



# Informing the audit risk assessment for Devon County Council & Devon Pension Fund 2021/22

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# Contents

Purpose	2
General enquiries of management	3
Fraud	6
Law and regulations	9
Impact of laws and regulations	11
Related parties	14
Climate change and wider global issues	17
Going concern	19
Accounting estimates	22

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 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 your business or any 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.

# Purpose

The purpose of this report is to contribute towards the effective two-way communication between Devon County Council & Pension Fund's external auditors and Devon County Council & Pension Fund's Audit 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 Committee under auditing standards.

## Background

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

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

## 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,
- Climate change and wider global issues;
- Going Concern, and

- Accounting Estimates.

This report includes a series of questions on each of these areas and the response we have received from Devon County Council & Pension Fund's management. The Audit 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 – County Council	Management response – Pension Fund
<p>1 What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?</p>	<p>There has been £56.3 million of COVID grants received in 2021/22 and corresponding expenditure of £59.4 million. Combined with carry forwards for the previous year unspent grants of £22 million have been carried forward into 2022/23.</p>	<ul style="list-style-type: none"> <li>Continued recovery in investment markets up to 31 December, followed by a negative return over the last quarter due to geo-political concerns, and the impact on valuation of Fund assets.</li> <li>Further transitions of assets from previously appointed managers to the Brunel Pension Partnership.</li> </ul>
<p>2 Have you considered the appropriateness of the accounting policies adopted by Devon County Council &amp; Pension Fund?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>There are very few changes to CIPFA's Code of Practice for 2021/22. Consequently, the Authority's accounting policies are largely unchanged from the previous year. CIPFA's Bulletin No 10 on the 21/22 accounts issued in April 2022 has deferred the implementation of IFRS 16 (lease accounting) until 1 April 2024.</p>	<p>There are very few changes to CIPFA's Code of Practice for 2021/22. Consequently, the Authority's accounting policies are largely unchanged from the previous year.</p>
<p>3 Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>There is a disclosure in the Statement of Accounts regarding day to day financial instruments such as Treasury Management Investments, cash, debtors and creditors. There are two PFIs and a similar arrangement with comprehensive disclosures in the notes to the financial statements. There are no derivatives or complex instruments. There has not been any new external borrowing since 2009.</p>	<p>Significant value of financial instruments. Some use of forward currency contracts.</p>

Question	Management response – County Council	Management response – Pension Fund
4 Are you aware of any significant transaction outside the normal course of business? If so, what are they?	There have been no significant transactions outside the normal course of business.	There have been no significant transactions outside the normal course of business.
5 Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	Annual impairment reviews are undertaken of the Authority's Property Plant and Equipment. There are no significant impairments to disclose.	Management is not aware of any material changes in circumstances that would lead to impairment of non-current assets in the Pension Fund.
6 Are you aware of any guarantee contracts? If so, please provide further details	Guarantees are disclosed in the note to the financial statements –under contingent liabilities where the expected transfer of payment is improbable. There are disclosures in the related party note.	Management is not aware of any material guarantee contracts related to the Pension Fund.
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	There are no material loss contingencies or un-asserted claims. Contingent liabilities and related party transactions are disclosed in separate notes to the financial statements.	Management is not aware of any material loss contingencies and/or un-asserted claims in relation to the Pension Fund.
8 Other than in house solicitors, can you provide details of those solicitors utilised by Devon County Council & Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>The Authority has outsourced legal work to Michelmores LLP, Ashfords, Brown Jacobson, DJB and Foot Anstey (mainly conveyancing).</p> <ul style="list-style-type: none"> <li>•James Falle (Temple Bright) for Norse and Skanska</li> <li>•Burges Salmon for Exeter Energy from Waste</li> </ul>	No specific use of legal advice for the Pension Fund has been identified.

Question	Management response – County Council	Management response – Pension Fund
	<p>•Browne Jacobson for state aid advice</p> <p>Graham Cridland solicitor and Director of Origin and Graham Gover, Solicitor have worked on planning matters.</p> <p>Duncan Tilney of Stephens Scown LLP</p> <p>Womble Bond Dickinson (jointly with Plymouth City Council and South Hams District Council) for work on the Freeport project.</p> <p>Mark Fowles DWF Law</p> <p>Wolferstans LLP</p> <p>Andrew Spooner, Biscoes Law</p>	
<p>9 Have any of the Devon County Council &amp; Pension Fund'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</p>	<p>Devon Audit Partnership reports a summary of fraud and irregularity to the Audit Committee as part of the regular Internal Audit reports. Such reported frauds are not of sufficient value to affect the financial statements of the Authority. GT auditors are present at the meetings when the summary is discussed.</p>	<p>Management is not aware of any attempted frauds regarding the Pension Fund.</p>
<p>10 Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>Link Asset for Treasury Management NPS for property valuations Barnett Waddingham for actuarial advice and valuations</p>	<p>Link Asset for Treasury Management Barnett Waddingham for actuarial advice and valuations</p>

Question	Management response – County Council	Management response – Pension Fund
	LG futures for financial planning and business rates pooling	
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	<p>The Authority does not tend to give out loans to 3<sup>rd</sup> parties. There is a loan disclosed in Note 17 of the 2020/21 as a long term debtor with Devon Disability Collective. The amount due in more than 12 months was only £75,000.</p> <p>The Authority reviews the collectability of debt and reports to members the aged analysis and bad debt provision, which is summarised in the Revenue Outturn report presented to Cabinet in June 2022.</p>	Management has not identified any assets where material credit / loss provisions may be required.

# Fraud

## 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 Committee and management. Management, with the oversight of the Audit 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 Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Devon County Council & Pension Fund'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 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 Committee oversees the above processes. We are also required to make inquiries of both management and the Audit 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 Devon County Council & Pension Fund's management.

# Fraud

Question	Management response- County Council	Management response – Pension Fund
<p>1 Has Devon County Council &amp; Pension Fund 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>The risk of material misstatement due to fraud is assessed as low but the Authority has recognised that the need for prompt payments to new suppliers during COVID 19 has increased the inherent risk. The Authority has responded by issuing guidance to employees and monitoring of authorised expenditure during this turbulent time.</p> <p>There is regular monitoring of budgets which would identify any material variances.</p> <p>There are controls within systems that require more than one employee to be involved in the processing and authorisation of any material transactions –such as payments.</p> <p>The financial statements are reviewed by the Director of Finance and other members of Finance Leadership Team.</p> <p>Overall financial performance in the financial statements is reconciled back to the Outturn Report reported to Cabinet.</p> <p>Internal Audit reviews the system of internal controls and the main accounting systems. Devon Audit Partnership (DAP) provides a regular update to the Audit Committee regarding its work and key findings. DAP has presented its annual report for 2021/22 to the Audit Committee.</p>	<p>The risk of material misstatement due to fraud is assessed as low.</p> <p>There is regular monitoring of budgets which would identify any material variances.</p> <p>There are controls within systems that require more than one employee to be involved in the processing and authorisation of any material transactions –such as payments.</p> <p>The financial statements are reviewed by the Director of Finance and Public Value and other members of the Finance Leadership Team.</p> <p>Reconciliations are carried out between Finest and data held by the Fund Custodian.</p> <p>Internal Audit reviews the system of internal controls and the main accounting systems.</p> <p>Devon Audit Partnership (DAP) provides a regular update to the Audit Committee regarding its work and key findings. DAP has presented its annual report on the Pension Fund for 2021/22 to the Investment and Pension Fund Committee on 17 June.</p>
<p>12 What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Bank mandate fraud, and fraud related to the impersonation of senior officers, both continue to be areas of concern. The sophistication of fraudsters attacks has increased, and there is a continued risk to the authority of such scams not being identified.</p>	<p>Bank mandate fraud, and fraud related to the impersonation of senior officers, both continue to be areas of concern. The sophistication of fraudsters attacks has increased, and there is a continued risk to the authority of such scams not being identified.</p>

Question	Management response- County Council	Management response – Pension Fund
	No significant risk of fraud to the Statement of Accounts or disclosures has been identified.	No significant risk of fraud to the Statement of Accounts or disclosures has been identified.
<p>13 Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Devon County Council &amp; Pension Fund as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>	<p>The internal audit team maintain a record of incidents that have occurred during the year. This can be provided to external audit on request.</p> <p>When preparing the annual internal audit plan, the internal audit provider (Devon Audit Partnership) will bring to the attention of the audit committee the important role that members play in setting a zero-tolerance approach for fraud. When undertaking internal audit assignments all auditors will assess the control environment against the threat of fraud and corruption. Auditors will assess the effectiveness of controls in place to prevent and detect fraud and make recommendations for further improvement if required.</p> <p>The internal audit plan will refer to time set aside to respond and investigate concerns / allegations of fraud and corruption. Internal Audit (Devon Audit Partnership) provides reports to the Audit Committee on a six monthly and annual basis; part of this report refers to counter fraud arrangements.</p> <p>The reports will refer to counter fraud work (such as the National Fraud Initiative) and provide a summary of the frauds / irregularities that the Authority has faced in the year. As this is a public report, details of the frauds are reported at a summary level, but more details can be provided to members if they request.</p>	<p>The internal audit team maintain a record of incidents that have occurred during the year. This can be provided to external audit on request.</p> <p>The Pension Fund Risk Register is reviewed on a quarterly basis by the Pension Board and annually by the Investment and Pension Fund Committee.</p>
<p>14 As a management team, how do you communicate risk issues</p>	<p>The Audit Committee receives regular updates about the risk register, the risk management process and key risks facing</p>	<p>The Pension Fund Risk Register is reviewed on a quarterly basis by the Pension Board and</p>

Question	Management response- County Council	Management response – Pension Fund
(including fraud) to those charged with governance?	the Authority. Grant Thornton is present at such updates and discussions.	annually by the Investment and Pension Fund Committee.
<p>15 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 County Council &amp; Pension Fund where fraud is more likely to occur?</p>	<p>Bank mandate fraud, and fraud related to the impersonation of senior officers, both continue to be areas of concern. The sophistication of fraudsters attacks has increased, and there is a continued risk to the authority of such scams not being identified.</p> <p>Additional guidance and awareness training have been provided to front line Finance staff, and other support staff (such as school admin personnel) to increase their awareness of such threats and how to respond to concerns that they may have.</p> <p>Management has not identified any particular locations where fraud is more likely to occur.</p>	The County Council response also applies to the Pension Fund.
16 What processes do Devon County Council & Pension Fund	Awareness is key to identifying the possibility of fraud and as such it is essential that staff are aware of the possibility of fraud within their working environment. We have an e-learning “fraud awareness” module in place to help managers increase their fraud awareness.	

Question	Management response- County Council	Management response – Pension Fund
<p>have in place to identify and respond to risks of fraud?</p>	<p>In 2019/20, the Counter Fraud Manager of DAP has provided a training and awareness session for all finance staff on Fraud, and the steps staff can take to help prevent fraud occurring.</p> <p>Our internal audit team, Devon Audit Partnership (DAP) issues regular fraud bulletins to raise awareness of the possibility of fraud; identify the circumstances of their occurrence and the controls that should be in place and adhered to by staff to minimise the risk of similar frauds taking place within the authority.</p> <p>Where areas of fraud risk are identified, these are reviewed by management and subject to audit review to ensure the controls in place are fit for purpose and being adhered to.</p> <p>All allegations of fraud are taken seriously and are investigated promptly by management in conjunction with Internal Audit, HR and Legal Services as applicable.</p> <p>The annual internal audit plan includes time for fraud prevention, detection and investigation. This plan is subject to annual review and takes into account any areas of concern which have been raised by colleagues within other local authorities, or national initiatives in areas where fraudsters are known to operate.</p> <p>Through the work undertaken by Internal Audit, Trading Standards and various law enforcement partners, all significant findings are advertised via the media and the public website to raise awareness of the implications of what can happen to a fraudster if they are found out and a conviction successfully obtained.</p> <p>Bank mandate fraud, and fraud related to the impersonation of senior officers, both continue to be areas of concern. The sophistication of fraudsters attacks has increased, and there is a continued risk to the authority of such scams not being identified. Additional guidance and awareness training have been provided to front line Finance staff, and other support staff (such as school admin personnel) to increase their awareness of such threats and how to respond to concerns that they may have.</p> <p>In May 2018 the former Counter Fraud team of Plymouth City Council joined DAP. This enables DCC to access a range of specialist services, including 7 qualified Counter Fraud Specialists. In addition, the internal audit team contains a number of audit professionals (27 staff), who are trained at designing systems and controls to prevent and detect fraud and to investigate this should it arise.</p>	
<p>17 How do you assess the overall control environment for Devon</p>	<p>Management considers that there is a strong control environment for Devon County Council and Devon Pension Fund.</p> <p>Segregation of duties is embedded in the control environment and for each major financial system.</p>	

Question	Management response- County Council	Management response – Pension Fund
<p>County Council &amp; Pension Fund, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <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>Devon Audit Partnership undertakes a thorough programme of internal audit reviews and reports the key findings of each audit and its overall conclusion to the Audit Committee. In its annual report to the Audit Committee in June 2022 it concluded that there was “Reasonable Assurance” on the adequacy and effectiveness of the internal control framework within the County Council.”</p> <p>There are controls within systems that require more than one employee to be involved in the processing and authorisation of any material transactions –such as payments. The financial statements are reviewed by the Director of Finance and Public Value and other members of Finance Leadership Team.</p> <p>Management has not identified any particular areas for increased risk of override of controls or inappropriate influence over the financial reporting process. There is regular monitoring of income and expenditure against the budget. Summary reports are provided to members</p> <p>At year end overall financial performance in the financial statements is reconciled back to the Outturn Report reported to Cabinet.</p>	

Question	Management response- County Council	Management response – Pension Fund
<p>18 Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>Management has not identified specific areas where there would be fraudulent misreporting in the financial statements.</p>	<p>Management has not identified specific areas where there would be fraudulent misreporting in the financial statements.</p>
<p>19 How does Devon County Council &amp; Pension Fund communicate and encourage ethical behaviours and business processes of its 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>These are communicated through messages via the Insider publication, Core Briefings, senior management team meetings etc. as part of the management process.</p> <p>In addition, guidance is available to staff on the relevant policies around business practices and ethical behaviour; including within the Code of Business Conduct the need to be transparent and register gifts and hospitality offered but declined.</p> <p>A short training and awareness session has recently been produced by our Counter Fraud Team and can be found on DEL (Devon Learning) under the Essentials for All category. There is a new E learning session on fraud.</p> <p><a href="https://inside.devon.gov.uk/news/are-you-fraud-aware/">https://inside.devon.gov.uk/news/are-you-fraud-aware/</a></p> <p>Our Anti-Money Laundering Policy has recently been updated(SharePoint Private) and we encourage all employees, especially those involved with financial transactions, to make themselves aware of the policy.</p> <p>We have prepared a short training video with the aim of raising awareness of our Anti-Money Laundering Policy.</p> <p>Anti Money Laundering Guide for Council Staff -YouTube</p>	<p>The County Council response also applies to the Pension Fund.</p>

Question	Management response- County Council	Management response – Pension Fund
<p>20 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>The Authority has in place controls to reduce the risk of fraud –including segregation of duties. Controls are reviewed by Devon Audit Partnership and any significant weaknesses are reported to the Audit Committee.</p>	<p>The County Council response also applies to the Pension Fund.</p>
<p>21 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>The Authority is not aware of any related party relationships or transactions that could give rise to instances of fraud.</p>	<p>The County Council response also applies to the Pension Fund.</p>
<p>22 What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p>	<p>When preparing the annual internal audit plan, the internal audit provider (Devon Audit Partnership) will bring to the attention of the audit committee the important role that members play in setting a zero-tolerance approach for fraud. When undertaking internal audit assignments all auditors will assess the control environment against the threat of fraud and corruption. Auditors will assess the effectiveness of controls in place to prevent and detect fraud and make recommendations for further improvement if required. The internal audit plan will refer to time set aside to respond and investigate concerns / allegations of fraud and corruption.</p>	<p>The County Council response also applies to the Pension Fund. In addition, DAP will also take the annual audit plan for review to both the Devon Pension Board and the Investment and Pension Fund Committee.</p>

Question	Management response- County Council	Management response – Pension Fund
What has been the outcome of these arrangements so far this year?	Internal Audit (Devon Audit Partnership) provides reports to the Audit Committee on a six monthly and annual basis; part of this report refers to counter fraud arrangements. The reports will refer to counter fraud work (such as the National Fraud Initiative) and provide a summary of the frauds / irregularities that the Authority has faced in the year. As this is a public report, details of the frauds are reported at a summary level, but more details can be provided to members if they request.	
23 Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	The County Solicitor has overall responsibility for the maintenance and operation of the whistleblowing policy and to ensure that a central record is kept for all referrals. Internal Audit maintains a record of referrals of any financial irregularities include whistleblowing. Each year a copy of this record is provided to external audit.	The Pension Fund has the same arrangements as for the County Council.
24 Have any reports been made under the Bribery Act? If so, please provide details	No reports been made under the Bribery Act	No reports been made under the Bribery Act

# 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 Committee, is responsible for ensuring that Devon County Council & Pension Fund'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 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- County Council	Management response – Pension Fund
<p>1 How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Devon County Council &amp; Pension Fund 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>In addition to indicating how any proposal will reflect/contribute to the Council's priorities/strategic plan/corporate goals and the options considered every report to Cabinet must highlight any necessary legal considerations taken into account. This could be to indicate either that there were no specific legal considerations or to show that the 'lawful' implications/consequences of the proposals/recommendations/proposed course of action have been considered and taken into account in the preparation of the report/formulation of the recommendations.</p> <p>The Constitution is the Council's Code of Corporate Governance which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.</p> <p>The Deputy County Solicitor and his team are kept informed of legal developments through updates in professional journals and newsletters.</p> <p>The Society of County Treasurers provides technical updates to changes in legislation and regulation which have a financial implication for the Council.</p> <p>Management is not aware of any changes to the authority's regulatory environment that may have a significant impact on the authority's financial statements</p>	<ul style="list-style-type: none"> <li>• Regular review of internal processes and controls, including TPR Code of Practice toolkit and internal audit review.</li> <li>• Annual breaches report created and presented to the Devon Pension Board.</li> <li>• Robust risk register is in place which is reviewed regularly and presented to the Devon Pension Board on a quarterly basis.</li> </ul>

Question	Management response- County Council	Management response – Pension Fund
2 How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	This response from Management and the reports from Internal Audit would identify any significant non-compliance with laws and regulations. The Annual Governance Statement which is circulated amongst senior management also confirms the governance arrangements of the Authority to ensure that its business is conducted in accordance with the law.	In the event of litigation or claims, Peninsula Pensions work closely with the relevant authority, Director of Finance and Public Value and the DCC in-house legal team. The majority of claims in respect of pensions administration are dealt with via the Internal Dispute Resolution Procedure.
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	Management is not aware of non-compliance with any laws and regulations.	Management is not aware of non-compliance with any laws and regulations.
4 Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	There is no actual or potential litigation or claims that would affect the financial statements. If there is any potential liability to the Authority whether through litigation, data protection breached or guarantees then these are disclosed in the Statement of Accounts – particularly the note on contingent liabilities.	Management is not aware of any actual or potential litigation or claims that would affect the financial statements
5 What arrangements does Devon County Council & Pension Fund have in place to identify, evaluate and	Decision reports include financial and legal implications. We have general monitoring of legal work i.e. we receive 'letters before action'. The risk register may be another source to identify litigation or claims.	In the event of litigation or claims, Peninsula Pensions work closely with the relevant authority, Director of Finance and Public Value and the DCC in-house legal team. The majority of claims in respect of pensions

Question	Management response- County Council	Management response – Pension Fund
account for litigation or claims?	<p>The Director of Finance, through attendance at Leadership Group and meetings with the Director of Finance would be informed of any potential significant legal action. Service accountants are informed if there are potential costs affecting their services.</p> <p>The Authority applies IAS 37 – that where there is a liability and payment is likely then we would make a best estimate and accrue the cost. Where payment was possible but not probable the Authority would consider disclosure as a contingent liability.</p> <p>There is no litigation that requires disclosure.</p>	administration are dealt with via the Internal Dispute Resolution Procedure.
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	There have not been any report from other regulatory bodies, such as HM Revenue and Customs which indicate non-compliance	An in-depth review of the Devon Pension Fund was conducted by The Pension Regulator in 2018/19 which found no issues of non-compliance. We are not aware of any issues of non-compliance.

# Related parties

## Matters in relation to Related Parties

Devon County Council & Pension Fund 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 County Council & Pension Fund;
- 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 – County Council	Management response – Pension Fund
<p>1 Have there been any changes in the related parties including those disclosed in Devon County Council &amp; Pension Fund's 2020/21 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> <li>• the nature of the relationship between these related parties and Devon County Council &amp; Pension Fund</li> <li>• whether Devon County Council &amp; Pension Fund has entered into or plans to enter into any transactions with these related parties</li> <li>• the type and purpose of these transactions</li> </ul>	<p>Each year the note to the Statement of Accounts is updated for any changes to related parties. This note is comprehensive.</p> <p>Partnerships and related party transactions cover almost 8 pages in the Statement of Accounts (Note 34)</p> <p>The Statement of Accounts was published on the Authority's website from July.</p>	<p>Each year the note to the Statement of Accounts is updated for any changes to related parties. This note is comprehensive.</p>
<p>2 What controls does Devon County Council &amp; Pension Fund have in place to identify, account for and</p>	<p>Chief Officers (Chief Executive and those reporting to the Chief Executive) and Councillors are contacted in March and asked to disclose any related party relationships. The ledger is interrogated for any transactions with disclosed</p>	<p>The County Council response also applies to the Pension Fund. Members of the Investment and Pension Fund are also contacted.</p>

Question	Management response – County Council	Management response – Pension Fund
disclose related party transactions and relationships?	organisations. If responses have not been received then reminders are issued and further reminders if required. Where responses are not forthcoming then the Register of Interests is reviewed by Finance to identify potential disclosures.	
3 What controls are in place to authorise and approve significant transactions and arrangements with related parties?	Significant transactions are subject to authorisation – whether they are with related parties or not. There is segregation of duties –one officer will process claims and another will approve them according to the Council’s Scheme of Delegation.	The County Council response also applies to the Pension Fund.
4 What controls are in place to authorise and approve significant transactions outside of the normal course of business?	The response to 3 applies. Significant budget variations are reported in Budget Management Reports and the Outturn report to Cabinet after the year end. The Council operates the same financial controls to significant transactions regardless of whether or not the transactions are of a regular nature or a one-off.	The Pension Fund operates the same financial controls to significant transactions regardless of whether or not the transactions are of a regular nature or a one-off.

# Climate change and wider global issues

## **Matters in relation to Climate Change and Wider Global Issues**

In addition to the issues outlined in other sections, the audit team have deemed it appropriate to include inquiries regarding the impact of climate change, and wider global issues such as the Russian invasion of Ukraine, may have on the council's financial statements. These global issues are increasingly impacting the environment of local government bodies, and the inquiries in the following page relate to how these issues are expected to impact the council's financial statements, risk management assessment, and medium term financial plan.

# Climate change and wider global issues

Question	Management response- County Council	Management response – Pension Fund
<p>1 Have Devon County Council &amp; Pension Fund considered the impact that climate change, and particularly the Council's declaration of a climate emergency, on the Council's financial statements during current year and future years?</p>	<p>The Authority holds an Emergency Reserve of just over £19 million to help provide financial cover for severe weather events.</p> <p>There is also £1.5 reserve for the Climate Change emergency and from the Authority's limited resources £300,000 was added to the Planning, Transportation and Environment budget in 2021/22.</p>	<p>Mercer investment consultants have undertaken a climate scenario analysis as part of their review of the Fund's investment strategy, looking at the potential impact of different climate scenarios on future investment returns.</p> <p>Barnett Waddingham are looking at climate risk as part of the triennial valuation of the Fund as at 31 March 2022.</p>
<p>2 How has the impact of climate change, and other global issues, been taken into account by the council as part of its medium term financial plan? Additionally, how have these issues been considered as part of the council's risk management arrangements?</p>	<p>Where there are pressures on revenue budgets for whatever reason (including climate change say on highways) then an assessment is made at each budget round.</p>	<p>Mercer investment consultants have undertaken a climate scenario analysis as part of their review of the Fund's investment strategy, looking at the potential impact of different climate scenarios on future investment returns.</p> <p>The Investment Strategy of the Fund takes into account sustainability issues in its asset allocation.</p>
<p>3 Are increasing levels of insurance premiums as a result of climate change likely to materially impact the Council's financial statements.</p>	<p>Total insurance premia are well below materiality so the impact of climate change on insurance premia is unlikely to have a material impact on the Authority's financial statements.</p>	<p>Increasing levels of insurance premiums as a result of climate change are not likely to materially impact the Pension Fund's financial statements..</p>

Question	Management response- County Council	Management response – Pension Fund
<p>4 How has the Council factored the risk of changing borrowing rates available to the Council, as a result of global issues, into its cashflow forecasting and treasury management strategy?</p>	<p>The Investments team is constantly reviewing interest rates to achieve the best return on temporary cash flow investments.</p> <p>All of the Authority's borrowing is through fixed rate loans. Any early redemption of these loans would incur a significant premium or penalty.</p> <p>The Authority has not taken out any new borrowing since 2008, although Cabinet has recently given approval for new borrowing up to £15 million for infrastructure investment in the Freeport. The servicing of this debt and repayment of the principal will be met from retained ring fenced business rates generated by the growth of the Freeport (to be authorised by statutory instrument).</p>	<p>The Pension Fund does not undertake borrowing.</p>

# 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- County Council	Management response – Pension Fund
<p>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 County Council &amp; Pension Fund will no longer continue?</p>	<p>By definition – statutory services have to be provided. So it is difficult to see the relevance of the audit question of identifying events where statutory services will no longer continue.</p>	<p>The Council is required to act as the administering authority of the pension fund by the Local Government Act 1972, and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require that the funds held are invested. There are no indications that this will be changed.</p> <p>Peninsula Pensions provide a benefits administration service for the Devon Pension Fund but are a DCC in-house team. There are no plans or proposals to outsource the services provided by Peninsula Pensions.</p> <p>Management of the Fund’s investment allocations, previously outsourced to a variety of external investment managers is now 95% managed by the Brunel Pension Partnership, a company owned jointly by 10 LGPS administering authority, including DCC. Brunel make available a variety of different investment funds for the DCC Pension Fund to invest in.</p>
<p>2 Are management aware of any factors which may mean for Devon County Council &amp; Pension Fund that either statutory services will no longer be provided or that funding for statutory services will be</p>	<p>The Authority is not aware of any factors which mean that statutory services will no longer be provided.</p>	<p>The Authority is not aware of any factors which mean that statutory services will no longer be provided.</p>

Question	Management response- County Council	Management response – Pension Fund
discontinued? If so, what are they?		
3 With regard to the statutory services currently provided by Devon County Council & Pension Fund, does Devon County Council & Pension Fund 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 County Council & Pension Fund to cease to exist?	<p>Statutory services are either provided by the Authority or on behalf of the Authority. There are no plans or proposals to outsource any functions in the foreseeable future.</p> <p>If anything services are being brought back in house such as the Education and Inclusion contract being brought back in house from August 2022 with the addition to head count of 204 full time equivalents (please see page 16 of the 2022/23 Budget Book).</p>	<p>Statutory services are either provided by the Authority or on behalf of the Authority.</p> <p>Peninsula Pensions provide a benefits administration service for the Devon Pension Fund, but are a DCC in-house team. There are no plans or proposals to outsource any functions in the foreseeable future.</p>
4 Are management satisfied that the financial reporting framework permits Devon County Council & Pension Fund to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going	<p>The CIPFA Code for Local Authority Accounting requires the Statement of Accounts to be prepared on a going concern basis.</p> <p><b>“...Going concern assumption</b></p> <p><b>2.1.2.9</b> Going concern – an authority’s financial statements shall be prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future (see also</p>	Please see the Management Response for the County Council.

Question	Management response- County Council	Management response – Pension Fund
concern basis will provide a faithful representation of the items in the financial statements?	<p>paragraph 3.4.2.23 for bodies that follow the Code but may be discontinued without statutory prescription). Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern....”</p> <p>There is no reason whatsoever why there would be any departure from this basis. Management is satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements.</p>	
5 Do you have knowledge of any events or conditions beyond the period of your assessment that may cast significant doubt on the council’s ability to continue as a going concern?	There are no events (and there are none envisaged by the Code) that would cast significant doubt on the council’s ability to continue as a going concern.	Please see the Management Response for the County Council.

# 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 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 Committee to satisfy itself that the arrangements for accounting estimates are adequate.

# Accounting estimates – General enquiries of management

Question	Management response- County Council	Management response – Pension Fund
1 What are the classes of transactions, events and conditions, which are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Note 5 of the Statement of Accounts sets out the major sources of estimation uncertainty –namely the Pensions Liability (using the assumptions and estimates provided by the actuary) and Property Plant and Equipment. The billing authorities have the statutory responsibility of providing estimates that affect the Collection Fund.	Note 3 of the Pension Fund Statement of Accounts sets out the estimations of uncertainty. These are unlisted assets (namely private equity, infrastructure and debt funds) and Actuarial present value of promised retirement benefits.
2 How does the authority's risk management process identify and address risks relating to accounting estimates?	Note 5 sets out the key uncertainties. The material assumptions affect only unusable reserves –Pension Reserve, Revaluation Reserve and Capital Adjustment Account –there is no impact on outturn or the Authority's ability to finance future expenditure.	Note 3 sets out key uncertainties. The material assumptions affects the fund investments assets pooled funds and the net liability to pay pensions.
3 How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	The Authority would only consider that there was a need to change accounting estimates if this was required by a change to the Code or errors identified with the accounts. The Authority has not identified any issues that would require the need to change the method of calculating accounting estimates.	The County Council response also applies to the Pension Fund.
4 How do management review the outcomes of previous accounting estimates?	Where actual income or expenditure in the following period differs significantly from estimates in the Statement of Accounts then the impact would be identified in the following year and reported in subsequent Budget Management Reports and Outturn Report.	Where the valuation of pooled infrastructure funds in the following period differs significantly from estimates in the Statement of Accounts then the impact would be identified in the following year and reported in the Investment Management Briefing report.

Question	Management response- County Council	Management response – Pension Fund
	Senior finance officers review the draft Statement of Accounts and will request explanations of significant variances.	Actuarial present value of promised retirement benefits estimations are done on a yearly basis and changes would be reported in the following years pension Funds statement of Accounts.
5 Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	There were no changes made to the estimation processes in 2021/22.	There were no changes made to the estimation processes in 2021/22.
6 How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	<p>Management assigns work to appropriately qualified staff with the required skills. If those skills or qualifications are not available in house then the specialised services will be sought externally.</p> <p>In order to assess the Pension Liability and issue a report under International Accounting Standard (IAS) 19 then specialist actuarial skills have been commissioned from a registered actuary, Barnett Waddingham.</p> <p>NPS is commissioned to provide valuations of land and buildings provided by a suitably qualified RICS (Royal Institute of Chartered Surveyors) valuer.</p>	<p>Management assigns work to appropriately qualified staff with the required skills. If those skills or qualifications are not available in-house then the specialised services will be sought externally.</p> <p>For the assessments of the pooled funds the external fund managers prepare these valuations in accordance with International Private Equity and Venture Capital Valuation Guidelines.</p> <p>In order to assess the Funded Obligations and issue an IAS26 report under International Accounting Standard 19 then specialist actuarial skills have been commissioned from a registered actuary, Barnett Waddingham.</p>
7 How does the authority determine what control activities are needed for significant accounting estimates, including the controls at any service	The two most significant accounting estimates in the Statement of Accounts are the valuations of land and buildings and estimate of the pension liability.	The Pension Fund Accounts use fair values as per accounting code requirements. The Pension Fund uses only recognised and certified external organisations who have the specialised services and skills to undertake the work.

Question	Management response- County Council	Management response – Pension Fund
providers or management experts?		
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?	If there are unexpected variances or movements on balances then management will make enquiries of the expert but the Authority relies on the professional experience and qualifications of the experts –because that is why they are commissioned. The actuary and valuer are commissioned to provide estimates for which there is no suitably qualified in house resources. These estimates do not affect outturn or usable reserves so there are no financing implications for the Authority.	If there are unexpected variances or movements on balances then management will make enquiries of the expert, but the Authority relies on the professional experience and qualifications of the experts –hence why they are commissioned. The actuary and fund managers are commissioned to provide estimates for which there is no suitably qualified in-house resources.
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"> <li>• Management’s process for making significant accounting estimates</li> <li>• The methods and models used</li> </ul>	Management presents the Budget Management reports and Outturn report to Cabinet including any uncertainties about any assumptions used. These are not material to the Authority’s accounts. The Statement of Accounts which includes the estimates of the actuary and valuer are presented to the Audit Committee. The Code prescribes the accounting policies which are to be used and disclosed in the accounts.	Management reports any uncertainties about assumptions used to the Investment Committee. The Pension fund Statement of accounts, which includes the estimates of the Actuary and the fund managers, are presented to the Audit Committee. The Code prescribes the accounting policies which are to be used and are disclosed in the accounts.

Question	Management response- County Council	Management response – Pension Fund
<ul style="list-style-type: none"> <li>The resultant accounting estimates included in the financial statements.</li> </ul>		
<p>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?</p>	<p>Appendix A sets out the significant accounting estimates.</p>	
<p>11 Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>The management arrangements for the accounting estimates, as detailed in Appendix A is reasonable.</p>	
<p>12 How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate?</p>	<p>The Director of Finance and Public Value certifies the Statement of Accounts presents a true and fair view and the Audit Committee receives a report from external audit regarding the findings of its work. A summary of these arrangements has been set out on these slides.</p>	

# 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: <ul style="list-style-type: none"> <li>Assessment of degree of uncertainty</li> <li>Consideration of alternative estimates</li> </ul>	Has there been a change in accounting method in year?
<b>County Council</b>					
PPE valuation	Valuation Certificate provided to Valuer of Fixed Assets identified as needing to be valued at 31 December 2021. Assets have been valued using one of the following methods: -Existing Use Value -Depreciated Replacement Cost -Market Value	Valuations are performed in accordance with: -The Code of Practice of Local Authority Accounting in the United Kingdom 2021/22 --UKVS 1.3 of the RICS Valuation – Professional Standards UK. -Appraisal & Valuation Standards published by the Royal Institute of Chartered Surveyors (RICS); -Quinquennial Rolling Programme of	Independent Valuer –NPS – RICS qualified	Note 5 in the Statement of Accounts sets out the degree of estimation uncertainty. Assets valued at current value amount to £758 millions and a 1% variation assumptions would result in a £7 million change to carrying amount.	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: <ul style="list-style-type: none"> <li>Assessment of degree of uncertainty</li> <li>Consideration of alternative estimates</li> </ul>	Has there been a change in accounting method in year?
<b>County Council</b>					
		Valuation Reviews.			
Pension liability valuation	This has been assessed using projected unit credit method, an estimation of the pensions that will be payable in future years dependant on assumptions on mortality rates (CMI 2020 model), rate of inflation, discount rate and rate of increase for salaries and pensions.	Every three years the actuary performs triennial valuations, the most recent being 31st March 2019. In subsequent years the Actuary uses a roll forward method and provides the net pensions liability at 31 March (IAS 19).	Registered Actuary –Barnett Waddingham LLP	It is not possible to assess the accuracy of the estimated liabilities, without completing a full valuation. Using the roll forward approach should not introduce any material distortions. Note 37 and Note 5 provide the reader of the accounts with sensitivity analysis. A one year reduction in life expectancy reduces the pension liability by just over £122 million.	The Code requires curtailments and settlements during the year to be considered (rather than at the year end). A report was commissioned from the Actuary to show that the impact was not material.
Depreciation	Schedule of remaining useful lives of assets to be valued sent to	The Code of Practice requires useful lives to be reviewed at least	Independent RICS qualified valuer from NPS	Asset lives determine depreciation which is calculated on a straight line basis. Asset value / cost divided by asset life.	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: <ul style="list-style-type: none"> <li>Assessment of degree of uncertainty</li> <li>Consideration of alternative estimates</li> </ul>	Has there been a change in accounting method in year?
<b>County Council</b>					
	<p>valuer to review as at 31 December 2021. The estimated asset life is the length of time the authority is intending to extract economic benefits from the asset. The Valuer should assess the remaining useful life of the asset in its existing use. Estimated useful lives for new assets will be agreed with the valuer.</p>	<p>at the end of each financial year. There is an accounting policy for estimated useful life for new assets.</p>		<p>Reducing balance method for depreciation could be considered but the NBV of assets on historic cost would not reach zero. Straight line depreciation is appropriate for the Authority. Note 5 sets out the major sources of estimation uncertainty. An increase of one year in the asset lives would reduce the annual depreciation charge for buildings, equipment and infrastructure by £2.7 million, £1.4 million and £5.9 million respectively.</p>	

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: <ul style="list-style-type: none"> <li>Assessment of degree of uncertainty</li> <li>Consideration of alternative estimates</li> </ul>	Has there been a change in accounting method in year?
<b>County Council</b>					
Credit loss allowance	<p>Head Accountants for each service identify larger debtors and whether an impairment (provision) is needed.</p> <p>The Head of Financial Systems and Processes reviews the corporate debt and the level of impairment required.</p>	<p>The Outturn Report is presented to Cabinet and shows the level of debt and an aged analysis. The report includes the level of impairment (commonly known as bad debt provision).</p> <p>There is adequate scrutiny of the approach and estimates.</p>	An external expert is not used.	<p>This is not a material estimate. Unsecured debt more than 3 months is not material.</p> <p>For corporate debt, the Head of Financial Systems and Processes reviews larger individual debts and assesses the need for individual provisions and then reviews the aged analysis of debtors and estimates the provision for the remainder.</p>	There has been no change to the approach.
Provisions	The largest element of provisions relates to insurance and a report from an	Independent review and monitoring of payments of	A report is commissioned from Gallagher.	The insurance provision has reduced gradually over the past several years to align with the independent review.	There has been no change to the approach.

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: <ul style="list-style-type: none"> <li>Assessment of degree of uncertainty</li> <li>Consideration of alternative estimates</li> </ul>	Has there been a change in accounting method in year?
<b>County Council</b>					
	independent expert is commissioned every three years which is used as the basis of the provision and adjusted for current know factors in the market.	claims during the year.			

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: <ul style="list-style-type: none"> <li>Assessment of degree of uncertainty</li> <li>Consideration of alternative estimates</li> </ul>	Has there been a change in accounting method in year?
<b>County Council</b>					
Accruals	Head accountants for each service will estimate accruals based on events known at year end. This knowledge is based on regular budget monitoring during the year and experience within each service. In the case of council tax and business rates estimates for year end – these are provided by the billing authorities but these technical adjustments do not affect the	The accruals form part of the Outturn Report which is discussed with the Director and Deputy Director of Finance and Public Value. Variances (year on year) are calculated from the lead schedule for the balance sheet where Head Accountants provide reasons for variances.	Service Accountants, where necessary, will discuss estimates and assumptions with service managers and heads of service.	Service accountants can provide to the auditor any consideration of alternative methods of how they calculated individual accruals.	There has not been any change in accounting method.

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: <ul style="list-style-type: none"> <li>Assessment of degree of uncertainty</li> <li>Consideration of alternative estimates</li> </ul>	Has there been a change in accounting method in year?
<b>County Council</b>					
	General Fund or usable reserves.				
Fair value of loans	Fair value can be assessed by calculating the net present value of cash flows that are expected to take place over the remaining life of the borrowing and applying new borrowing rates.	Disclosure is a requirement of the Code. Schedule of borrowing with accrued interest is provided to the expert.	Link Asset Service	Disclosure only –no impact on primary statements. CIPFA has stated that the cost of redeeming borrowing is not considered an appropriate method of calculating fair value under the Code’s application of IFRS13.	No
PFI liability	Fair value can be assessed by calculating the net present value of cash flows that are expected to take place over the remaining life of	Disclosure is a requirement of the Code. Schedule of borrowing with accrued interest is provided to the expert.	Link Asset Service	Disclosure only –no impact on primary statements. CIPFA has stated that the cost of terminating the contract is not considered an appropriate method of calculating fair value under the Code’s application of IFRS13.	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: <ul style="list-style-type: none"> <li>Assessment of degree of uncertainty</li> <li>Consideration of alternative estimates</li> </ul>	Has there been a change in accounting method in year?
<b>County Council</b>					
	<p>the contract and applying new borrowing rates.</p> <p>Expected future payments / gate fees were projected for the duration of the contract and the capital costs of the construction of the assets were calculated or known. The future payments were analysed into future service costs, repayments of liability and interest costs. PFI liabilities were recognised in the balance sheet.</p>	<p>The PFI assets are operational and costs of construction and prevailing lease rates were calculated.</p>	<p>At the time that the PFIs became operational the liabilities were recognised in the accounts. The estimates from the accounting models were provided by Grant Thornton for the Schools and EY for the Waste PFIs</p>	<p>This is an accounting model that is supposed to apply for the duration of the contract.</p>	<p>No</p>

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: <ul style="list-style-type: none"> <li>Assessment of degree of uncertainty</li> <li>Consideration of alternative estimates</li> </ul>	Has there been a change in accounting method in year?
<b>County Council</b>					
	Each year the liabilities are reduced by the proportion of contract payments paid over to the operator according to the accounting model.				
fair value estimate of CCLA	A unit bid value is provided at 31 March by the fund manager and is multiplied by the number of units held by the Authority.	The CCLA investment is held on the balance sheet and value is updated at 31 March	CCLA	A bid market value is provided each year and is multiplied by the number of units held. A bid market value gives a more prudent and appropriate estimate than applying the mid market value. There is a 1.5% variation between the two methods of estimation.	No
fair value estimate of other equity instruments	Audited accounts for 3 previous years and applying net asset	The estimate is only changed following an independent	Link Asset Service	The latest valuation was in 2020/21. The estimate is not material.	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: <ul style="list-style-type: none"> <li>Assessment of degree of uncertainty</li> <li>Consideration of alternative estimates</li> </ul>	Has there been a change in accounting method in year?
<b>County Council</b>					
	basis adjusted for minority shareholding for the Science Park. For NPS the price earnings ratio range was applied to the pre-tax earnings.	professional valuation.			

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: <ul style="list-style-type: none"> <li>Assessment of degree of uncertainty</li> <li>Consideration of alternative estimates</li> </ul>	Has there been a change in accounting method in year?
<b>Pension Fund</b>					
Valuation of level 2 and 3 investments	Based on cash flow analysis and comparable transaction multiples in accordance with the International Private Equity and Venture Capital Valuation Guidelines.	Market conditions, historical data and financial projections.	External Fund Managers and independent investment advisors.	The Pension Fund accounts sets out material uncertainties.	No
Actuarial present value of future retirement benefits	This has been assessed using projected unit credit method, an estimation of the pensions that will be payable in future years dependant on assumptions on	Every three years the actuary performs triennial valuations, the most recent being 31stMarch 2019. Actuary uses a roll-forward method to update the estimate.	Registered Actuary –Barnett Waddingham LLP	It is not possible to assess the accuracy of the estimated liabilities, without completing a full valuation. Using the roll-forward approach should not introduce any material distortions.	No

	mortality rates(CMI 2020 model), rate of inflation, discount rate and rate of increase for salaries and pensions.				
Management to add any further material estimates					

