

Informing the audit risk assessment for Devon and Somerset Fire and Rescue Authority 2021/22

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Devon and Somerset Fire and Rescue Authority's (The Authority) external auditors and the Authority's Audit and Governance Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Governance Committee under auditing standards.

Background

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

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

Group

In 2021/22 the Authority will be preparing Group Accounts for the first time. We complete a separate risk assessment for the group financial statements, as well as the Authority's financial statements, so we have requested a response for both the group and the Authority to each question.

Purpose

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Authority's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern and
- Accounting Estimates.

This report includes a series of questions on each of these areas and the response we have received from the Authority's management. The Audit and Governance Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response - Authority	Management response - Group
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?	Moving to Group Accounts for the first time for 2021/22. We are in the process of preparing a 'skeleton' set to assist. We are also moving to producing the Accounts in Word rather than Excel.	The same.
2. Have you considered the appropriateness of the accounting policies adopted by the Authority? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	Yes Preparation for IAS19 Lease Accounting commenced but may be deferred	Yes.
3. Is there any use of financial instruments, including derivatives? If so, please explain	Classified as Financial Instruments in Accounts are Investments, Cash and Cash equivalents, Debtors, Borrowings, Finance Leases and Creditors. Derivatives are not used.	No additional issue considered for Red One.
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	No.	No.

General Enquiries of Management

Question	Management response - Authority	Management response - Group
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No – potential impact on asset values assessed as immaterial due to valuation method (DRC).	Red One own very few non-current assets.
6. Are you aware of any guarantee contracts? If so, please provide further details	Red One – standard contractual requirement for the parent (the Fire Authority) to fulfil the contract at Hinkley Point C in the event that Red One is unable to.	N/A
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	None	None
8. Other than in house solicitors, can you provide details of those solicitors utilised by the Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	We don't have any in-house solicitors. We procure legal advice as necessary from either Plymouth or Cornwall under SLAs we have in place with them.	None.

General Enquiries of Management

Question	Management response - Authority	Management response - Group
9. Have any of the Devon and Somerset Fire and Rescue Authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No.	No.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Estate Agents – disposal of former fire station site.	None additional.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details (could you include details around Red One and expected credit loss please).	None. Red One are paying off the legacy debt at a value of just under £14K per month. There is no expected credit loss resulting from Red One at this stage.	None. Invoices paid as and when they fall due. Credit terms agreed in Feb 2021 to be 9 months. Any invoices raised after this date has been paid when due.

Fraud Issue

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

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

As the Authority's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Governance Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

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

Fraud risk assessment

Question	Management response - Authority	Management response - Group
<p>1. Has Devon and Somerset Fire and Rescue Authority assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Authority's risk management processes link to financial reporting?</p>	<p>Yes</p> <p>The Authority has in place a Strategy for the Prevention and Detection of Fraud and Corruption and a Whistleblowing Policy. These are reviewed at least annually, published on the Authority's intranet and internet and drawn to the attention of staff twice yearly.</p> <p>Representation on the Corporate Governance Group of staff from Risk and Insurance Team and Finance.</p> <p>Where risks are identified which cannot be immediately mitigated these are monitored via departmental risk registers and internal/external audit function. A process exists to escalate any corporate risks to senior management and A&G committee.</p>	<p>N/A</p>

Fraud risk assessment

Question	Management response - Authority	Management response - Group
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Payroll costs relating to On Call staff, approx. £13m per annum, includes some elements that are paid by claims on a pay-as-you-go basis.</p> <p>Without robust internal control arrangements this area of spend could be subject to abuse from fraud.</p> <p>The Authority is regularly targeted by bogus emails regarding cash transfers and change to supplier account details. Effective internal processes are in place to ensure that these are identified and challenged.</p>	<p>N/A</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Devon and Somerset Fire and Rescue Authority as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>	<p>No</p> <p>The Strategy on Prevention and Detection of Fraud and Corruption Document includes reporting arrangements for cases of suspected fraud, including reporting to Members of the Authority.</p> <p>Internal Audit reports to the Audit and Governance Committee will include any suspected fraud cases.</p> <p>A process exists to escalate any corporate risks to senior management and A& G committee.</p>	<p>No.</p>

Fraud risk assessment

Question	Management response - Authority	Management response - Group
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Issues are discussed and escalated to Executive Board if necessary. The Treasurer or Clerk will report to A &G committee if required.</p>	<p>N/A</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Devon and Somerset Fire and Rescue Authority where fraud is more likely to occur?</p>	<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> <p>No</p>	<p>N/A</p>

Fraud risk assessment

Question	Management response - Authority	Management response - Group
<p>6. What processes do Devon and Somerset Fire and Rescue Authority have in place to identify and respond to risks of fraud?</p>	<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. 	<p>N/A</p>

Fraud risk assessment

Question	Management response - Authority	Management response - Group
<p>7. How do you assess the overall control environment for Devon and Somerset Fire and Rescue Authority, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Annual review of Authority Governance Documents, including Strategy on the Prevention and Detection of fraud and corruption.</p> <p>Monitoring of issues of fraud and corruption identified through the work of the Insurance and Risk Team, membership of Anti-fraud networks including notifications provided by our Internal Auditors, participation in the National Fraud Initiative.</p> <p>Periodic review of Anti-Fraud and Corruption arrangements.</p> <p>Recognised process in place when notified of Supplier bank changes.</p> <p>Information Assurance and ICT security functions ensure internal communications are made available regarding phishing emails, of which there is an increasing frequency.</p> <p>No</p>	<p>N/A</p>

Fraud risk assessment

Question	Management response - Authority	Management response - Group
8. Are there any areas where there is potential for misreporting? If so, please provide details	No	N/A

Fraud risk assessment

Question	Management response - Authority	Management response - Group
<p>9. How does Devon and Somerset Fire and Rescue Authority communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details.</p>	<p>Corporate Governance Code Members Code of Conduct. Employee Code of Conduct Management and professional training. Publication of Core Values and development of underpinning behavioural expectations through the appraisal process</p> <p>Strategy on the Prevention and Detection of Fraud and Corruption encouraging high standards of conduct and integrity. Whistleblowing Code.</p> <p>Outlined in Strategy</p>	N/A
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>We have not identified any high-risk posts due to separation of duties within financial transaction systems and declarations of interests</p> <p>As above.</p>	N/A
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No</p> <p>Annual declaration of related party transactions by senior staff and members Requirement to declare other employment.</p>	N/A

Fraud risk assessment

Question	Management response - Authority	Management response - Group
<p>12. What arrangements are in place to report fraud issues and risks to the Audit and Governance Committee?</p> <p>How does the Audit and Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Reporting requirements as laid down within the approved Whistleblowing Code.</p> <p>Reporting requirements as laid down within the approved Strategy on the Prevention and Detection of Fraud and Corruption.</p> <p>Reports from the annual National Fraud Initiative exercise.</p> <p>Reports from Internal Audit investigations.</p> <p>Reports from the Treasurer of any suspected issues of fraud.</p> <p>Assurances received from Internal and External Audit reports relating to the robustness of internal control procedures, and potential areas of weakness.</p> <p>Assurances from the Treasurer in relation to potential mis-statements of the Accounts.</p> <p>Review of draft and publication of Annual Statement of Assurance.</p> <p>Reporting requirements as laid down within the approved Whistleblowing Code.</p> <p>Reporting requirements as laid down within the approved Fraud and Corruption Policy.</p> <p>Reports from the annual National Fraud Initiative exercise.</p> <p>Reports from Internal Audit investigations.</p> <p>Reports from the Treasurer of any suspected issues of fraud.</p> <p>Fraud and Corruption Risk Assessment carried out by the Risk and Review Manager.</p> <p>No issues reported to A& G Committee</p>	<p>N/A</p>

Fraud risk assessment

Question	Management response - Authority	Management response - Group
13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	No	N/A
14. Have any reports been made under the Bribery Act? If so, please provide details	No	N/A

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Governance Committee, is responsible for ensuring that Devon and Somerset Fire and Rescue Authority's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Governance Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response - Authority	Management response - Group
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Devon and Somerset Fire and Rescue Authority have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Authority's regulatory environment that may have a significant impact on the Authority's financial statements?</p>	<p>Both the Treasurer and Monitoring Officer are members of the Executive Board.</p> <p>Professionally qualified subject matter experts are employed as Heads of Department and are members of the Service Leadership Team e.g. HR, Finance, Procurement.</p> <p>Publication of Annual Statement of Assurance</p> <p>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.</p> <p>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.</p> <p>The use of professional legal advisors.</p> <p>External and internal audit reporting.</p> <p>The use of professional tax and VAT advisors.</p> <p>None pending CIPFA code updates</p>	<p>N/A</p>

Impact of laws and regulations

Question	Management response - Authority	Management response - Group
2. How is the Audit and Governance Committee provided with assurance that all relevant laws and regulations have been complied with?	<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. • Publication of the Annual Statement of Assurance. • The use of professional tax and VAT advisors 	N/A
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details	No	No
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	McCloud/Sargeant pensions litigation	No

Impact of laws and regulations

Question	Management response - Authority	Management response - Group
<p>5. What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims?</p>	<p>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>	<p>N/A</p>
<p>6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details</p>	<p>No</p>	<p>N/A</p>

Related Parties

Matters in relation to Related Parties

Devon and Somerset Fire and Rescue Authority are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Devon and Somerset Fire and Rescue Authority;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Authority, or of any body that is a related party of the Authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Authority's perspective but material from a related party viewpoint then the Authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response - Authority	Management response - Group
<p>1. Have there been any changes in the related parties including those disclosed in the Authority's 2020/21 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and the Authority whether the Authority has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	No	N/A
<p>2. What controls does Devon and Somerset Fire and Rescue Authority have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Annual declaration by senior management and Authority members</p> <p>Outside employment declaration by staff</p> <p>Material transactions with Billing Authorities are review annually as part of the accounts process</p>	N/A
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Procurement/ Contract Standing Orders</p> <p>Financial Regulations</p> <p>Trading company agreement</p>	N/A
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Internal governance arrangements including escalation process</p> <p>Scheme of delegations</p>	N/A

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, 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 body'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.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response - Authority	Management response - Group
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Devon and Somerset Fire and Rescue Authority will no longer continue?	Monthly financial reporting of the revenue and capital budget positions. Sufficient staff are available at strategic station locations.	N/A
2. Are management aware of any factors which may mean for the Authority that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No	N/A
3. With regard to the statutory services currently provided by the Authority, does Devon and Somerset Fire and Rescue Authority expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Devon and Somerset Fire and Rescue Authority to cease to exist?	Yes. The MTFP indicates that presentation of a balanced budget will be achievable in the medium-term.	N/A
4. Are management satisfied that the financial reporting framework permits the Authority to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes.	N/A

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit and Governance Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response - Authority	Management response - Group
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	These are detailed in Appendix A but, as highlighted in the 2019-20 audit, there is a material uncertainty over asset values in the LGPS fund	N/A
2. How does the Authority's risk management process identify and address risks relating to accounting estimates?	Risk management framework Risk Management Policy Risk assessed against matrix, net score identified and mitigations/ controls assessed or developed	N/A
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Estimates reviewed as part of year end process Professional judgement and sector best practice	N/A
4. How do management review the outcomes of previous accounting estimates?	Budget monitoring process Regular reserves review Learning through Statement of Accounts closing updates	N/A
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	None identified at time of drafting	N/A

Accounting Estimates - General Enquiries of Management

Question	Management response - Authority	Management response - Group
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Sector best practice Engagement in networks and updates such as CIPFA Training for team members as identified	N/A
7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Current practice is that material movements in estimates would trigger review	N/A
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Review of returns supplied by specialist such as the actuary. Comparison against previous year and a general 'sense' check.	N/A
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	Reporting in development	N/A

Accounting Estimates - General Enquiries of Management

Question	Management response - Authority	Management response - Group
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No.	N/A
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Yes.	N/A
12. How is the Audit and Governance Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Reporting in development	N/A

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property, plant & equipment valuations	Current value for land/buildings at depreciated replacement cost	Valuations are performed annually to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. For land and buildings all material assets will be considered in 2020-21.	Yes	Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion. Valuations will be reviewed and checked for accuracy with a 'feel about right' check against last year's valuation.	No.
Estimated remaining useful lives of PPE	Each part of an item of property, plant and equipment with a significant cost in relation to the total cost is depreciated separately. Depreciation methods, useful lives and residual values are reviewed each financial year and adjusted if appropriate.	See left box	Discussion with Estates Team	Depreciation is calculated on a straight line basis as this reflects consumption of assets. Check assumptions to ensure they are in-line with expectations.	No.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation	See above	See above	See above	See above	No
Impairments	Review of all assets undertaken annually	See left	Discussion with internal asset teams as appropriate	N/A	No
Fair Value of investments and borrowing	Financial instruments consist of investments and loans. Measured initially at cost and subsequently at amortised cost using the effective interest method.	Knowledge by the Investment team who manage the portfolio in assessing the potential risk in credit losses.	Fund advisers – Link Treasury Services	The assumptions used are undertaken by Link Treasury Services as part of the fair value measurement of financial instruments. A review is undertaken of the valuation to check that the assumptions/value feels correct.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	We use standard accruals accounting –accruals are based on expenses incurred that have not yet been paid	Monthly management accounts provides rigorous analysis so that any accruals are highlighted and actioned throughout the year.	No	Accruals are sense-checked by both Accountants and budget holder.	No
Non Adjusting events – events after the balance sheet date	Monthly management accounts prepared would flag any adjusting/non-adjusting events.	See left	N/A	N/A	No
Pension Fund (LGPS and FFPS) Actuarial gains/losses	The actuarial gains and losses figures are calculated by the actuarial expert Barnett Waddingham. These figures are based on making % adjustments to the closing values of assets/liabilities.	The Authority responds to queries raised by the administering body, Devon Pension Fund.	Yes	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field. A review of the actuary assumptions and findings will take place comparing results fro previous year's.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities	Provisions are identified through detailed monthly management accounts which flag any potential issues to management	Each provision is separately reviewed as part of year end process and a working paper supports the calculation	As necessary on an individual basis	Each provision is assessed on an individual basis to ensure that it meets the criteria of a provision per IAS 37. The degree of uncertainty is assessed when determining whether a provision is the correct treatment for an item.	No
Bad Debt Provision	Debts are reviewed monthly and any debts that are deemed as potentially irrecoverable are provided for	Aged debt reports	No	Review made on experience of debt write off in the year and prudent approach taken to fully provide for debt where possible.	No
Credit Loss Impairment Allowances	Using the expected credit loss approach, any cash shortfall is measured annually.	Investments measured monthly by Link Treasury Services and reported against expected loss.	Link Treasury Services	The assumptions used are undertaken by Link Treasury Services as part of the fair value measurement of financial instruments We review report to sense-check findings and compare against previous year's.	No



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