

Informing the audit risk assessment for North Devon District Council 2021/22

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between North Devon District Council's external auditors and North Devon District Council's 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 Governance Committee under auditing standards.

Background

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

This two-way communication assists both the auditor and the Governance 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 Governance Committee and supports the Governance 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 Council's oversight of the following areas:

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

Purpose

This report includes a series of questions on each of these areas and the response we have received from North Devon District Council's management. The 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
<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>Covid-19 has had and will undoubtedly have an impact on the 2021/22 financial statements. Additional Government funding and income reimbursement scheme have mitigated the impact in 2020/21 and Q1 of 2021/22 but there is uncertainty about the medium to longer term impact on the Council budget and some income sources. Consideration of going concern; reserve balances and levels of bad debt provision will be needed, together with assessment of valuation of council assets.</p> <p>The Business Rate Retention Scheme will bring accumulated balances forward from year 7 (2019-20) and year 8 (2020-21). 2021/22 will though feel the continued impact of Covid-19 (collection rates and additional retail reliefs given) on BR income and any subsequent impact through the wider Devon pooling arrangement.</p> <p>The Council completed on the acquisition of Green Lanes Shopping Centre in November 2021, these transactions (both capital acquisition and revenue streams) will be incorporated into the 2021/22 statements plus the asset valuation at 31 March 2022.</p> <p>Earlier preparation of the draft financial statements; last year we signed the draft accounts on 26 July 2021 due to the extension provided in light of the pandemic; this year 2021/22 we are aiming to produce the draft financial statements by the end of June 2022.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by the Council? 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>These have been reviewed as part of the annual closure; no material changes and this will be reported to Governance Committee.</p>

General Enquiries of Management

Question	Management response
3. Is there any use of financial instruments, including derivatives? If so, please explain	None other than the normal debtors, creditors, cash and cash equivalents and PWLB borrowing.
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	No.
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	We will again need to consider and assess the impact following Covid-19 with the valuers on the non-current assets.
6. Are you aware of any guarantee contracts? If so, please provide further details	No.
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	No.
8. Other than in house solicitors, can you provide details of those solicitors utilised by North Devon District Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>Legal work is carried out by in-house Legal Services team. Some external work is sourced when dealing with planning appeals.</p> <p>External Solicitors (Ashfords) were used for the conveyancing work required for the acquisition of Green Lanes Shopping Centre.</p>

General Enquiries of Management

Question	Management response
9. Have any of the Council'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.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<p>VAT advice from PSTAX and Link Asset Services for Treasury Management advice.</p> <p>Knight Frank (Property Consultants and Valuers) for work associated with the acquisition of Green Lanes Shopping Centre.</p>
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	None.

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

As Council'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 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 Governance Committee oversees the above processes. We are also required to make inquiries of both management and the 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 North Devon District Council's management.

Fraud risk assessment

Question	Management response
<p>1. Has North Devon District Council 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 Council's risk management processes link to financial reporting?</p>	<p>Yes.</p> <ul style="list-style-type: none"> • Internal Audit annual plan covers audits of all key financial systems. Plan is developed by Internal Auditor (Devon Audit Partnership) via Senior Management Team and approved by Members • Audit reports reviewed by Senior Management on how these systems are operating; any instances of weaknesses are reported. Action plan is reported to Governance Committee and progress monitored on regular basis • The Council participates in the National Fraud Initiative (NFI) that incorporates data matching exercises to identify fraud across Council systems – progress is reported to Governance Committee • Review of the Statement of Accounts undertaken by the Accountancy team and Chief Finance Officer prior to being signed off. • Finance team receive regular training to ensure knowledge and expertise is maintained • Governance Committee members receive training every 2 years to ensure knowledge is maintained <p>I am satisfied that the above controls the Council have in place ensure it operates robust systems that mitigate the risk of material misstatement in the accounts</p> <p>The authority has policies and procedures in place (eg whistleblowing; anti-fraud and corruption; data protection and compliance with financial procedure rules). These policies have been updated and approved by Governance Committee as part of the Internal Audit plan. Fraud awareness training is provided to staff.</p> <p>Risk Management framework is included within projects and business cases put forward. It is also embedded within the service plans prepared by Heads of Service that are presented to Members.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Payroll, cash income and creditor expenditure – the Council has robust internal controls in place and regular reconciliations to back office systems to ensure the controls are effective to mitigate this risk.</p>

Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within North Devon District Council as a whole, or within specific departments since 1 April 2021? If so, please provide details.</p>	<p>None.</p>
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Review of the Corporate Risk Register by Senior Management team which then goes onto Governance Committee.</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 North Devon District Council where fraud is more likely to occur?</p>	<p>None identified through service areas.</p> <p>The only area potentially at risk of fraud are the government business support schemes through business grants which the Council have and continue to administer; however North Devon Council have embedded strong controls in the process to minimise this risk due to online claim form validating with back office information and to ensure checks and measures are in place. Post-assurance documentation has also been completed and sent back to MHCLG.</p>
<p>6. What processes do North Devon District Council have in place to identify and respond to risks of fraud?</p>	<p>The authority has policies and procedures in place (eg whistleblowing; anti-fraud and corruption; data protection and compliance with financial procedure rules). Fraud awareness training is provided to staff.</p> <p>Fraud policies are in place (updated 2021) and include zero tolerance to fraud. Members, Senior Officers and Middle Managers are aware of their responsibilities and have received fraud awareness training</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for North Devon District Council, 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>I would assess them as very good, we receive regular substantial / reasonable assurance reports from Devon Audit Partnership, the Council's Internal Audit contractor.</p> <p>Both Internal and External Audit review the internal controls and report to Governance Committee. Audit reports are scrutinised by members to ensure recommendations are implemented effectively.</p> <p>Both Internal and External Audit of key systems and controls each year provide assurance to the Governance Committee that the risk of override of controls is reduced.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>Both Internal and External Audit of key systems and controls each year provide assurance to the Governance Committee that the risk of misreporting is reduced.</p>

Fraud risk assessment

Question	Management response
<p>9. How does North Devon District Council 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>Induction training and on-going training through Manager Forums cover policies and procedures in place (eg. whistle-blowing; anti fraud and corruption; data protection and compliance with financial procedure rules). Declarations are signed by officers and contractors. Fraud awareness training is provided to staff.</p> <p>Anti-Fraud & Corruption and Whistle-blowing policies cover this and all staff receive fraud awareness training. Recent meeting with Counter Fraud Services Manager (DAP) reviewed and updated the current policies and to also bring forwards further training to staff and members.</p> <p>No significant issues have been reported.</p>
<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>Posts in relation to those set out in question 2;</p> <p>Payroll, cash income and creditor expenditure – the Council has robust internal controls in place and regular reconciliations to back office systems to ensure the controls are effective to mitigate this risk; together with internal audits carried out on these core systems.</p>
<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>None.</p> <p>We have register of interests for both officers and councillors; year-end related party transaction certificates are signed by every councillor and senior management officer.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Governance Committee?</p> <p>How does the 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>Stipulation to notify instances to the Chief Finance Officer who would then include in a report to Members. Annual Audit opinion summarises all instances of fraud identified.</p> <p>By receiving reports from Internal Audit and a specific internal audit of Fraud Management.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>None.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No.</p>

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 Governance Committee, is responsible for ensuring that North Devon District Council'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 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
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does North Devon District Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>Heads of Service annually sign assurance statements which provide assurance that their services are compliant with relevant laws and regulations.</p> <p>Any non-compliance is reported to Senior Management team and Governance Committee along with any necessary mitigating actions.</p> <p>Annual rolling Internal Audit plan that provides assurance across all service areas that agreed policies and procedures are in place and being complied with.</p> <p>No.</p>
<p>2. How is the Governance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Review governance arrangements through the Annual Governance Statement and twice yearly the Corporate Risk Register is reported (this will be quarterly ongoing). All audit reports are reported to Governance Committee and time is allocated at the meeting to discuss and deal with issues raised.</p>
<p>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</p>	<p>None reported.</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>None that have not already been provided for in the accounts.</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does North Devon District Council have in place to identify, evaluate and account for litigation or claims?	Legal Services team identify and assess any potential action being taken against the Council and if appropriate provision would be made within the Council's accounts.
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	None reported.

Related Parties

Matters in relation to Related Parties

North Devon District Council 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 North Devon District Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Council;
- 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 Council, or of any body that is a related party of the Council

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 Council's perspective but material from a related party viewpoint then the Council 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
<p>1. Have there been any changes in the related parties including those disclosed in North Devon District Council's 2020/21 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and North Devon District Council whether North Devon District Council has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	No.
<p>2. What controls does North Devon District Council have in place to identify, account for and disclose related party transactions and relationships?</p>	We have register of interests for both officers and councillors; in addition year-end related party transaction certificates are signed by every councillor and senior management officer.
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	As above together with contract procedural rules and financial procedural rules under NDC constitution.
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	As above together with contract procedural rules and financial procedural rules under NDC constitution.

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
<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 North Devon District Council will no longer continue?</p>	<p>The Council has a robust Medium Term Financial Strategy, which was recently updated and approved by Full Council in February 2022. This covers the period 2022 through to 2028 and forecasts predicted budget position for the next 6 years, albeit with the uncertainty that the delays to the Government's Fair Funding Review factored in.</p> <p>Regular monitoring of budget to Senior Management Team (monthly) and quarterly reporting to members through Performance and Financial Management report.</p>
<p>2. Are management aware of any factors which may mean for North Devon District Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>The uncertainty of only having a one-year funding settlement from Government for 2022/23 and the uncertainty of whether the Government's Fair Funding Review is taking place for 2023/24 or being delayed further. This uncertainty makes it very difficult for Councils to plan ahead.</p>
<p>3. With regard to the statutory services currently provided by North Devon District Council, does North Devon District Council 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 North Devon District Council to cease to exist?</p>	<p>Yes, North Devon Council expect to continue to deliver these services.</p>
<p>4. Are management satisfied that the financial reporting framework permits North Devon District Council 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?</p>	<p>Yes on both questions.</p>

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

Accounting Estimates - General Enquiries of Management

Question	Management response
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?	As set out in Appendix A to this document. Property Plant & Equipment, Investment Properties, Pensions (liabilities and assets), Business Rates, Debtors and Creditors.
2. How does the Council's risk management process identify and address risks relating to accounting estimates?	Review of Corporate Risk Register carried out by CoRGI group, fed through to Senior Management Team and Governance Committee. Any impacts realised upon financial statements would then be fed through s151 Officer and the finance team.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Finance team receive regular external training to be up to date on accounting estimates and any legislative changes; this is fed through to any service area impacted such as property valuations. Property valuers also attend regular training. Key accounting estimates are controlled through the s151 Officer and Accountancy Manager; dialogue with officers such as Property team, Business Rates team will take place from finance officers with any change management/issues escalated to management.
4. How do management review the outcomes of previous accounting estimates?	Meetings and ongoing discussions between Accountancy Manager and Property Team valuers in relation to asset valuations. Discussions between Accountant and Business Rates team on NNDR 1 and NNDR 3 and impacts upon business rates income, appeals and provisions.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	None identified.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Finance team receive regular external training to be up to date on accounting estimates and any legislative changes; this is fed through to any service area impacted such as property valuations. Property valuers also attend regular training.</p> <p>Internal valuers are all professionally qualified Chartered Surveyors.</p> <p>Close working relationship between Accountancy team and Business Rates team.</p>
<p>7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>Internal valuers are all professionally qualified Chartered Surveyors. Regular dialogue with Accountancy Manager.</p> <p>Close working relationship between Accountancy team and Business Rates team.</p> <p>Dialogue and input into pensions cashflow information that feeds into actuaries valuation.</p>
<p>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?</p>	<p>Internal valuers are all professionally qualified Chartered Surveyors. Regular dialogue with Accountancy Manager.</p> <p>Close working relationship between Accountancy team and Business Rates team.</p> <p>Dialogue and input into pensions cashflow information that feeds into actuaries valuation.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <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. 	<p>A review of accounting policies is carried out and reported annually as part of the financial statements preparation.</p> <p>The draft statement of accounts is presented to Governance Committee members and the Chief Finance Officer provides assurance on the financial statements when they are presented, together with assurance that the estimates and judgments are adequate as part of signing off the accounts within the 'statement of responsibilities for the statement of accounts' section. Note 6 refers to assumptions and accounting estimation uncertainty.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
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?	None, other than those already shown in Appendix A.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Consistent approach and in line with previous years.
12. How is the Governance Committee provided with assurance that the arrangements for accounting estimates are adequate ?	<p>A review of accounting policies is carried out and reported to Governance Committee annually in March.</p> <p>The draft statement of accounts is presented to Governance Committee members and the Chief Finance Officer provides assurance on the financial statements when they are presented, together with assurance that the estimates and judgments are adequate as part of signing off the accounts within the 'statement of responsibilities for the statement of accounts' section. Note 6 refers to assumptions and accounting estimation uncertainty.</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: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Plant, Property & Equipment Valuations	Fair value for land/buildings defined as 'existing use' by code of practice.	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 2021/22. The Council value its assets as at 31 March.	Internal valuers who are all professionally qualified Chartered Surveyors.	Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion.	No
Investment property valuations	Fair value for investment properties.	Valuations are performed annually to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.. The Council value its assets as at 31 March.	Internal valuers who are all professionally qualified Chartered Surveyors.	Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion.	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?
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 internal asset team and where applicable the internal valuers.	Depreciation is calculated on a straight line basis as this reflects consumption of assets and is a reasonable assumption.	No
Depreciation and Amortisation	See above	See above	See above	See above	No
Impairments	Review of all assets undertaken annually in line with code of practice.	See left.	Discussion with internal asset team as appropriate.	N/A.	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?
Measurement of Financial Instruments	Financial instruments consist of investments (Collective Investment Fund (CIF)). Measured initially at cost and subsequently at amortised cost using the effective interest method.	Knowledge by the Investment team who manages the CIF portfolio in assessing the potential risk in credit losses.	Fund advisers – Link Asset Services.	The CIF portfolio is assessed on an individual borrower for its expected credit losses using: i) Probability of default ii) Loss of given default	No
Provisions for liabilities	Provisions are identified through detailed monthly management accounts which flags any potential issues to management.	Each provision is separately reviewed by financial accounts and a working is put together to support 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 to be irrecoverable are written off to the budget where the income was originally raised.	Knowledge by the Accounts Receivables team in likelihood of recoverability and the aging of the debts. Chief Finance Officer signs off write offs that are above £1500.	N/A	N/A	No.

Appendix A Accounting Estimates (Continued)

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.	N/A.	N/A.	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) 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 Council responds to queries raised by the administering body, Devon County Council.	The Council are provided with an actuarial report by Barnett Waddingham through Devon County Council (LGPS).	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.	No.



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