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CHIEF FIRE OFFICER**

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Your ref:
Our ref :

Date : 26 April 2018
Please ask for : George Wheeler
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Dear Peter,

**Devon and Somerset Fire and Rescue Authority
Financial Statements for the year ended 31 March 2018**

I refer to your letter dated 14 February 2018 requesting information from me as the Chair of the Audit and Performance Review Committee in order to provide you with a better understanding of how the Committee gains assurances over management processes and arrangements. Please find attached as Appendix A, the Committee's responses to each of the specific questions that you have raised.

I trust that this provides you with the necessary but please come back to me if there is anything further that might assist you.

Yours sincerely,

Councillor George Wheeler
Chair, Audit and Performance Review Committee.
Devon and Somerset Fire and Rescue Authority

Appendix A - Response from Audit and Performance Review Committee Chair

Fraud risk assessment

Auditor Question	Response
Has the Authority assessed the risk of material misstatement in the financial statements due to fraud?	Yes
What are the results of this process?	No issues identified.
What processes does the Authority have in place to identify and respond to risks of fraud?	<ul style="list-style-type: none"> • Strategy for the Detection of Fraud and Corruption. • Whistleblowing Code (Confidential Reporting Policy). • National Fraud Initiative. • Risk and Insurance Officer. • Appointment of Statutory Officers of Treasurer and Monitoring Officer. • Internal and External Audit scrutiny. • Periodic review of anti-fraud and corruption arrangements. • Budget monitoring. • Appropriate controls to enforce segregation of duties. • Relevant training and awareness raising for managers and other staff. • Publication of Transparency Fraud Report.
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	<p>Payroll costs – subject to internal and external audit regime including the sign off of transactions and claims.</p> <p>Supplier bank details – process in place to ensure change requests are confirmed externally before being actioned, subject to internal audit.</p>

Auditor Question	Response
<p>Are internal controls, including segregation of duties, in place and operating effectively?</p>	<p>Yes.</p> <p>There is currently an outstanding action from the (draft) internal audit report and 2016/17 external audit report regarding dual authorisation of electronic journals. As the supplier of the finance system is currently unable to facilitate electronic sign off a manual process is in place to mitigate the risk on a sample basis.</p>
<p>If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>As above</p>
<p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>None that I have been made aware of.</p>
<p>Are there any areas where there is a potential for misreporting?</p>	<p>None that I have been made aware of.</p>
<p>How does the Audit and Performance Review Committee exercise oversight over management's processes for identifying and responding to risks of fraud?</p>	<ul style="list-style-type: none"> • Assurances received from Internal and External Audit reports relating to the robustness of internal control procedures, and potential areas of weakness. • Assurances from the Treasurer in relation to potential mis-statements of the Accounts. • Review of draft and publication of Annual Statement of Assurance. • Reporting requirements as laid down within the approved Whistleblowing Code. • Reporting requirements as laid down within the approved Fraud and Corruption Policy. • Reports from the annual National Fraud Initiative exercise. • Reports from Internal Audit investigations. • Reports from the Treasurer of any suspected issues of fraud. • Fraud and Corruption Risk Assessment carried out by the Risk and Review Manager.

Auditor Question	Response
<p>What arrangements are in place to report fraud issues and risks to the Audit and Performance Review Committee?</p>	<ul style="list-style-type: none"> • Reporting requirements as laid down within the approved Whistleblowing Code. • Reporting requirements as laid down within the approved Strategy on the Prevention and Detection of Fraud and Corruption. • Reports from the annual National Fraud Initiative exercise. • Reports from Internal Audit investigations. • Reports from the Treasurer of any suspected issues of fraud.
<p>How does the Authority communicate and encourage ethical behaviour of its staff and contractors?</p>	<ul style="list-style-type: none"> • Staff Code of Conduct. • Management and professional training. • Publication of Core Values and development of underpinning behavioural expectations
<p>How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?</p>	<ul style="list-style-type: none"> • Strategy on the Prevention and Detection of Fraud and Corruption encouraging high standards of conduct and integrity. • Whistleblowing Code. <p>No significant issues have been reported.</p>
<p>Are you aware of any related party relationships or transactions that could give rise to risks of fraud?</p>	<p>No</p>
<p>Are you aware of any instances of actual, suspected or alleged, fraud, either within the Authority since 1 April 2017?</p>	<p>There is an ongoing police investigation in to a suspected case of fraud which has not yet been concluded</p>

Law and regulation

Auditor Question	Response
<p>What arrangements does the Authority have in place to prevent and detect non-compliance with laws and regulations?</p>	<ul style="list-style-type: none"> • The appointment of suitably qualified and experienced Treasurer, Monitoring Officer and Clerk to the Authority to provide assurance to the Committee that the business of the Service is conducted within the law, and to advise the Committee where there may be potential for the Authority to acting ultra vires. • Reliance that reports from the Chief Fire Officer contain sufficient information to provide assurance to the Committee that legal implications have been considered, before decisions are made. • The use of professional legal advisors. • External and internal audit reporting. • The use of professional tax and VAT advisors.
<p>How does management gain assurance that all relevant laws and regulations have been complied with?</p>	<ul style="list-style-type: none"> • Both the Treasurer and Monitoring Officer are members of the Executive Board. • Professionally qualified subject matter experts are employed as Heads of Department and are members of the Service Leadership Team e.g. HR, Finance, Procurement. • Publication of Annual Statement of Assurance.
<p>How is the Audit and Performance Review Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<ul style="list-style-type: none"> • The appointment of suitably qualified and experienced Treasurer, Monitoring Officer and Clerk to the Authority to provide assurance to the Committee that the business of the Service is conducted within the law, and to advise the Committee where there may be potential for the Authority to acting ultra vires. • Reliance that reports from the Chief Fire Officer contain sufficient information to provide assurance to the Committee that legal implications have been considered, before decisions are made. • The use of professional legal advisors. • External and internal audit reporting.

Auditor Question	Response
	<ul style="list-style-type: none"> • Publication of the Annual Statement of Assurance. • The use of professional tax and VAT advisors.
<p>Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2017?</p>	<p>Investigation in to compliance over the VAT treatment of Emergency Services Vehicles, an outcome is yet to be determined.</p> <p>Taxation of injury on duty/ ill health retirement being subject to income tax which is currently under review.</p>
<p>What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims?</p>	<ul style="list-style-type: none"> • Risk and Insurance Team headed by the Risk and Insurance Officer holds responsibility for assessing potential litigation and claims against the Authority. • As members of the Fire Lawyers Network and Fire Finance Network Group issues of a national nature that may impact on the Authority are reported. • Evaluation of ongoing claims made as part of the year-end financial reporting process whereby an assessment is made on whether a financial provision required • Financial outlays are dealt with in year where possible, the Authority holds a general reserve which could be used to fund provisions
<p>Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>There are two Employment Tribunal cases which are not considered to be material to the Authority's financial statements</p>
<p>Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?</p>	<p>None in 2017-18</p>