer and Vijeh

NOTES

1. **Access to Information**

Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact the person listed in the “Please ask for” section at the top of this agenda.

2. **Reporting of Meetings**

Any person attending a meeting may report (film, photograph or make an audio recording) on any part of the meeting which is open to the public – unless there is good reason not to do so, as directed by the Chair - and use any communication method, including the internet and social media (Facebook, Twitter etc.), to publish, post or otherwise share the report. The Authority accepts no liability for the content or accuracy of any such report, which should not be construed as representing the official, Authority record of the meeting. Similarly, any views expressed in such reports should not be interpreted as representing the views of the Authority.

Flash photography is not permitted and any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting; focusing only on those actively participating in the meeting and having regard also to the wishes of any member of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chair or the Democratic Services Officer in attendance so that all those present may be made aware that is happening.

3. **Declarations of Interests at meetings (Authority Members only)**

If you are present at a meeting and you are aware that you have either a disclosable pecuniary interest, personal interest or non-registerable interest in any matter being considered or to be considered at the meeting then, unless you have a current and relevant dispensation in relation to the matter, you must:

- (i) disclose at that meeting, by no later than commencement of consideration of the item in which you have the interest or, if later, the time at which the interest becomes apparent to you, the existence of and – for anything other than a “sensitive” interest – the nature of that interest; and then
- (ii) withdraw from the room or chamber during consideration of the item in which you have the relevant interest.

If the interest is sensitive (as agreed with the Monitoring Officer), you need not disclose the nature of the interest but merely that you have an interest of a sensitive nature. You must still follow (i) and (ii) above.

Where a dispensation has been granted to you either by the Authority or its Monitoring Officer in relation to any relevant interest, then you must act in accordance with any terms and conditions associated with that dispensation.

Where you declare at a meeting a disclosable pecuniary or personal interest that you have not previously included in your Register of Interests then you must, within 28 days of the date of the meeting at which the declaration was made, ensure that your Register is updated to include details of the interest so declared.

	NOTES (Continued)
4.	<p><u>Part 2 Reports</u></p> <p>Members are reminded that any Part 2 reports as circulated with the agenda for this meeting contain exempt information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s). Members are also reminded of the need to dispose of such reports carefully and are therefore invited to return them to the Committee Secretary at the conclusion of the meeting for disposal.</p>
5.	<p><u>Substitute Members (Committee Meetings only)</u></p> <p>Members are reminded that, in accordance with Standing Orders, the Clerk (or his representative) must be advised of any substitution prior to the start of the meeting. Members are also reminded that substitutions are not permitted for full Authority meetings.</p>
6.	<p><u>Other Attendance at Committees)</u></p> <p>Any Authority Member wishing to attend, in accordance with Standing Orders, a meeting of a Committee of which they are not a Member should contact the Democratic Services Officer (see “please ask for” on the front page of this agenda) in advance of the meeting.</p>

AUDIT & GOVERNANCE COMMITTEE (Devon & Somerset Fire & Rescue Authority)

30 July 2021

Present:

Councillors Healey MBE (Chair), Brazil, Napper, Parker-Khan, Prowse (Vice-Chair),
Roome and Thomas

Apologies:

Councillors Dr. Buchan and Vijeh

In attendance:

Mr B Morriss – Grant Thornton (the Authority's external auditor)

* **AGC/21/1** **Minutes**

RESOLVED that the Minutes of the Audit & Performance Review Committee (as replaced by the Audit & Governance Committee) held on 5 March 2021 be signed as a correct record.

* **AGC/21/2** **Financial Statements 2020-21**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (AG/21/1) that set out the current position in relation to the submission of the final Statement of Accounts for 2020-21 in accordance with the Accounts and Audit Regulations 2015 (as amended in 2021).

It was noted that the amended Regulations now required the publication of the final financial statements by 30 September 2021. Whilst the majority of the financial audit for Devon & Somerset Fire & Rescue Authority was now completed, the Value for Money (VFM) opinion required before a certificate on the Financial Statements could be issued was outstanding thus an additional meeting of this Committee was required in order to approve the final financial statements.

RESOLVED

- (a). that an additional meeting be arranged for either 29 or 30 September 2021 at 10:00 hours to approve the 2020-21 final Statement of Accounts and the Annual Statement of Assurance for publication on the Authority's website by 30 September 2021, in accordance with Regulation 9(2) of the Accounts and Audit Regulations 2015 (as amended);
- (b). that, subject to (a) above, the report be noted.

* **AGC/21/3** **Audit Findings for the Devon & Somerset Fire & Rescue Authority**

The Committee considered a document prepared by the Authority's external auditor (Grant Thornton) setting out the initial audit findings on the Authority's financial statements for the year ended 31 March 2021.

The Treasurer advised the Committee that there would be a suite of financial statements for consideration at the next meeting centred on the Authority's Statement of Accounts for 2020-21. He referred to the delay in finalising the accounts but advised the Committee that there had been a good outcome on the financial statements for 2020-21 and that he was pleased with how this placed the Authority going into the next financial year. There were some issues to be resolved and the Treasurer provided an explanation on this, specifically in relation to how the process on journal entries was being resolved.

Mr Morriss, representing the External Auditors - Grant Thornton, presented the initial audit findings to the Committee. Mr Morriss referred to the issues caused by the Covid-19 pandemic in terms of preparation of the Authority's financial statements. He acknowledged the assistance provided by the Treasurer and finance team in undertaking this audit work remotely in such difficult circumstances and stated that the anticipation was that, subject to resolution of the points raised on page 3 of the audit findings, an unqualified audit opinion would be issued.

During his presentation to the Committee, Mr Morriss referred to the following points:

- The materiality level was now likely to be £1.750million;
- There were a number of issues identified including (amongst others) journal entries. Following testing, some weaknesses had been identified in financial systems but it was acknowledged this was being addressed. The audit work had not identified that any weaknesses in the system had been exploited, however, which was important;
- The valuation of land and buildings and pensions was in line with the expectations of auditors and actuaries.
- The audit findings had identified an anomaly on the salary growth range which had resulted in the Service seeming to be out of line but on investigation, the PWC growth rate appeared to be out of line so auditors were looking at this nationally;
- Attention was drawn to matters that would be included in the updated financial statements (not before the Committee as yet), including:
 - Note 25 – Red One was disclosed as a related party but the balance was not disclosed. The auditor did not feel this was complete and an amendment would be included in the final audit findings paper;
 - No death lump sums were identified but it had been identified that £0.116m should be included;

- There were no significant audit adjustments required on the statement of accounts;
- The Value for Money (VFM) judgement had changed as a result of new practice introduced by the National Audit Office under the Code of Audit Practice 2020. Auditors would no longer issue a single conclusion on VFM arrangements as part of their opinion on the financial statements. Instead, significant weaknesses in arrangements would be reported when identified together with recommendations for improvement. VFM arrangements would only be reported as part of the audit opinion by exception, where significant weaknesses were found. The main output on VFM would be a commentary contained in a new document, the Auditor's Annual Report, covering arrangements for:
 - Financial sustainability
 - Governance
 - Improving value for money

In conclusion, Mr Morriss indicated that the Authority was amongst the earliest of local authorities to complete its financial statements and progress the audit and he congratulated both the finance and audit teams on this achievement.

The Chair referred to an additional amount of funding that would be required now to bridge the gap as a result of the pay award agreed by the National Employers' in 2021 which would create an issue for all local authorities. The Treasurer added that he would be looking carefully at the budget deficit over the next 3 years which was about £7m.

It was noted that the Committee would receive the financial statements for approval at its meeting scheduled for either 29 or 30 September 2021.

(SEE ALSO ITEM *APRC/21/2 ABOVE)

* **AGC/21/4 Internal Audit 2020-21 Year-end Report**

The Committee received for information a report of the Director of Governance & Digital Services (AG/21/2) that set out details of the progress made against the approved 2020-21 Internal Audit Plan and which also provided an update on additional work undertaken.

The Director of Governance & Digital Services advised that internal audit work had been delayed by the Covid-19 pandemic in 2020-21 and the Audit Team had delivered less audit days than had been anticipated as a result. Reference was made to the progress with audits undertaken and also the sustained focus on closing down open actions and it was noted that good progress had been made. The overall opinion was that there was reasonable assurance that the Service had sound systems of internal control in place. There were areas for improvement but these were being addressed by the Service.

The Committee asked for clarification of the results of the staff survey and what a “fairly low” response rate meant. The Director of Governance & Digital Services confirmed the number of responses received was 25 (out of 132 emails sent out). It was recognised that there was a real opportunity to collate information differently as work was being undertaken in silos and the Service was looking at this but it was not a simple or quick fix. The Chief Fire Officer indicated that a paper could be submitted on this to the People Committee so that this area could be explored in more depth.

Councillor Thomas **MOVED** (seconded by Councillor Parker-Khan):

“That the People Committee be requested to look in more detail at the results of the survey on psychological safety”.

Upon a vote, the motion was carried unanimously.

RESOLVED

- (a) That the People Committee be requested to look in more detail at the results of the survey on psychological safety; and
- (b) Subject to (a) above, the report and opinion on the Internal Control Environment be noted.

* **AGC/21/5** **Internal Audit 2021-22 Quarter 1 Progress Report**

The Committee received for information a report of the Director of Governance & Digital Services (AG/21/3) which provided a progress update in respect of the delivery of the 2021-22 Internal Audit Plan and also on the review work undertaken.

The Director of Governance & Digital Services advised that overall delivery of the Plan was on target. Reference was made in particular to the National Fraud Initiative and the number of open actions resulting from audits undertaken which was showing a positive downward trend. Reference was also made to the audit of fitness testing. It was noted that this audit had not progressed yet due to a further inspection from HMICFRS in September 2021. A separate piece of assurance work had been undertaken in this area recently and the level of improvement was significant. A clear action plan had been set out and this had been instigated. The audit would be progressed once the inspection by HMICFRS had concluded.

* **AGC/21/6** **Local Pension Board Annual Report 2020-21**

The Committee considered a report of the Director of Governance & Digital Services (AGC/21/4) to which was appended the Local Pension Board annual report for 2020-21. The report provided information on (amongst other things):

- work undertaken by the Board in 2020-21;
- details of any identified risks and Board actions (based on a RAG rating);
- details of statutory breaches (if any); and
- the management of conflicts of interest.

The Director of Governance & Digital Services made reference to the risks which had an Amber rating, namely the application of remedies under the Appeal Court ruling on the McLeod Sergeant case (processing of immediate detriment cases) and an Injury on Duty pension issue (potential incorrect deduction of retirement allowance).

RESOLVED that the Local Pensions Board Annual Report for 2020-21, as appended to report AGC/21/4 be endorsed.

* **AGC/21/7** **Authority Policy on the Regulation of Investigatory Powers Act 2000 (RIPA) Review**

The Committee received for information a report of the Director of Governance & Digital Services (AG/21/5) covering the requirements for an annual review of its policy and procedures under the Regulation of Investigatory Powers Act (RIPA) 2000 which governed public authorities (such as the Devon & Somerset Fire & Rescue Authority) on the use of covert investigatory techniques.

It was noted that this Authority had never used and did not envisage using the RIPA powers in the future but it was nonetheless a requirement to have policies and procedures in place and to review them annually.

***DENOTES DELEGATED MATTER WITH POWER TO ACT**

The Meeting started at 10.00 am and finished at 11.45 am

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Agenda Item 4

REPORT REFERENCE NO.	AGC/21/6
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE OF MEETING	28 OCTOBER 2021
SUBJECT OF REPORT	INTERNAL AUDIT PROGRESS REPORT 2021-22 – QUARTER 2
LEAD OFFICER	Director of Governance & Digital Services
RECOMMENDATIONS	<i>That the Committee reviews and considers the outcomes of the work completed as set out in this report and indicates whether it requires any further assurance.</i>
EXECUTIVE SUMMARY	This report sets out the progress that has been made up to and including Quarter 2 of the current (2021-22) financial year against the approved Internal Audit Plan for that year.
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ANALYSIS	Not applicable
APPENDICES	A. Definitions of Audit Assurance Opinion Levels.
BACKGROUND PAPERS	Report APMC/21/3 (2021-22 Draft Internal Audit Plan) to the [then] Audit & Performance Review Committee meeting on 5 March 2021 (and the Minutes of that meeting).

1. INTRODUCTION

- 1.1. The 2021-22 internal audit plan was approved by the [then] Audit & Performance Review Committee on 5 March 2021. The Plan forms the principal work of the Internal Audit Service and is a significant source of assurance of the effectiveness of the internal control environment. The Plan sets out the combined scope of internal audit work to be completed by the Devon & Somerset Fire & Rescue Service Internal Audit team (“the team”) and the Devon Audit Partnership.
- 1.2. The team and the Devon Audit Partnership are accountable for the delivery of the Plan and the Internal Audit Charter includes the requirement to report progress to this Committee at least three times per year.
- 1.3. The aim of this report is to update the Committee on progress in delivery against the internal audit plan, recognising that this is in the context of the Service remaining in the Business Continuity Recovery phase. Remote working and Covid-19 restrictions at Service premises and stations have continued during this time.
- 1.4. The report presents a summary of audit work undertaken to date and the current stage of the audit work. Where an audit report has been issued, it includes an audit assurance opinion on the adequacy and effectiveness of the internal control environment. Definitions of Audit Assurance Opinion Levels and Recommendation Priority can be found at Appendix 1.
- 1.5. The team can confirm that there are no significant facts or matters that impact on its independence as auditors that it is required to, or wish to, draw to the attention of the Committee. The team has complied with the Internal Audit Charter and confirms that it is independent and able to express an objective opinion on all statements provided.
- 1.6. The opinions contained within this report are based on audit examination of restricted samples of transactions/records and discussions with officers responsible for the processes reviewed.


2. DELIVERY OF THE 2021-22 AUDIT PLAN


- 2.1. This report provides an update on audit work carried out against the work that has been planned for 2021-22. Any revisions to the plan are carried out in conjunction with relevant management personnel.
- 2.2. Due to a secondment, recruitment process and the introduction of a new Audit and Review Manager created a delay to the commencement of the annual audit plan resulting in no audits being completed within period 1. Fieldwork started within period 1 for the Light Fleet Support Audit and the final report was completed in period 2.
- 2.3. The chart overleaf provides an overview of plan completion. Delivery remains on track to deliver full completion of the 2021/22 plan.

	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH
Internal Resource							
Community Safety: Fire Prevention			■	■			
Light Fleet Support	■	■					
Station Compliance		■	■				
Fleet Management						■	■
Working with Children & Young People					■	■	
Training: Fitness Testing		■	■				
PPE Audit				■	■		
Devon Audit Partnership							
Key Financial Systems			■	■	■		
Risk Management					■	■	
Use of Data						■	■
Information Security: Availability of Systems						■	■
Application of Learning (incl HMI & Grenfell)					■	■	■

2.4. Table 1 below shows the detailed status of audits in progress or completed and their associated reported summaries. In addition to the planned work, consultancy and advice has continued to be provided where required.

Table 1

Audit Area and Assurance Summary	Audit Opinion	Direction of Travel
<p>Light Support Fleet - Final Report</p> <p>Whilst guidance exists and there is noted evidence of improved practice within Fleet and Procurement from the previous audit, there are significant inconsistencies in the approach taken between Officers in Charge and area office administration.</p> <p>Knowledge of procedures and consistency in application differ as perceptions are influenced by the high volume of policies available across four different departments potentially causing confusion rather than clarity.</p> <p>It is Audit's opinion that there is a lack of formal governance and control in place over area administrators to monitor Light Fleet Vehicle usage and Hired Car spend.</p> <p>A new 'Telematics' system is to be introduced to support transparency in fleet vehicle usage and a review of current vehicle usage policy required to support reduction in hired car spend.</p>	<p>Limited Assurance</p>	 <p>Progress has been made but further work is required</p>

Audit Area and Assurance Summary	Audit Opinion	Direction of Travel
<p>Effective use of the Light Support Fleet is monitored by the Resources Committee.</p>		
<p>Training: Fitness Testing Assurance - Draft Report</p> <p>An assurance report was commissioned as an initial review before a full audit is completed to ensure that all areas were reviewed and actions taken to be confident of full compliance before a further full audit and HMI inspection were completed. In the event, the HMI inspection was earlier than expected and the Service is now reviewing the need for a further audit.</p> <p>This initial assurance report identified evidence of improved practice within the Fitness team and the Service strategy since the HMI inspection in 2019, although there are still areas of potential inconsistencies in the approach taken. Whilst there has been significant improvement in the completion of fire fighter fitness testing, it is Audit's opinion that there remains a lack of resource for the Fitness Advisors to complete all levels of expectation in full when special measure tests and failed annual fitness tests also require completing in addition to planned annual and three yearly fitness tests.</p> <p>The Covid-19 pandemic has dramatically impacted the Service's ability to fully utilise its fitness policy and to evaluate its full impact in 2020. The current year is being used for consolidation, reflection and analysis to strengthen compliance and assurance in fire fighter fitness testing.</p>	<p>Limited Assurance</p>	<p style="text-align: center;"></p> <p>Good progress since 2019 HMICFRS inspection and re-visit has been made and continues.</p>

Audit Area and Assurance Summary	Audit Opinion	Direction of Travel
<p>Governance of fitness testing shows improvement with regular review from the Executive Board after the Service recognised the gap and the risks from the areas of concern.</p> <p>Firefighter fitness assurance is monitored by the People Committee.</p>		
<p>Station Compliance: Legionella Management - Draft Report</p> <p>If the Service does not have adequate controls in place then there is a risk of non-compliance with statutory requirements and to the safety of staff.</p>	Not yet available	
<p>National Fraud Initiative - Review Phase</p> <p>This is a mandatory initiative for public sector organisations.</p>	Not Applicable	
<p>Personal Protective Equipment (PPE) Audit – In Progress</p> <p>(Carried over from 2020-21 Plan due to the impact of response to Covid-19)</p> <p>To establish compliance with PPE training, legislation and requirements. The aim initially will be to review internal systems and processes, involving initial requirements, procurement and fitting, concluding in how compliant the service is in regards training and refresher training of PPE use, with the understanding of identifying areas requiring improvement. This will act as a base audit to further develop proposed annual audits to cover other aspects of PPE use, such as legislation, contamination, replacement equipment and availability.</p>	Not yet available	

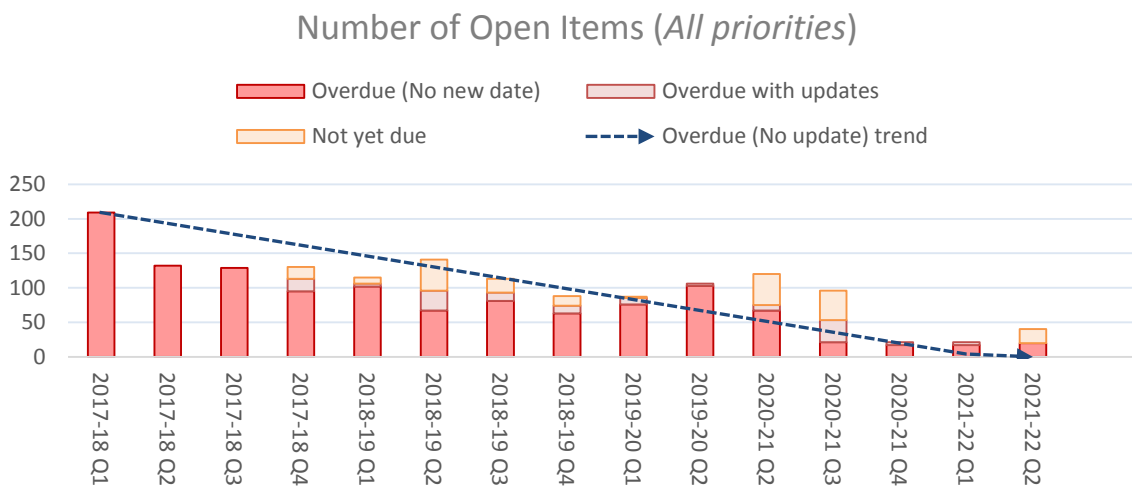
Table 2 – Audits not yet started

Audit Area	Rationale For Audit
INTERNAL RESOURCE: INTERNAL AUDIT & REVIEW MANAGER	
Community Safety: Fire Prevention	The Authority has a statutory responsibility under the Fire and Rescue Services Act 2004 to give fire safety advice and needs assurance that it is prioritising its prevention work to prevent fires and other emergencies from occurring.
Working with Children & Young People	Errors in this area could damage the reputation of the Service and could potentially breach the Service’s legal obligations with regard to safeguarding. By reviewing the security checks that are currently undertaken, assurance can be provided that the Service is ensuring the safety of its people and the community that it serves.
Fleet Management	Availability of vehicles/ appliances that are fit for purpose forms part of risk CR056 on the Corporate Risk Register. Further to previous audit work in this area and implementation of the fleet strategy, assurance needs to be provided that improvements are being embedded.
DEVON AUDIT PARTNERSHIP	
Key Financial Systems (including Payroll)	This is a fixed part of the audit plan which is presented to the External Auditor on an annual basis.
Risk Management	<p>HMICFRS expressed concerns over some aspects of the risk management process.</p> <p>This audit will provide assurance on how well the Service’s revised risk management framework has embedded.</p>
Use of Data	Wherever possible the Service’s work should be data driven to determine how activity is prioritised to ensure that services are provided effectively and efficiently. This data should be readily available, accurate and up to date.
Information Security - Availability of systems	Information security is the foundation for high-scoring items on the Corporate Risk Register (CR037 & CR044). This is an area of increasing risk to all organisations, and with rapid increases in remote working and reliance on ICT, good security practices are essential.

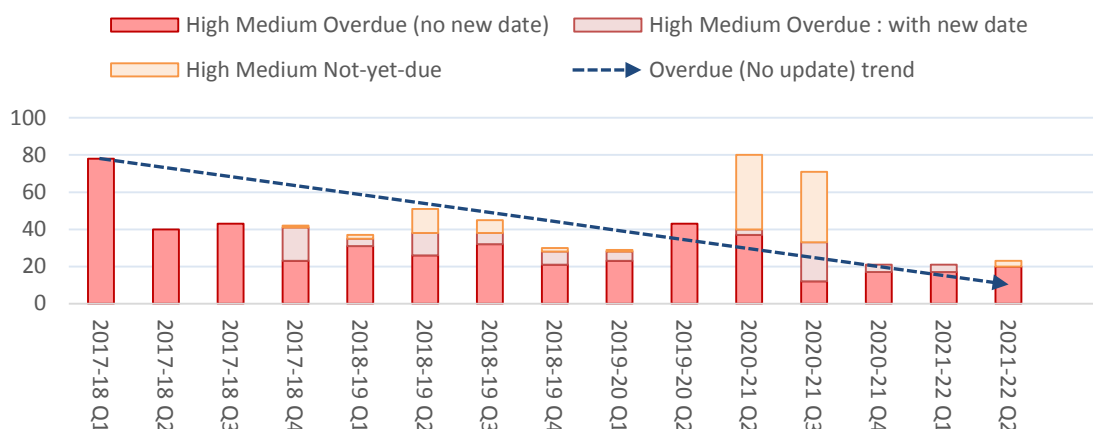
Audit Area	Rationale For Audit
Application of learning (including HMI and Grenfell)	There are risks associated to both not applying learning, and not being able to evidence that learning has been applied. Failure to apply learning can risk the safety of employees and the public, as well as risk non-compliance with updated regulations.

3. **ACTION TRACKING OF AUDIT AND REVIEW RECOMMENDATIONS**

- 3.1. The Audit Tracker records all recommendations and agreed actions arising from internal audit work. The Audit Tracker is available to all employees through the Intranet Service Information Point (SIP).
- 3.2. Updates are focussed on the higher priority items (such as those which are associated to high risks, or have deadlines provided by external bodies). Any overdue actions recorded are largely linked to longer term project work and introduction of new processes that remain ongoing. These are monitored through the assurance tracking process and no areas are identified as non-responsive.
- 3.3. Additionally, some open actions have been superseded by changes to the Service structure, digital transformation and other upgrade/changes. Work is ongoing to ensure that actions that have been superseded are documented and recorded as closed. This piece of work is expected to be completed by the end of 2021-22, with ongoing reviews completed on a regular basis.
- 3.4. The tables below and overleaf show the number of open items on the Assurance/Audit Tracker.



Number of Open Items (*High / Medium High priorities*)



4. **CONCLUSION AND RECOMMENDATIONS**

- 4.1. The team's opinion, based upon audit work completed and direct advice provided, is that improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the areas audited. Where recommendations for improvements have been made, action plans have been agreed with management.
- 4.2. It is important that the internal audit service seeks to add value whenever it can. Feedback obtained from those audited during the year to date consider that the team are able to add value by:
- Providing objective and relevant assurance.
 - Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.
 - Input to changing processes resulting from the Covid Pandemic.
- 4.3. The team would like to express its thanks and appreciation to all those who provided support and assistance during the course of the audits. The team would also like to thank Devon Audit Partnership for all its efforts and commitment in working with the Service during the past year.
- 4.4. It is recommended that the Committee reviews and considers the outcomes of the work completed and whether they require any further assurance.
- 4.5. The progress made against the agreed Audit Plan will be reported back to this Committee at regular intervals.

MIKE PEARSON
Director of Governance & Digital Services




Definitions of Audit Assurance Opinion Levels

Assurance	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Devon & Somerset Fire and Rescue Service

The Service Internal Audit team aims to be recognised as a high-quality internal audit service in the public sector and Fire Service. The team works by providing a professional internal audit service that will assist departments in meeting their challenges, managing their risks and achieving their goals. In carrying out its work, the team is required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards. The team is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on the team's service, processes or standards, the Audit Manager would be pleased to receive them at cweeks@dsfire.gov.uk

Direction of Travel Indicators

Indicator	Definitions
	No Progress has been made. The action plan is not being progressed at this time, actions remain outstanding.
	Progress has been made but further work is required. The action plan is being progressed though some actions are outside of agreed timescales or have stalled.
	Good Progress has/is being made. Good Progress has continued.

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Agenda Item 5

REPORT REFERENCE NO.	AGC/21/7
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE OF MEETING	28 OCTOBER 2021
SUBJECT OF REPORT	CORPORATE RISK REGISTER
LEAD OFFICER	DIRECTOR OF GOVERNANCE & DIGITAL SERVICES
RECOMMENDATIONS	<i>That the report be noted.</i>
EXECUTIVE SUMMARY	<p>Managing risks, both operational and strategic, is an important part of ensuring that the resources of Devon and Somerset Fire and Rescue Service are used to best advantage. Risk is inherent in most things that the Service does and much of its activity is already assessed and managed through the application of the operational risk management procedures and good common sense.</p> <p>The Corporate Risk Register sets out risks and mitigation to ensure that risk is managed appropriately and proportionately.</p>
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ASSESSMENT (ERBA)	Not applicable.
APPENDICES	<ul style="list-style-type: none"> A. Corporate Risk Register by risk category V36 B. Sharpcloud risk register view C. Sharpcloud risk direction D. High risk, impacts and actions E. Insurance costs and claims experience
LIST OF BACKGROUND PAPERS	<p>APRC 5 March 2020 – Corporate Risk Register</p> <p>APRC 13 November 2019 – Corporate Risk Register</p> <p>APRC 10 May 2019 – Corporate Risk Register</p>

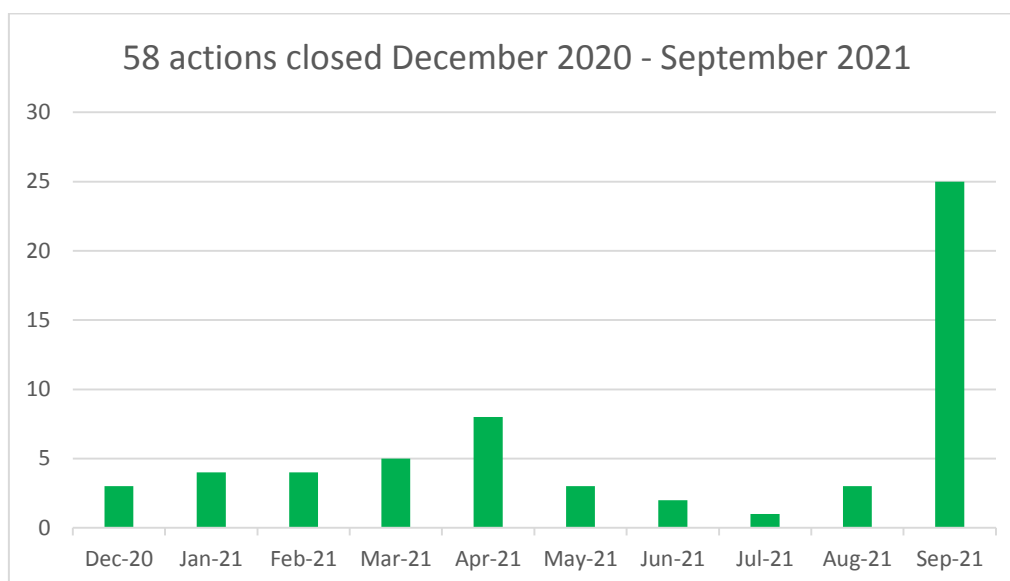
1. INTRODUCTION

- 1.1. The aims of Risk Management for the Devon & Somerset Fire & Rescue Service (“the Service”) are to:
- Protect the assets of the Service;
 - Ensure service continuity; and
 - Facilitate innovation and opportunity.
- 1.2. Risk management does not mean risk avoidance. It is about encouraging officers and managers to identify, understand and control risk and to learn how to accept the right level of risk.

2. CORPORATE RISK REGISTER

- 2.1. The corporate risk register captures and describes the Service’s most significant risks, with a focus on cross-cutting risks and major projects. It is formally reviewed and refreshed on a regular cycle. In order to embed the Service’s approach to managing strategic and operational risks, risk management is integrated within the planning process so that it is part of direction setting, activity and resource planning and activity monitoring.
- 2.2. The process includes the identification, assessment and recording of risks and mitigating activities which is incorporated into annual service plans. The final stage of the process, once risks have been reviewed by risk owners and directors, is for the Audit & Governance Committee (the Committee) to note the contents of this report.
- 2.3. The Service risk profile has changed since the last report. The corporate risk register entries total twenty three risks with eight risks escalated from local risk registers, two de-escalated to local and thematic risk registers and no risks closed. The register is reviewed monthly by the Service Executive Board dependent on net risk score with high risks reviewed monthly and medium risks quarterly.
- 2.4. Risk sources are both internal and external to Service activities, therefore establishing categories for risks provides a mechanism for collecting and organising risks as well as ensuring appropriate scrutiny and management attention for those risks that can have more serious consequences to meeting objectives. Risk categories consolidate risks into a two dimensional view, strategic process and directorate; either may exist in a single directorate or cut across multiple directorates. Service corporate risks are aligned to HM Treasury Orange Book (2020) risk categories. Failure to manage risks in any of these categories may lead to financial, reputational, legal, regulatory, safety, security, environmental, employee, customer and operational consequences. The table in Appendix A provides clarification on the high and medium corporate risks, grouped by risk category, with a high level summary of effective mitigation and actions in development.

2.5. Over the last ten months 58 actions have been closed. The graph below illustrates actions closed per month.



2.6. As is normal, there have been minor changes to control measures across the risk portfolio. Risk owners are assigned to each risk with active mitigation in place. All risk register owners have reviewed and updated their risk mitigations and agreed new review dates. Overall, the Service Executive Board is satisfied with the adequacy of the risk mitigation progress.

3. AMENDED CORPORATE RISKS SINCE THE LAST REPORT TO THE COMMITTEE

3.1 The following risk has been amended and remains on the corporate risk register.

- July 2021: CR063 risk description was amended from Failure to reduce the Service's greenhouse gas emissions and carbon footprint to Failure to deliver Environmental Strategy and action plan.

4. RISKS DELEGATED TO LOCAL RISK REGISTER

4.1. The following two risks have been de-escalated to local risk registers now that they have been mitigated within a tolerable risk level.

- July 2021: CR076 Whole life critical equipment asset management approach is not in accordance with manufacturers guidelines; de-escalated to Health and Safety thematic risk register.
- October 2021: CR072 Supplier of three yearly medical assessment inability to provide a consistent service (HMI cause for concern); de-escalated to Human resources Organisational Development risk register.

5. RISK HORIZON SCAN REPORTS

- 5.1. The concept of horizon scanning aims to detect early warning signs of emerging risk in order to prompt the Service to make decisions to take action when needed.
- 5.2. Many different external reports are used to compile a forward look, one being the UK Government Horizon Scan methodology. This recommends that everyone in the public sector has a responsibility to think about the future in the work they do. Decisions made today have long term consequences. However, the future in which these decisions have an impact is uncertain and making decisions is difficult.
- 5.3. The horizon scan report aims to illustrate how strategic issues can change over time and the benefits that horizon scanning considerations can bring. The topics discussed relate to short term, medium term and long term risks.
- 5.4. Quarterly reports offer general horizon scan updates with a deeper dive that explores specific topics such as how citizen data might change and to help decision makers form strategies that are resilient to future uncertainties.
- 5.5. Future top organisational risks expected to significantly increase are digitisation, new technology and Artificial Intelligence, and climate change and environmental sustainability.

6. COVID & CORPORATE RISK REGISTER INTERDEPENDENCIES

- 6.1 As a consequence of the Covid-19 business continuity arrangements, risk management focused on the development and implementation of a strategic Covid-19 risk register, to ensure that robust and effective control measures were operating as expected to deliver the strategic intents outlined in the Strategic Business Continuity Covid-19 Governance Arrangements.
- 6.2 The Covid-19 risk register is reviewed by Silver every month (Silver refers to the level of management within the Service; Gold is at Principal Officer level; Silver is at Area or Group Manager level). The monitoring frequency is monthly due to effectiveness of the internal test and trace process and existing Covid-19 control measures effectively mitigating risk.
- 6.3 From 24 September 2021 fuel supply chain disruption occurred. Local Resilience Forums (LRF) Science and Technical Advice Cell (STAC) stood up to coordinate agencies efforts, in the event of fuel disruption, such as those experienced in 2000, 2005 and 2007. It was expected that most of the fuel disruption would be managed locally. All LRFs held specific fuel disruption response plans including details of Designation Filling Stations. All category 1 and 2 responders (including local authorities) were expected to maintain 10 days of fuel supply in reserve. This is contained within the National Emergency Plan for Fuel (NEP-F). Where there are bunkered supplies, it is expected that emergency services and local authorities would enter mutual aid arrangement to share resources.

- 6.4 In June 2021, the Government announced details of the Downstream Oil Resilience Bill, providing new powers to improve monitoring the country's downstream fuel markets and pre-empt potential supply disruption. Fuel station closures occurred across the UK, then in the last week were concentrated in London and the South East. The event occurred due to 300 driver vacancies (out of 3000) for LGV drivers. Both the utilities and food production industries experienced business continuity events; gas price hikes, collapse of smaller energy suppliers and provision of food supplier gases has occurred during the last month.
- 6.5 The Service Contingency Response Team was stood up to review fuel plans and impact of national fuel shortages on the Service's ability to continue delivering critical activities. A task and finish group is updating existing fuel plans and monitoring LRF top line briefings.
- 6.6 The Executive Board and Contingency Response Team have exercised and confirmed business continuity plan adequacy against two scenarios, concurrent business continuity events and industrial action. Post exercise debrief and lessons learnt reports have been published which inform continuous improvement of business continuity plans.
- 6.7 Fleet and estates departments are maintaining a watching brief on supply chains and have experienced some delays in access to building supplies, motor parts, zips, neoprene and airwave products and in some instances costs quadrupling. Both departments are focusing on more than cost increases due to the complexity of supply chains and where appropriate relevant risk escalation to the corporate risk register will follow.
- 6.8 Executive Board receive quarterly updates against the business continuity exercise schedule as part of this report.

7. HEALTH AND SAFETY THEMATIC AND CORPORATE RISK REGISTER INTERDEPENDENCIES

- 7.1. On the corporate risk register there are six health and safety corporate risks. The Service Executive Board made a decision on 10 August 2021 to establish a thematic health and safety risk register.
- 7.2. The strategic health and safety thematic risk register workshop took place on 18 August 2021 attended by Strategic Safety Committee stakeholders and chaired by CFO Howell. The risks are owned by Service Leadership Team leads and managers are the control and action owners.
- 7.3. The register was published on the Service intranet on 20 September and will be reviewed every month for high risks, every quarter for medium risks and is a standing item on the Strategic Safety Committee meeting agenda.

8. RISK MANAGEMENT SOFTWARE - SHARPCLOUD

8.1. Until very recently the Service's risk registers have been managed using Microsoft Excel. This is labour intensive and does not facilitate effective risk management. Sharpcloud is a software product that supports the management and visualisation of risk across an organisation. The Service is currently trialling use of this product for 12 months.

8.2. From a risk management perspective Sharpcloud has given a much greater visibility across local, thematic and corporate risk registers and reduced duplication in risks, controls and actions. At a glance high, medium and low risks are illustrated by Red, Amber, Green (RAG) border colour and whether actions are on track or overdue; refer to Appendix B. Benefits realised this month are:

- Reduction of time spent in production of reports.
- Risk register visible on one page.
- Automated action tracking by date, priority and action owner.
- Ability to view relationships between different risks, controls and actions.
- Removes errors relating to manual processing.
- Is adaptable to fit the Service's risk management framework.
- Real time reporting of risk data.

8.3. It is hoped that this approach and integration of risk information enables senior management team to delve into the detail of risks, controls and controls in development and show independencies across the organisation thus supporting the ability to make informed decisions. Refer to Appendix C for this month's risk direction dashboard and Appendix D for the one high risk, impacts and open actions.

9. INSURANCE

9.1. The Fire and Rescue Indemnity Company (FRIC) is a "mutual" company limited by guarantee that opened for business with nine founding member authorities on 1 November 2015. Currently there are twelve Member authorities. Each FRIC Member contributes to a fund, which is used to pay for claims, claims handling, supporting insurance for higher value claims and the Mutual's business overheads. The Mutual aims to optimise each Member's risk transfer programme and reduce costs. FRIC Members also have a strong commitment to working together to improve their risk management arrangements and reduce incidents and the overall cost of claims.

- 9.2. Since 2015 FRIC has generated a surplus of £1m with four new members joined. The external insurance market is hardening and underwriters are being pushed to improve efficiency and profitability. No longer are they able to rely on investment income to balance disappointing outcomes, the industry is now looking to adopt new technologies to save the day. However, improving underwriting processes is not a once and done project. There are a lot of moving parts to consider, new data will continue to accumulate, hence processes need to be monitored and optimised on an ongoing basis.
- 9.3. The Service's insurance renewal figures have increased by a modest 1%. Annual renewal is based on external insurance market conditions, individual member loss ratios and claims experience. FRIC implemented a management information tool to better understand data to make informed decision for future costs and projects. Refer to Appendix E for FRIC and DSFRS loss ratios and claims performance.
- 9.4. In summary the Service has a loss ratio of 13%, the 5th best in the mutual. Due to the size of the Service and number of vehicles, the Service's contributions are the largest. As this information is commercially sensitive the names of other Services have been removed from Appendix E.

10. NEXT STEPS

- 10.1 The Corporate risk register will continue to be subject to monthly review by the Service Executive Board. The next formal review of the corporate risk register by the Committee is due to take place in six months' time date to be confirmed when the calendar of meetings is agreed.

MIKE PEARSON
Director of Governance & Digital Services

Corporate Risk Register October 2021 v36

The Service corporate risks are aligned to Her Majesty’s Treasury Orange Book (2020) risk categories. Failure to manage risks in any of these categories may lead to adverse consequences. The table below provides clarification on the high and medium corporate risks, grouped by risk category, with a high level summary of effective mitigation and actions in development. Corporate, new, escalated and emerging risks are reported to Executive Board monthly and Audit and Governance Committee every 6 months.

HM Treasury Orange Book Risk Category	DSFRS Corporate Risks	Risk Mitigation
1 high risk – EB monitor monthly		
<p>Safety: Risks arising from safety deficiencies or poorly designed or ineffective/inefficient hazard management resulting in non-compliance and/or harm and suffering to employees, contractors, service users or the public.</p>	<p>CR073 Failure to assure that staff read and understand risk critical messages and apply required changes</p>	<ul style="list-style-type: none"> • Risk critical messages issued with electronic acknowledgement. • Operational assurance monitoring process.
21 medium risks - EB monitor quarterly		
<p>Safety: Risks arising from safety deficiencies or poorly designed or ineffective/inefficient hazard management resulting in non-compliance and/or harm and suffering to employees, contractors, service users or the public.</p>	<p>CR055 Failure to report and learn and take corrective action to prevent foreseeable accidents.</p> <p>CR056 Failure to ensure that fleet and equipment is available and is fit for purpose.</p> <p>CR070 Failure to operate an effective risk assessment framework.</p>	<ul style="list-style-type: none"> • Development of Safety Event Management System (SEMS). • Safe To interventions. • Occurrence review group. • Phase 1 equipment review completed and phase 2 progressing. • Procurement of new vehicles in progress: ALP, MRP 4x4. • SLT leads review and update outstanding risk assessments and confirm status. • Development of a strategic risk assessment process. • Project scope development.

HM Treasury Orange Book Risk Category	DSFRS Corporate Risks	Risk Mitigation
<p>Governance: Risks arising from unclear plans, priorities, authorities and accountabilities, and/or ineffective or disproportionate oversight of decision-making and/or performance.</p>	<p>CR035: Failure to agree performance measures & inability to fully and immediately report against agreed measures which may reduce the ability to make informed decisions.</p>	<ul style="list-style-type: none"> • InPhase performance, planning and risk management system procured with system due to be implemented and rolled out Q3 2021.
<p>Information: Risks arising from a failure to produce robust, suitable and appropriate data/information and to exploit data/information to its full potential.</p>	<p>CR062: Failure to operate an effective Information Governance framework.</p>	<ul style="list-style-type: none"> • MS365 rolled out. • Development of document management system.
<p>People: Risks arising from ineffective leadership & engagement, suboptimal culture, inappropriate behaviours, the unavailability of sufficient capacity & capability, industrial action, and/or non-compliance with relevant employment legislation/HR policies resulting in negative impact on performance.</p>	<p>CR057 Covid results in significant staff absence.</p> <p>CR061 Failure to undertake adequate workforce planning in respect of number of firefighters due to retire before 1st April 2022.</p> <p>CR064 Failure to provide demonstrable consistent standards in firefighter competence.</p> <p>CR066 Failure to adequately plan and implement recruitment and promotion processes.</p>	<ul style="list-style-type: none"> • Thematic Covid-19 risk register, reviewed monthly by Covid Silver. • Strategic, operational and tactical business continuity governance established. • Development of workforce planning strategy. • Workforce planning group. • Workforce planning reports. • Professional, Safe and High Performing' report; transformation of 6 themes: <ul style="list-style-type: none"> ▪ Station based training ▪ Setting standards ▪ Audit & assessment ▪ Central training/T4C ▪ Role Development ▪ Service Support • Workforce planning group. • Workforce planning reports.

HM Treasury Orange Book Risk Category	DSFRS Corporate Risks	Risk Mitigation
	<p>CR069 People structure does not support the needs of the organisation.</p> <p>CR071 Lack of assurance for 3 yearly medicals that staff are fit to carry out their duties at an operational incident (HMI cause for concern)</p> <p>CR077 Industrial action, including withdrawal from voluntary agreements to do non-contractual working.</p>	<ul style="list-style-type: none"> • Key elements of HR transformation plan implemented: HR business partners, Welfare capability, additional posts. • Annual Fitness Assessment. • 3 yearly Fitness Test and Medical. • Internal audit. • Business continuity framework & plans. • Business continuity governance arrangements. • Desktop exercises & debrief report.
<p>Reputational: Risks arising from adverse events, including ethical violations, a lack of sustainability, systemic or repeated failures or poor quality or a lack of innovation, leading to damages to reputation and or destruction of trust and relations.</p>	<p>CR058 Failure to identify organisational learning and respond to consultation / changes to complex buildings.</p> <p>CR063 Failure to deliver Environmental Strategy and action plan</p>	<ul style="list-style-type: none"> • Grenfell actions tracked. • MORI systems roll out. • Maintenance of environmental strategy.
<p>Security: Risks arising from a failure to prevent unauthorised and/or inappropriate access to the estate and information, including cyber security and non-compliance with General Data Protection Regulation requirements.</p>	<p>CR044 Cyber-attack on ICT services causes sustained ICT outage.</p> <p>CR065 Cyber-attack or accidental loss leads to data breach of sensitive operational and/or personal data.</p>	<ul style="list-style-type: none"> • Protective monitoring system implemented. • Business continuity plans and system resilience established. • MS365 rolled out. • Maintenance of Digital roadmap. • Protective monitoring system implemented. • Business continuity plans and system resilience established. • MS365 rolled out.

HM Treasury Orange Book Risk Category	DSFRS Corporate Risks	Risk Mitigation
		<ul style="list-style-type: none"> • Maintenance of Digital roadmap.
<p>Technology: Risks arising from technology not delivering the expected services due to inadequate or deficient system/process development and performance or inadequate resilience.</p>	<p>CR037 Physical loss of ICT services causes sustained ICT outage.</p>	<ul style="list-style-type: none"> • Business continuity plans and system resilience established. • MS365 rolled out. • Maintenance of Digital roadmap.
<p>Financial: Risks arising from not managing finances in accordance with requirements and financial constraints resulting in poor returns from investments, failure to manage assets/liabilities or to obtain value for money from the resources deployed, and/or non-compliant financial reporting.</p>	<p>CR050 Failure to agree and set a balanced budget 2022/2023.</p> <p>CR068 Failure to capitalise on benefits of Apprenticeship levy.</p>	<ul style="list-style-type: none"> • Value for money assessment completed. • Benefits realisation monthly report. • Rolling efficiencies review. • Apprenticeship working party. • Development of workforce planning strategy. • Implementation of apprenticeship strategy.
<p>Legal: Risks arising from a defective transaction, a claim being made (including a defence to a claim or a counterclaim) or some other legal event occurring that results in a liability or other loss, or a failure to take appropriate measures to meet legal or regulatory requirements or to protect assets and people (for example intellectual property).</p>	<p>CR075 Failure to assure that staff are complying with the requirements of the HASAW Act 1974 and Management of H & S Regulations and associated legislation.</p>	<ul style="list-style-type: none"> • Development of a thematic Health & Safety risk register reporting to Strategic Safety Committee.

HM Treasury Orange Book Risk Category	DSFRS Corporate Risks	Risk Mitigation
<p>Commercial: Risks arising from weaknesses in the management of commercial partnerships, supply chains and contractual requirements, resulting in poor performance, inefficiency, poor value for money, fraud, and/or failure to meet business requirements/objectives.</p>	<p>CR074 Supply chain disruption</p>	<ul style="list-style-type: none"> • Assessing status of projects / works and corresponding risk register. • Regular engagement with contractors to identify 'issues' at earliest opportunity. • Programme adjustment / consideration.
1 x risk de-escalated to local risk registers		
<p>Commercial: Risks arising from weaknesses in the management of commercial partnerships, supply chains and contractual requirements, resulting in poor performance, inefficiency, poor value for money, fraud, and/or failure to meet business requirements/objectives.</p>	<p>De-escalated to Human Resources and Organisational Development risk register 12 October 2021.</p> <p>CR072 Supplier of 3 yearly medical assessment inability to provide a consistent service</p>	<ul style="list-style-type: none"> • Contract performance management. • Monthly monitoring reports.
Risk Categories with no current corporate risks		
<p>Operational: Risks arising from inadequate, poorly designed or ineffective/inefficient internal processes resulting in fraud, error, impaired customer service (quality and/or quantity of service), non-compliance and/or poor value for money</p>		
<p>Business Change/ Project / Programme: Risks that change programme and projects are not aligned with strategic priorities and do not successfully and safely deliver requirements and intended benefits to time cost and quality.</p>		
<p>Strategy: Risks arising from identifying and pursuing a strategy, which is poorly defined, is based on flawed or inaccurate data or fails to support the delivery of commitments, plans or objectives due to a changing macro-environment (e.g. political, economic, social, technological, environment and legislative change) and changing micro-environment (competing strategic perspectives)</p>		

Corporate Risk Register V36 October 2021

V36 Corporate Risk Register – border colour indicates net risk score – 23 corporate risks:

- 1 x high risk CR073
- 21 x medium risks
- 1 x green risk, CR072 de-escalated to local HROD risk register

CR035 Failure to agree performance measures & inability to fully & immediately report against agreed measures which may reduce the ability to make informed decisions	CR050 Failure to agree actions to set a balanced budget in 2022/2023, further exacerbated by reduced council tax and business rates as a result of Covid impact on the economy.	CR057 Covid 19 results in significant staff absences.	CR062 Failure to operate an effective Information Governance framework.	CR065 Cyber-attack or accidental loss leads to data breach of sensitive operational and/or personal data	CR069 Structure and culture of HR function does not support the needs of the organisation	CR072 Supplier of 3 yearly medical assessment inability to provide a consistent service	CR075 Failure to assure that staff are complying with the requirements of the HASAW Act 1974 and Management of H&S Regulations and associated legislation
CR037 Physical loss of ICT services causes sustained ICT outage.	CR055 Failure to report & learn from events and take corrective action to prevent foreseeable accidents	CR058 Failure to identify organisational learning and respond to consultation / changes to complex buildings	CR063 Failure to deliver Environmental Strategy and action plan	CR066 Failure to adequately plan and implement recruitment and promotion processes	CR070 Failure to operate an effective risk assessment framework.	CR073 Failure to assure that staff read and understand risk critical messages and apply required changes	CR077 Industrial action, including withdrawal from voluntary agreements to do non-contractual working.
CR044 Cyber-attack on ICT services causes sustained ICT outage	CR056 Failure to ensure that fleet and equipment is available and is fit for purpose	CR061 Failure to undertake adequate workforce planning in respect of number of firefighters due to retire before 1st April 2022.	CR064 Failure to provide demonstrable consistent standards in FF competence	CR068 Failure to effectively manage Apprenticeships resulting in inefficient practices and failure to capitalise on benefits of levy	CR071 Lack of assurance for 3 yearly medicals that staff are fit to carry out their duties at an operational incident	CR074 Supply chain disruption	

Risk Direction

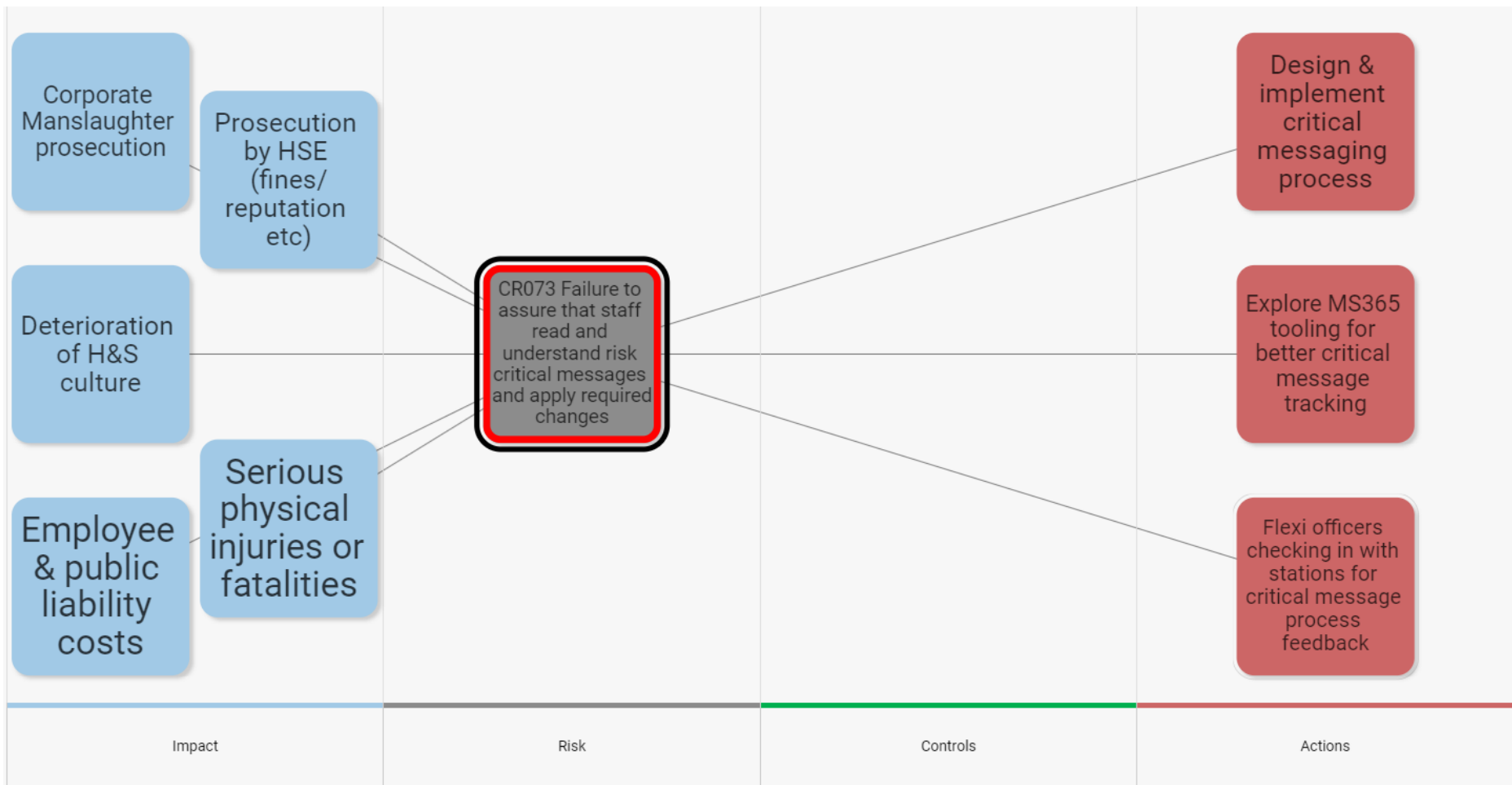
V36.0 High risk action timeline

- Action 1; rolled out & monitoring effectiveness
- Action 2; due date 31 December 2021
- Action 3; due date 31 October 2021

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Risk Direction				Total No. of Items: 23	
	<div style="border: 1px solid yellow; padding: 2px; margin-bottom: 5px;">CR037 Physical loss of ICT services causes su...</div> <div style="border: 1px solid yellow; padding: 2px; margin-bottom: 5px;">CR044 Cyber-attack on ICT services causes su...</div> <div style="border: 1px solid yellow; padding: 2px; margin-bottom: 5px;">CR050 Failure to agree actions to set a balan...</div> <div style="border: 1px solid yellow; padding: 2px; margin-bottom: 5px;">CR035 Failure to agree performan...</div> <div style="border: 1px solid yellow; padding: 2px; margin-bottom: 5px;">CR057 Covid 19 results in significant staff abse...</div> <div style="border: 1px solid yellow; padding: 2px; margin-bottom: 5px;">CR066 Failure to adequately plan and implement...</div> <div style="border: 1px solid green; padding: 2px; margin-bottom: 5px;">CR072 Supplier of 3 yearly medical assessme...</div>				
	<div style="border: 1px solid yellow; padding: 2px; margin-bottom: 5px;">CR055 Failure to report & learn from events and...</div> <div style="border: 1px solid yellow; padding: 2px; margin-bottom: 5px;">CR056 Failure to ensure that fleet and equipment...</div> <div style="border: 1px solid yellow; padding: 2px; margin-bottom: 5px;">CR058 Failure to identify organisati...</div> <div style="border: 1px solid yellow; padding: 2px; margin-bottom: 5px;">CR068 Failure to effectively manage Apprentice...</div> <div style="border: 1px solid yellow; padding: 2px; margin-bottom: 5px;">CR069 Structure and culture of HR function d...</div> <div style="border: 1px solid yellow; padding: 2px; margin-bottom: 5px;">CR071 Lack of assurance for 3 yearly medicals t...</div>				
	<div style="border: 1px solid yellow; padding: 2px; margin-bottom: 5px;">CR061 Failure to undertake adequate workforce...</div> <div style="border: 1px solid yellow; padding: 2px; margin-bottom: 5px;">CR062 Failure to operate an effective Informatio...</div> <div style="border: 1px solid yellow; padding: 2px; margin-bottom: 5px;">CR063 Failure to deliver Environme...</div> <div style="border: 1px solid yellow; padding: 2px; margin-bottom: 5px;">CR075 Failure to assure that staff are complying...</div>				
	<div style="border: 1px solid yellow; padding: 2px; margin-bottom: 5px;">CR064 Failure to provide demonstra...</div> <div style="border: 1px solid yellow; padding: 2px; margin-bottom: 5px;">CR065 Cyber-attack or accidental loss leads...</div> <div style="border: 1px solid yellow; padding: 2px; margin-bottom: 5px;">CR070 Failure to operate an effective risk asses...</div>				
	<div style="border: 1px solid red; padding: 2px; margin-bottom: 5px;">CR073 Failure to assure that staff read and under...</div> <div style="border: 1px solid yellow; padding: 2px; margin-bottom: 5px;">CR074 Supply chain disruption</div> <div style="border: 1px solid yellow; padding: 2px; margin-bottom: 5px;">CR077 Industrial action, including withdrawal...</div>				
Worsened 0	No Change 15	Improved 7	Closed 1	New 0	Risk Direction

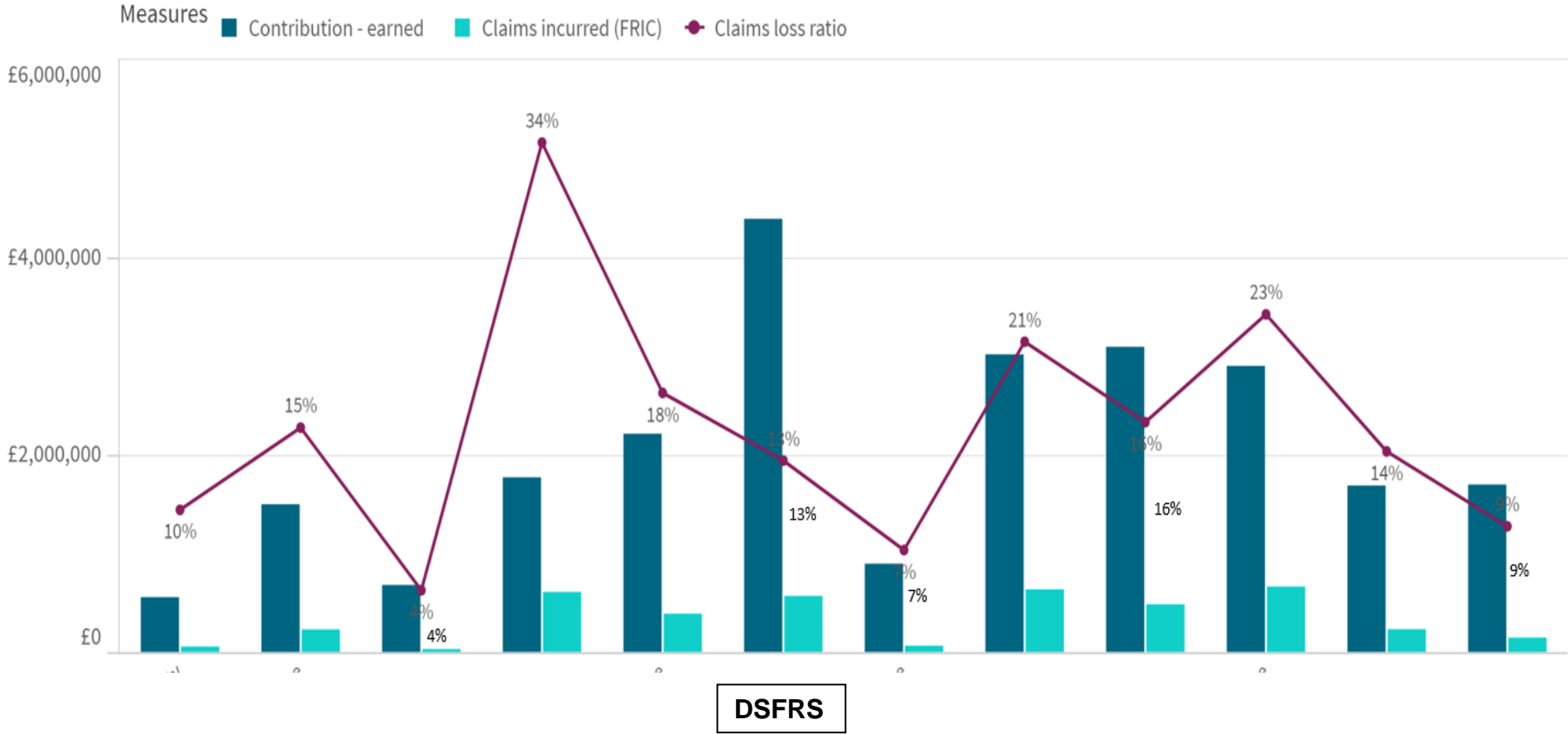
High Risk CR073, impact and open actions



DSFRS insurance loss ratio 2020 / 2021

DSFRS has a loss ratio of 13%, with the 5th best results in the mutual. Due to our size and number of vehicles our annual contributions are the largest.

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Agenda Item 6

REPORT REFERENCE NO.	AGC/21/8
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE OF MEETING	28 OCTOBER 2021
SUBJECT OF REPORT	FINANCIAL STATEMENTS 2020-21
LEAD OFFICER	Treasurer
RECOMMENDATIONS	<p><i>(a). that the 2020-21 final Statement of Accounts be published in accordance with the Accounts and Audit Regulations 2015 (as amended);</i></p> <p><i>(b). that, subject to (a) above, the report be noted.</i></p>
EXECUTIVE SUMMARY	<p>The Accounts and Audit Regulations 2015 (“the Regulations”) provide the basis for the preparation, audit and publication of both the draft and final Financial Statements. The Financial Statements comprise:</p> <ul style="list-style-type: none"> • the Statement of Accounts (including any certificate or opinion provided by the external auditor); • the Annual Statement of Assurance; and • the Narrative Statement (Audit Findings). <p>In early 2021, revised Regulations were instigated – The Accounts and Audit (Amendment) Regulations 2021 - that extended the statutory audit deadlines for the financial statements for both 2020-21 and 2021-22. The publication date for audited bodies has moved from 30 July 2021 to 30 September 2021.</p> <p>This report now advises on the current position in relation to the final Statement of Accounts and associated documents.</p>
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	None.
BACKGROUND PAPERS	<p>External Audit Scope document – 30 July 2021</p> <p>The Accounts and Audit Regulations 2015 (as amended)</p>

1. INTRODUCTION AND BACKGROUND

1.1. The Accounts and Audit Regulations 2015 as amended (“The Regulations”), which apply to the Authority, introduced a new timetable for preparation, audit and publication of both the draft and final Financial Statements. The Financial Statements comprise the Statement of Accounts, including the Narrative Statement, and the Annual Statement of Assurance. Whilst the Regulations came in to force in 2015, the revisions to the timescales for publication applied in the 2021 amendment relating to financial years commencing in 2020 and 2021, means this deadline has been extended to 30 September. Prior to publication, the Financial Statements must be approved by this Committee (as per Regulation 9(2)).

1.2. The key aspect of the (revised) Regulations is highlighted in the extract below:

“**10.**—(1) A Category 1 authority **must**, after approving the statement of accounts in accordance with regulation 9(2) but not later than **30 September** of the financial year immediately following the end of the financial year to which the statement relates, publish (which must include publication on the authority’s website)—

(a) the statement of accounts together with any certificate or opinion, entered by the local auditor in accordance with section 20(2) of the Act;

(b) the annual governance statement approved in accordance with regulation 6(2); and

(c) the narrative statement prepared in accordance with regulation 8.

(2) Where an audit of accounts has **not been** concluded before the date specified in paragraph (1) an authority **must**—

(a) publish (which must include publication on the authority’s website) as soon as reasonably practicable on or after that date a notice stating that it has not been able to publish the statement of accounts and its reasons for this; and

(b) comply with paragraph (1) as if for “but not later than **30 September** of the financial year immediately following the end of the financial year to which the statement relates” there were substituted “as soon as reasonably practicable after the receipt of any report from the auditor which contains the auditor’s final findings from the audit which is issued before the conclusion of the audit”.

1.3. The Regulations require the final financial statements to be signed off either by the full Authority or by a committee so delegated. For this Authority, this function has been delegated to the Audit & Governance Committee.

2. 2020-21 FINANCIAL STATEMENTS

- 2.1. Despite the complications that arose as a result of the Covid-19 pandemic, the Authority's 2020-21 draft financial statements were published on the website in accordance with Regulation 9(1) and the external auditor notified of this on 28 June 2021.
- 2.2. The external auditors indicated at the Audit & Governance Committee meeting held on 30 July 2021 (Minute AGC/21/1 refers) that, whilst the majority of the financial audit for Devon & Somerset Fire & Rescue Authority had been completed, the Value for Money (VFM) opinion required before a certificate on the Financial Statements can be issued, was not concluded, thus it was agreed subsequently to submit the final Statement of Accounts to the Devon & Somerset Fire & Rescue Authority at its meeting on 29 September 2021.
- 2.3. The Authority agreed and signed the final Statement of Accounts at its meeting on 29 September 2021 in order to comply with the Regulations (Minute DSFRA/21/19 refers). A link to the Statement of Accounts for 2020-21 is included below for ease of reference:

[Appendix A to report DSFRA2121.pdf \(dsfire.gov.uk\)](#)
- 2.4. The external auditor was unable to provide the opinion on the VFM conclusion by 30 September 2021 to complete the audit of the Authority's financial statements. As a result, the Authority published on its website a notice stating why the final Statement of Accounts had not been published and the reason for this.
- 2.5. The final Statement of Accounts (as approved on 29 September 2021) is therefore set out in the link above. The Annual Statement of Assurance was also approved alongside the Statement of Accounts for 2020-21 on 29 September 2021. The Auditor's Finding's and the Letter of Representation required to accompany the final Statement of Accounts are set out elsewhere on the agenda for this meeting.

SHAYNE SCOTT
Treasurer

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The Audit Findings for Devon and Somerset Fire and Rescue Authority

Year ended 31 March 2021

September 2021

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Contents



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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 planning 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 the Authority or all 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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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Devon and Somerset Fire and Rescue Authority and the preparation of the Authority's financial statements for the year ended 31 March 2021 for those charged with governance.

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Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Authority's financial statements give a true and fair view of the financial position of the Authority and income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

This report updates members on the Audit of Devon and Somerset Fire and Rescue Authority. This report updates (and supersedes) the previous Audit Findings Report presented to the Audit and Governance Committee on 30 July 2021.

Our audit work was completed remotely between June and September 2021. Our findings are summarised on pages 5 to 16. During the audit adjustments totalling £0.828m have been identified. These adjustments have increased the deficit on provision of services from the value reported in the draft financial statements submitted for audit of £3.457m to £4.285m. Audit adjustments are detailed in Appendix B. We have also raised recommendations for management as a result of our audit work in Appendix A.

Our work is substantially complete and at the time of writing this report there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters:

- Receipt of the letter of assurance from the Devon Pension Fund Auditor;
- Final quality checks;
- Completion of our subsequent events procedures, and
- Receipt of the signed management representation letter (Appendix E).

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unqualified and include an Emphasis of Matter paragraph highlighting the material uncertainties disclosed in the financial statements in respect of land and buildings.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in Appendix D to this report. We expect to issue our Auditor's Annual Report by September 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of financial sustainability. We have performed further procedures in respect of this risk and have completed this element of our VFM work.

Our findings are set out in the value for money arrangements section of this report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code and we expect to certify the completion of the audit upon the completion of our work on the Authority's VFM arrangements, which will be reported in our Auditor's Annual Report.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management. As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Authority's business and is risk based, and in particular included:

- An evaluation of the Authority's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Other than changing our materiality level, as reported on the next page, we have not had to alter our audit plan, as communicated to you on 18 February 2021.

Conclusion

We have substantially completed our audit of your financial statements and, subject to the satisfactory resolution of the outstanding items identified on page 3, we anticipate issuing an unqualified audit opinion.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during these unprecedented times.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised materiality, performance materiality and our level of triviality due to the actual gross expenditure being lower than the level that we expected and used at the planning stage.

We detail in the table our determination of materiality for Devon and Somerset Fire and Rescue Authority.

	Planning	Final
Materiality for the financial statements	1,850,000	1,750,000
Performance materiality	1,390,000	1,300,000
Trivial matters	92,500	85,000
Materiality for Senior Officers Remuneration	20,000	20,000



2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our work we:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determine the criteria for selecting high risk unusual journals; gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. tested high value and unusual journals processed during the year and at the accounts production stage for appropriateness and corroboration. <p>Our work has not identified any issues in respect of management override of controls.</p> <p>We have however identified a number of weaknesses in controls that the Authority should take action on:</p> <ul style="list-style-type: none"> There is no formal approval process for posting journals, therefore the finance team members who have access to post journals are effectively approving their own journal transactions. To mitigate the risk that this creates, the Head of Finance and Senior Accountant undertake a review of a sample of journal entries posted, twice a year. However, as this control is undertaken retrospectively and on a sample basis, it is not a preventative control and may not identify any inappropriate transactions not selected in their sample. As such, there remains a residual risk that inappropriate journals may be processed. Our risk based audit work on journals has not identified any instances where inappropriate journals have been processed. There is no authorisation limit on posting journals, therefore journal users are not restricted by the value of transactions that they post. We therefore recommend that a process which incorporates specific authorisation limits for those individuals that process journals should be implemented. We also noted a number of journals that appear to have been posted by the Head of Finance. We consider that this is unusual and therefore tested all of these journals and identified that these journals were not, in fact, posted by the Head of Finance but they were recorded as such due to a 'system bug'. We recommend that the Integra finance system be updated to remove this bug.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Improper revenue recognition

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Devon and Somerset Fire and Rescue Authority mean that all forms of fraud are seen as unacceptable.

Commentary

In our Audit Plan we set out that having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Devon and Somerset Fire and Rescue Authority mean that all forms of fraud are seen as unacceptable.

We re-considered this assessment on receipt of the draft financial statement and have not identified any reasons to change this assessment.

Despite having rebutted the fraud risk on revenue we have carried out detailed testing covering, the recognition of grant income, and other income.

Our work has not identified any issues in relation to revenue recognition.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of land and buildings

The Authority revalues its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£103m) and the sensitivity of this estimate to changes in key assumptions.

Management have engaged the services of a valuer to estimate the current value as at 31 March 2021.

The valuation of land and buildings is a key accounting estimate which is sensitive to changes in assumptions and market conditions. In 2019/20 the Authority's valuation expert identified there were material uncertainties in relation to the valuation of land and buildings at the balance sheet date. Due to the impact of Covid 19. These uncertainties are likely to impact valuations as at 31 March 2021.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

Commentary

As part of our work we:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert; and
- wrote to the valuer to confirm the basis on which the valuations were carried out.
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Authority's valuer's report, and the assumptions that underpin the valuation;
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register; and
- evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Our work has not identified any significant issues in respect of the valuation of land and buildings.

From review of the financial statements we have noted that the Authority have included a material uncertainty in note 4 of the financial statements in relation to property valuations due to Covid-19. This is in line with the information provided to the Authority by their valuer.

We have reviewed this and, based on the information provided by the valuer, this appears reasonable. In line with the previous year we will include an emphasis of matter in our opinion to reflect this uncertainty. The emphasis of matter paragraph refers to this disclosure in the accounts and draws attention to it for the readers of the financial statements and reflects the increased uncertainty created by Covid-19.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of pension fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£883.1m in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount rate, where our consulting actuary has indicated that a 0.1% change in this assumption would have approximately 2.2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.

As part of our work we:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and

Our work to date has not identified any issues in respect of the valuation of the pension fund liability. We are awaiting the letter of assurance from the Pension Fund auditor. On receipt of this letter we will:

- review the assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £130m	<p>Other land and buildings comprises £97.953m of specialised assets, namely fire stations, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£0.613m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. Other non Land and Building assets totalling £31.6m are valued at historic cost in line with the Code. The Authority has engaged Norfolk Property Services to complete the valuation of properties as at 31 March 2021. All assets were revalued in 2020/21.</p> <p>The total year end valuation of land and buildings was £98.566m, a net decrease of £4m from 2019/20 (£102.664m).</p>	<p>We have performed the following:</p> <ul style="list-style-type: none"> assessed the competence of management's expert; tested the completeness and accuracy of the underlying information used to determine the estimate; considered the impact of any changes to valuation method; reviewed the consistency of estimate against the Gerald Eve report; reviewed the reasonableness of the decrease in estimate; and reviewed the adequacy of disclosures of the estimate in the financial statements. <p>Based on the work completed we consider the key assumptions reasonable. This is within the context of the disclosed material uncertainty.</p>	Light Purple

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Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Net pension liability – £883.190m

The Authority's total net pension liability at 31 March 2021 is £883mm (PY £728m), which includes both the Devon Pension Fund Local Government funded defined benefit scheme and the Firefighters unfunded defined benefit pension scheme obligations. The Authority uses Barnett Waddingham to provide actuarial valuations of the Authority's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £149m net actuarial loss during 2020/21.

We have performed the following work in relation to this estimate:

- assessed management's expert to ensure suitably qualified and independent,
- assessed the actuary's roll forward approach taken,
- used PwC as an auditors expert to assess the actuary and the assumptions made by actuary. The table below summarises where the assumptions used by the Authority falls in the acceptable ranges set by PwC:

Local Government Pension Scheme

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2%	1.95% - 2.05%	✓
Pension increase rate	2.85%	2.8% - 2.85%	✓
Salary growth	3.85%	1% above CPI (CPI being 2.85%)	✓
Life expectancy – Males currently aged 45 / 65	Male Current: 22.6 Male Future: 24	Male current: 20.5 - 23.1 Male Future: 21.9 - 24.4	✓
Life expectancy – Females currently aged 45 / 65	Female Current: 23.9 Female Future: 25.4	Female current: 23.3 - 25 Female Future: 24.8 - 26.4	✓

Light Purple

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Fire Fighters Pension Scheme

Light Purple

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2%	1.95% - 2.05%	✓
Pension increase rate	2.85%	2.8% - 2.85%	✓
Salary growth	3.85%	1% above CPI (CPI is 2.85%)	✓
Life expectancy – Males currently aged 45 / 65	Male Current: 20.5 Male Future: 21.7	Male current: 20.5 - 21.1 Male Future: 21.7 - 22.3	✓
Life expectancy – Females currently aged 45 / 65	Female Current: 22.7 Female Future: 24.2	Female current: 22.7 - 23.3 Female Future: 24.2 - 24.8	✓

- we have gained assurance over the completeness and accuracy of the underlying information used to determine the estimate,
- we have gained assurance over the reasonableness of the Authority's share of LGPS pension assets, and
- we have reviewed the adequacy of disclosure of the estimate in the financial statements.

At the time of issuing our original Audit Findings Report the PwC range for salaries was reported as being 1.5% - 2.2% above CPI of 2.85%. We queried this and the report has subsequently been reissued. The Actuaries assumptions now fall within the reported range.

Based on the work completed we consider the key assumptions reasonable.

Assessment

● [Purple]

We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated

● [Blue]

We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic

● [Grey]

We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious

● [Light Purple]

We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

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Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance and Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Authority, which is included in the Committee papers.
Confirmation requests from third parties	We requested from management permission to send balance confirmation requests in relation to the Authority's bank and investment balances. This permission was granted and the requests were sent, these requests were returned with positive confirmation, and no issues were noted.
Accounting practices	We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

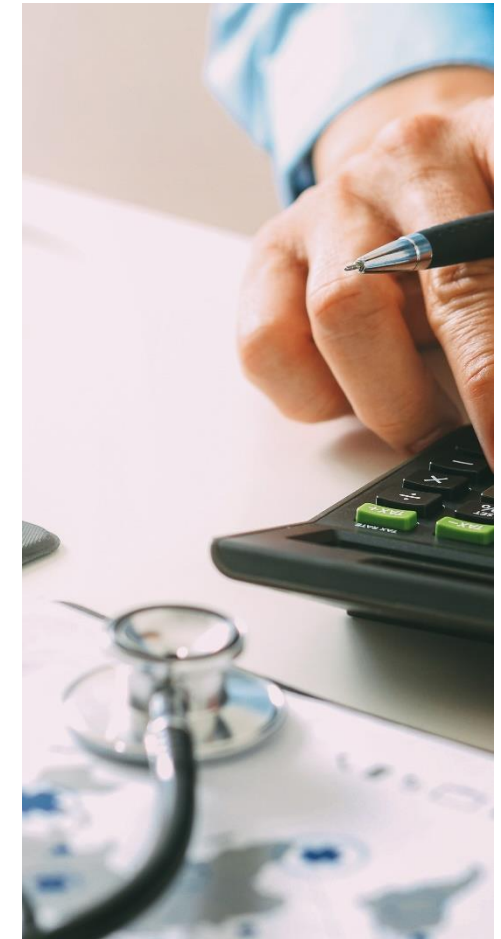
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Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that, for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> 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 entity'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, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Authority and the environment in which it operates the Authority's financial reporting framework the Authority's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>However, as the Authority does not exceed the threshold, we are not required to complete this work. We are still required to issue an assurance statement to the NAO.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2020/21 audit of Devon and Somerset Fire and Rescue Authority in the audit report, due to our work on VFM and WGA being incomplete.</p>

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3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

Page 53 A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness

More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.

- Auditors undertaking sufficient analysis on the Authority's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix E to this report. We expect to issue our Auditor's Annual Report by September 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risk set out in the table below. We have performed further procedures in respect of this risk and have completed this element of our VFM work. Our conclusions are detailed below.

Risk of significant weakness	Procedures undertaken	Conclusion and outcome
<p>Financial Sustainability</p> <p>The Authority is forecasting an underspend of £1.2m for 2020/21 and a general fund balance of £5.317m; which remains unchanged from 31 March 2020. Earmarked reserves are forecast to reduce from £33.496 to £29.694m. Whilst the Authority has a healthy level of reserves and a strong history of delivering financial targets and savings (with £13.9m delivered to date), the financial challenge and uncertainty continue to increase. In setting the 2021/22 budget and Medium Financial Strategy for the next 5 years, the Authority has identified the need to make a further £7.2m in savings. Whilst the Authority appear to have adequate arrangements in place there is an increasing challenge in securing financial sustainability. Through the Integrated Risk Management Plan and the Safer Together programme the Authority are looking to align resources to risks in order to drive efficiencies.</p> <p>We will further review savings and financial plans and progress on the Safer Together Programme.</p>	<p>In response to this risk, and as part of our Financial Sustainability work, we have reviewed progress of the Safer Together programme and closing the £7.2m budget gap to 2024/25.</p> <p>Further to this we have:</p> <ul style="list-style-type: none"> discussed financial sustainability with senior management within the Authority; reviewed the key assumptions that underpin the 2021/22 medium term financial plan; reviewed in year financial reporting and the outturn position; and reviewed the general arrangements underpinning financial management. 	<p>Our work to date has not identified a significant weakness in arrangements, or any implications for our opinion on the financial statements. From our work to date, we have identified two improvement recommendations.</p> <p>Our work has identified that the Authority has robust budget setting, monitoring and reporting arrangements in place, whereby budget holders are challenged on their budgetary requirement each year. This is facilitated through a number of challenge meetings. This ensures that base budgets are not just rolled forward, and that any unrequired budgets, based on prior year outturns and future demands are stripped out. In future years, the Authority aim to enhance this further by using activity-based costing to better understand what drives costs and also implement zero based budgeting.</p> <p>Our work has identified that despite the uncertainty regarding funding, the Authority has robust arrangements in place for delivering financial sustainability. This is based on a strong and proven track record that has led to savings totalling £13.9m being delivered for the 5 years to 2020/21.</p>

3. VFM - our procedures and conclusions (continued)

Conclusion and outcome (continued)

The Authority has delivered an underspend of £2.33m in year, which is in excess of that forecast throughout the year. This has been largely achieved due to the receipt of additional COVID-19 funding and reduced costs in relation to travel.

The Authority's draft financial statements report that the usable reserves have increased from £38.8m to £46.4m. Within the usable reserves there is a specific budget smoothing reserve of £1.8m. The closing balance on reserves will increase in the post audit statements by £0.24m as set out on page 3 of this report.

As part of the financial planning process the Authority undertook scenario planning when looking at key assumptions and therefore presented a range of options to members. These range from a worst case scenario, where council tax increases are frozen, to where council tax is raised in line with National guidance and the assumptions around expenditure do not materialise. The Authority have based the medium financial plan around a mid-point of the two which avoids the plan being either overly cautious or optimistic.

The key assumptions that drive costs over the medium term are:

- Pay increases;
- Inflation;
- Pension increases;
- Reduction to one off grant income; and
- Capital investment.

We have reviewed the assumptions used by the Authority and, based on the evidence available, these appear to be reasonable. For 2021/22 no pay increase was included based on national guidance. A 1.5% increase has been subsequently announced and adds a further £0.850m cost pressure to the budget gap set out in the Medium Term Financial Plan (MTFP) approved in February 2021.

The MTFP approved in February 2021 sets out a budget gap to 2024/25 of £7.2m. This could rise to £17.3m under the worst case scenario planning and £3.8m under the best case. The latest reporting to the Authority confirms that the current gap has increased to £8.4m from £7.2m, due in the main to the additional cost pressure set out above.

As the Authority has already delivered significant cumulative savings, the opportunities for delivering further meaningful savings becomes increasingly challenging. Under each scenario that challenge is therefore significant. At present progress has not started in identifying savings to close this £7.2m budget gap (although assumptions are prudent). We would therefore recommend that realistic and deliverable schemes are identified and implemented at the earliest opportunity to address this gap, as there is often a considerable lead time in achieving cashable savings.

3. VFM - our procedures and conclusions (continued)

Conclusion and outcome (continued)

The Safer Together programme aims to align spend to strategic risks. Progress to date includes closing two fire stations, and reducing capacity in others. These service reductions are aligned to service risk.

Based on the actions taken to date, it is clear that the Authority has developed adequate arrangements to take and implement decisions to deliver financial sustainability and are making progress around service transformation aligned to risk. This, aligned with the bottom up budgeting arrangements that are in place, will deliver savings. However at present the Authority do not separately identify and report progress against these individual savings programmes.

From our review we noted that the link between the MTFP (budget gap), budgeting process and the Safer Together programme could be made more explicit. For example, by identifying profiled savings schemes that reconcile to the identified budget gaps. This will:

- allow progress against each scheme to be more clearly monitored and reported;
- increase ownership of budget holders; and
- ensure that where service lines underspend the reason is understood and attributable to the schemes identified.

Like all public sector bodies the Authority faces a financial challenge over the medium term. However, we have not identified any risks of significant weaknesses in arrangements as part of our work on financial sustainability. The Authority have delivered an in year surplus and have significant useable reserves. The Authority have clearly identified the budget gap over the medium term and are due start progress to develop schemes to address this.

As part of our Auditor's Annual Report we will be making the following improvement recommendations:

- the Authority should progress work at pace to identify schemes to address the future budget gap to prevent the unnecessary use of reserves; and
- the Authority clearly show the link between the MTFP budget gap and the schemes identified to close that gap through the Safer Together programme to increase the transparency of reporting and ensure accountability and ownership of schemes.

There have been no significant developments that have occurred since the first iteration of our Audit Findings Report was presented to the Audit and Governance Committee on 30 July 2021 that have impacted on our reported position.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Authority's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. No non-audit services were identified which were charged from the beginning of the financial year to the date of signing the audit opinion and we are not aware of any that are planned.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 4 recommendations for the Authority as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	Our work on journals identified that there is no formal approval process for posting journals, therefore the finance team members who have access to post journals are effectively approving their own entry. The Head of Finance and Senior Accountant complete a review of a sample of journal entries posted twice a year, however this is done retrospectively and is not a preventative control.	We recommend that the Authority introduce preventative controls for the approval of journals. Management response We have previously attempted to address this issue by installing an authorisation process with limits attached i.e. the Senior Accountant could authorise up to £20K, and the Head of Finance could authorise up to £100K. Anything greater would have been approved by the Treasurer. This was unsuccessful as journals were being allocated for authorisation incorrectly. We will contact Capita to see where they are with rectification of this issue.
Medium	Our work on journals work noted that there is no authorisation limit on posting journals, therefore journal users are not restricted by the value they post.	We recommend implementing a structure/policy on authorisation limits. Management response See above.
Medium	Our work on journals noted that there were a number of journals that appear to have been posted by the Head of Finance. On following this up it was ascertained that this was not the case and was due to a systems bug.	We recommend that Integra be updated to remove this bug. Management response We have requested the latest software release which fixes the issue. This will be installed by 13th August 2021.
Medium	The code requires that where areas of estimation uncertainty are disclosed the note should set out the impact of changes to the key assumptions on the values within the financial statements.	We recommend that the Authority enhance the note 4 disclosure, to meet the requirements of the code. Management response This recommendation will be addressed as part of the 2021/22 accounts preparation.

Key to recommendations

- High – Significant effect on financial statements or control deficiency that presents a significant risk
- Medium – Limited Effect on financial statements or a control deficiency that presents some risk
- Low – Best practice or a minor control deficiency that presents limited risk

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Since the draft financial statements were submitted for audit the Authority have increased receivables by £64k. This is in relation to late amendments to NNDR returns from District Councils.	(64)	64	(64)
Since the draft financial statements were submitted for audit the Authority have adjusted debtors and creditors for late changes in relation to business rate appeals. The impact of these changes are to increase the provision for NNDR appeals and reduce the debtors position. The net position is set out in this table.	173	(173)	173
The Authority have reduced the amount receivable as part of the Tax Income Guarantee Schemes, which aims to compensate Authorities for 75% of their lost Business Rates. The amount included for one District Council in this calculation was incorrect. This has now been corrected.	719	(719)	719
Overall impact – current year	828	828	828
The draft financial statements included a prior period adjustment for £2.2m in relation to the McCloud judgement. This was reported in the prior year Audit Findings as a non adjusting subsequent event. This has not changed and as such a prior period adjustment is not required. In addition this was accounted for within the 2020/21 actuary report within past service costs. This has now been removed – adjustment relates to prior year figures only.	-	DR General Fund 2,200 CR Pension Fund Reserve 2,200	-

B. Audit Adjustments (adjusted)

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Adjusted?
The Authority received a capital receipt of £0.379m which was disclosed under operating activities. The amount received should be disclosed under investing activities.	✓
On receipt of the draft financial statements it was noted that there was a small difference between the total usable reserves per the balance sheets and the movement in reserves statement.	✓
The critical judgement note did not include narrative assessing the group boundary and in particular the judgement to not consolidate RED 1.	✓
The movement in reserves statement included in the draft financial statements included reference to a prior period adjustment in error. This has been removed.	✓
Two events after the balance sheet date were disclosed. On review it was concluded that these were not such events and have been removed.	✓
Our work on investments identified that there were £1.5m of investments classified as short terms which on review were found to be long term. These have been reclassified as long term.	✓
On receipt of the draft financial statements it was noted that the EFA did not agree to the CIES. This has now been corrected.	✓
In pensions note 30 it was noted that the bought forward balances were the 2018/19 figures rather than the 2019/20. This has now been corrected.	✓
Note 4 to the financial statements does not set out the impact on the values disclosed within the financial statements should there be changes to key assumptions. This is required by the code. This will be adjusted in future years and we have therefore raised a recommendation within appendix A of this report.	✗
Travel and subsistence expenses were not included in Note 21 - Members' Allowances in the draft statement of accounts. The Authority have adjusted the note to disclose the value of these expenses.	✓

B. Audit Adjustments (adjusted)

Misclassification and disclosure changes (continued)

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Adjusted?
We noted that amount receivable from Red One Ltd (£0.795m) was not disclosed in Related Party Transaction Note. This note has now been adjusted.	✓
Our work identified a number of arithmetical and disclosure related issues on note 12.3 (financial instruments – financial liabilities). These impacted on both the current and prior year. We noted that the PWLB debt figure in both years was disclosed as a positive value rather than a negative as is the case for other liabilities in the note. This has impacted on the overall arithmetic of the note. This is a disclosure note only and as such has no impact on other areas of the statements. This has been adjusted by the Authority.	✓
In addition we noted that six of the prior year comparators disclosed in notes 12.2 and 12.3 did not agree back to the 2019/20 audited financial statements. These have been corrected by the Authority.	
The Firefighters Pension Fund statement did not include any lump sum death benefits payable. Our testing identified that £0.116m had been misclassified within commutations and lump sum benefits. This has been reclassified by the Authority. There is no overall impact on the Fire Fighters Pension Fund note.	✓
Our work agreeing the maturity analysis in note 32 to supporting working papers identified a number of variances. These have been corrected by the Authority.	✓
Our work noted that the long and short-term borrowings disclosed in note 12 Financial Instruments did not agree to the values disclosed on the Authority's balance sheet, or the CAPITA debt valuation report. These values have now been updated.	✓
Our work noted that prior year figures within the pension asset and liabilities recognised in the balance sheet note (end of note 30.2) were incorrect and did not agree to the prior year audited statements. This was because the Authority's working paper was pulling through the 2018/19 figures. These have been corrected by the Authority.	✓
	✓
During the course of the audit a number of small disclosure amendments were made to the financial statements. These have not been reported separately due to their insignificant nature.	✓

B. Audit Adjustments (unadjusted)



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Impact of unadjusted misstatements in the prior year

There are no unadjusted misstatements in the prior year.

Impact of unadjusted misstatements in the current year

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000
The Audit Fee in the financial statements was disclosed in note 23 as £48k. The fee for the 2020/21 audit was £41k. The Authority have adjusted the disclosure note to reflect the correct value. This will be adjusted in the ledger in the new year.	(7)	7	(7)
Overall impact	(7)	7	(7)

C. Fees

We confirm below our final fees charged for the audit. There were no fees for the provision of non audit services.

Audit fees	Proposed fee	Final fee
Authority Audit	£41,291	£41,291
Total audit fees (excluding VAT)	£41,291	£41,291

The fees reconcile to the amended financial statements

D. Audit opinion

Our audit opinion is included below. We anticipate we will provide the Authority with an unmodified audit report.

Independent auditor's report to the members of Devon and Somerset Fire and Rescue Authority

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Devon and Somerset Fire and Rescue Authority (the 'Authority') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Movement in Reserves and notes to the financial statements, including a summary of significant accounting policies and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Treasurer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Treasurer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Treasurer with respect to going concern are described in the 'Responsibilities of the Authority, the Treasurer and Those Charged with Governance for the financial statements' section of this report.

D. Audit opinion

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings as at 31 March 2021. As, disclosed in note 4 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in the Authority's property valuer's report. Our opinion is not modified in respect of this matter.

Other information

The Treasurer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, and the Annual Statement of Assurance other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Statement of Assurance does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Statement of Assurance addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Treasurer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer. The Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

D. Audit opinion

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Fire and Rescue Act 2004. We also identified the following additional regulatory frameworks in respect of the firefighters pension fund The Public Service Pensions Act 2013, the Firefighters' Pension Scheme (England) Regulations 2014 and the Firefighters' Pension Scheme (England) Order 2006.
- We enquired of senior officers and the Audit and Governance Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals, accounting estimates and critical judgements made by management.

D. Audit opinion

- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Treasurer has in place to prevent and detect fraud;
 - journal entry testing, with a focus on management override of controls;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, and defined benefit pensions liability valuations;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.

- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

D. Audit opinion

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Devon and Somerset Fire and Rescue Authority for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Barrie Morris, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

Date:

E. Management Letter of Representation

Grant Thornton UK LLP
2 Glass Wharf
Temple Quay
Bristol
BS2 0EL

Dear Sirs

Devon and Somerset Fire and Rescue Authority
Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of **Devon and Somerset Fire and Rescue Authority** for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Authority financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

We have fulfilled our responsibilities for the preparation of the Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.

The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

Except as disclosed in the financial statements:

- a. there are no unrecorded liabilities, actual or contingent
- b. none of the assets of the Authority have been assigned, pledged or mortgaged
- c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Authority's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

The financial statements are free of material misstatements, including omissions.

E. Management Letter of Representation

Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

- a. the nature of the Authority means that, notwithstanding any intention to liquidate the Authority or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- i. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Authority via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic, from whom you determined it necessary to obtain audit evidence.

We have communicated to you all deficiencies in internal control of which management is aware.

All transactions have been recorded in the accounting records and are reflected in the financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:

- a. management;
- b. employees who have significant roles in internal control; or
- c. others where the fraud could have a material effect on the financial statements.

We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority's financial statements.

E. Management Letter of Representation

Approval

The approval of this letter of representation was minuted by the Authority's Audit and Governance Committee at its meeting on 28 October 2021.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Authority

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F. Audit letter in respect of delayed VFM work

Dear Audit and Governance Committee

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

Page 73 As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 December 2021.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Barrie Morris
Director



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

Grant Thornton UK LLP
2 Glass Wharf
Temple Quay
Bristol
BS2 0EL

28 October 2021

Dear Sirs

DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

This representation letter is provided in connection with the audit of the financial statements of Devon and Somerset Fire and Rescue Authority for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Authority financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements. Management's valuation expert has reported a material valuation uncertainty associated with the valuations of land and buildings as at 31 March 2021 as a result of the Covid-19 pandemic.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Authority has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Authority's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Authority's needs. We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements

Information Provided

- xv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Authority via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority's financial statements.

Approval

The approval of this letter of representation was minuted by the Authority’s Audit and Governance Committee at its meeting on 28 October 2021.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Authority