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DORSET & WILTSHIRE FIRE AND RESCUE

Dorset & Wiltshire Fire and Rescue Authority

Planning report to the Finance & Audit Committee on the 2021/22 audit – 8 February 2022

Contents

Partner introduction

The key messages in this report:

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

We have pleasure in presenting our planning report to the Finance & Audit Committee (the Committee) for the 2021/22 audit of Dorset & Wiltshire Fire and Rescue Authority (the Authority). We would like to draw your attention to the key messages of this paper:

Audit plan

We have performed our planning work to develop our understanding of the Authority, through discussion with the Finance team and review of relevant documentation from across the Authority.

Key risks

The significant audit risks that we have identified for the Authority are presented as a summary dashboard on page 13. These risks are based on our risk assessment procedures, incorporating the impact of issues identified in the prior year audit.

Regulatory change

Our audit is carried out under the Code of Audit Practice issued by the National Audit Office (NAO). We will update management and the Committee with sector and technical updates as they arise.

Michelle Hopton
Lead audit director

Responsibilities of the Finance & Audit Committee

Helping you fulfil your responsibilities

Why do we interact with the Finance & Audit Committee?

As a result of regulatory change in recent years, the role of the Finance & Audit Committee has significantly expanded. We set out here a summary of the core areas of Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Finance & Audit Committee in fulfilling its remit.

To communicate audit scope

To provide timely and relevant observations

To provide additional information to help you fulfil your broader responsibilities

- At the start of each annual audit cycle, ensure that the scope of the external audit is appropriate.

- Review the internal control and risk management systems (unless expressly addressed by separate committee).

- Explain what actions have been, or are being taken to remedy any significant failings or weaknesses.

- Ensure that appropriate arrangements are in place for the proportionate and independent investigation of any concerns raised by staff in connection with improprieties.

Oversight of external audit

Integrity of reporting

Internal controls and risks

Oversight of internal audit

Whistle-blowing and fraud

- Impact assessment of key judgements and level of management challenge.

- Review of external audit findings, key judgements, level of misstatements.

- Assess the quality of the internal team, their incentives and the need for supplementary skillsets.

- Assess the completeness of disclosures, including consistency with disclosures on business model and strategy and, where requested by the Authority, provide advice in respect of the fair, balanced and understandable statement.

- Monitor and review the effectiveness of the internal audit activities.

Your control environment

What we consider when we plan the audit

We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with deficiencies identified on a timely basis, particularly where they are subject to the principles of the UK Corporate Governance Code.

Responsibilities of management

Auditing standards require us to only accept or continue with an audit engagement when the preconditions for an audit are present. These preconditions include obtaining the agreement of management and those charged with governance that they acknowledge and understand their responsibilities for, amongst other things, internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the audit committee

As explained further in the Responsibilities of the Finance and Audit Committee slide above, the Committee is responsible for:

- Reviewing the internal control and risk management systems (unless expressly addressed by separate committee).
- Explaining what actions have been, or are being taken to remedy any significant failings or weaknesses.

As stakeholders tell us that they to wish to understand how external audit challenges and responds to the quality of an entity's control environment, we are seeking to enhance how we plan and report on the results of the audit in response. We will be placing increased focus on how the control environment impacts the audit, from our initial risk assessment, to our testing approach and how we report on misstatements and control deficiencies.

Performance materiality

We set performance materiality as a percentage of materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed materiality. We determine performance materiality, with reference to factors such as the quality of the control environment and the historical error rate. Where we are unable to rely on controls, we may use a lower level of performance materiality.

Our audit explained

We tailor our audit to your business and your strategy

Identify changes in your Authority and environment

We have spent time with management understanding the current year matters and prepared our risk assessment for the audit, we will continue to keep this under review throughout the audit process.

Scoping

We anticipate our scope to be in line with the Code of Audit Practice issued by the NAO.

In our final report

In our final report to you we will conclude on the significant audit risks identified in this paper and report to you our other findings.

Determine materiality

At planning, we have determined a materiality of £1.30m (FY20: £1.35m). This is based on 2% of total expenditure per the 2022 Q2 outturn (financial monitoring report). For further detail on materiality, see page 11.

Significant risk assessment

We will identify significant audit risks in relation to the Authority and plan our audit response to meet these risks (page 13 onwards).

Quality and Independence

We confirm all Deloitte network firms and engagement team members are independent of the Authority. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.

Scope of work and approach

We have three key areas of responsibility under the Audit Code of Practice

Financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK) (“ISA (UK)”) as adopted by the UK Auditing Practices Board (“APB”) and Code of Audit Practice issued by the NAO. The Authority will prepare its accounts under the Code of Practice on Local Authority Accounting (“the Code”) issued by CIPFA and LASAAC.

We are also required to issue a separate assurance report to the NAO on the Authority’s separate return required for the purposes of its audit of the Whole of Government Accounts and departmental accounts.

Annual Governance Statement

We are required to consider the completeness of the disclosures in the Annual Governance Statement in meeting the relevant requirements and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and other work.

As part of our work we will review the annual report and compare with other available information to ensure there are no material inconsistencies. We will also review any reports from other relevant regulatory bodies and any related action plans developed by the Authority.

Value for Money conclusion

We are required to consider the arrangements that the Authority has made securing financial resilience and economy, efficiency and effectiveness in its use of resources, if we identify any significant weaknesses to make recommendations, and to provide a narrative commentary on arrangements.

To perform this work, we are required to:

- Obtain an understanding of the Authority’s arrangements sufficient to support our risk assessment and commentary;
- Assess whether there are risks of a significant weakness in the Authority’s arrangements, and perform additional procedures if a risk is identified. If a significant weakness is identified, we report this and an accompanying recommendation;
- Report in our audit opinion if we have reported any significant weaknesses.
- Issue a narrative commentary in our Annual Auditor’s Report on the arrangements in place.

Scope of work and approach
Our approach

Liaison with internal audit

The Auditing Standards Board's version of ISA (UK) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and meet with them where required to discuss their work. We will discuss the work plan for internal audit, and where they have identified specific material deficiencies in the control environment we consider adjusting our testing so that the audit risk is covered by our work.

Using these discussions to inform our risk assessment, we can work together with internal audit to develop an approach that avoids inefficiencies and overlaps, therefore avoiding any unnecessary duplication of audit requirements on the Authority's staff.

Approach to controls testing

Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D&I").

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

We recommend the Authority complete the Code checklist during drafting of their financial statements.

We would like the opportunity to review a skeleton set of financial statements and an early draft of the annual report ahead of the typical reporting timetable to feedback any comments to management.

Value for Money and other reporting

The Code of Audit Practice requires us to report by exception in our audit report any matters that we identify that indicate the Authority has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

In addition, under the new VFM requirements we are required to issue an Annual Audit Report setting out the governance arrangements in place in relation to VFM. More details of the changes to VFM are set out on page 17.

Continuous communication and reporting

Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.

Planning	Interim audit	Year end fieldwork	Post reporting activities
• Planning meetings • Update understanding of key business cycles and changes to financial reporting • Review of key documents including Authority and Finance and Audit Committee minutes	• Review of financial performance to date. • Substantive testing of fixed assets. • Update on value for money responsibilities. • Review of accounting policies. • Review of internal audit reports issued to date.	• Review of year-end financial performance. • Substantive testing of all areas in scope. • Finalisation of work in support of value for money. • Detailed review of annual accounts and report, inc. Annual Governance Statement.	• Final Finance & Audit Committee meeting. • Issue ISA 260 paper. • Issue audit report. • Issue Annual Audit Letter. • Audit feedback meeting.
2021/22 Audit Plan		Final report to the Audit Committee	
January/February 2022	**January/February 2022**	**July 2022**	**September 2022**

Ongoing communication and feedback

Materiality

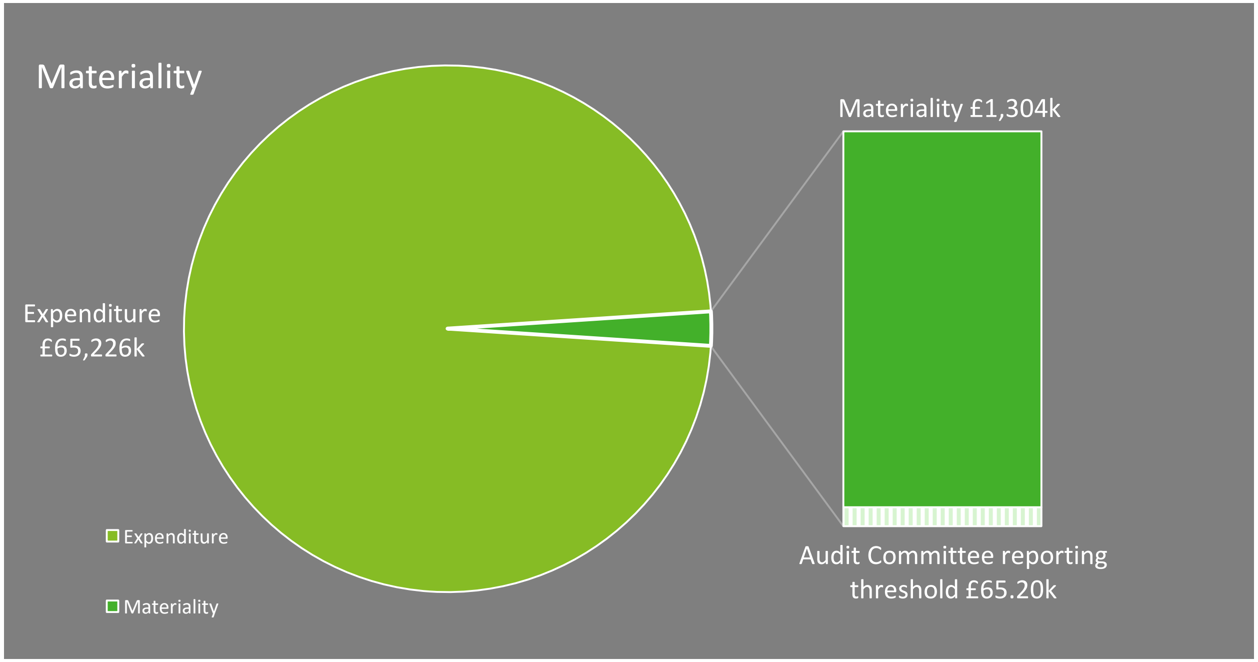
Our approach to materiality

Basis of our materiality benchmark

- The audit partner has determined materiality as £1.30m (20/21: £1.36m), based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements.
- We have used 2% of total expenditure (per the 2021/22 Q2 financial monitoring report – projected outturn) as the benchmark for determining materiality.

Reporting to those charged with governance

- We will report to you all misstatements found in excess of £65k (20/21: £68k).
- We will report to you misstatements below this threshold if we consider them to be material by nature.



Although materiality is the judgement of the audit partner, the Finance & Audit Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.

Significant risks

Our risk assessment process

We consider a number of factors when deciding on the significant audit risks. These factors include:

- the significant risks and uncertainties previously reported in the annual report and financial statements;
- the IAS 1 critical accounting estimates previously reported in the annual report and financial statements;
- our assessment of materiality;
- the changes that have occurred in the business and the environment it operates in since the last annual report and financial statements; and
- the Authority's actual and planned performance and other metrics.

The next page summarises the significant risks that we will focus on during our audit.

We have changed the prior year significant risk with regard to the valuation of the pension fund liabilities to a normal risk given the that both the Goodwin and McCloud items were immaterial in the prior year with no expectation for their impact to differ in the coming year. We will continue to consult with our Pensions Specialists over the testing of this balance.

Principal risk and uncertainties

- Economic uncertainty
- Future levels of funding

IAS 1 Critical accounting estimates

- Pension liabilities
- Useful lives and valuation of property assets
- PFI arrangements

Changes in your business and environment

- No significant changes

Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Level of management judgement	Expected to be a key audit matter in our audit report	Slide no.
Capitalisation of expenditure	✓	DI	⚠	✓	14
Management override of controls	✗	DI	⚠	✓	15

Controls approach adopted

- DI Assess design & implementation
- OE Test operating effectiveness of relevant controls
- S Involvement of IT specialists

Level of management judgement

- ⚠ Low level of judgement
- ⚠ Medium level of judgement
- ⚠ High level of judgement

Significant audit risks

Risk 1 – Capitalisation of expenditure

Risk identified

Under UK auditing standards, there is a mandatory presumed risk of revenue recognition due to fraud. We are able to rebut this risk in relation to the Authority, given that the majority of income received is straightforward being Council Tax and NDR precepts received from the Local Authorities, however by doing so we are required to identify an alternative fraud risk.

The authority has budgeted a capital programme for 2021/22 of £12.2m, which includes £3.2m of projects carried over from 2020/21.

There is an element of judgement in applying the relevant capitalisation criteria for expenditure. We therefore consider that there is an incentive for revenue expenditure to be capitalised so that this expenditure does not impact the Statement of Comprehensive income in one year, but is instead spread over a number of years through the depreciation charge in an attempt to report a more favourable year end position.

Our response

We plan to perform the following audit procedures that directly address this risk:

- We will obtain an understanding of the design and implementation of the key controls in place around the determination of capitalising expenditure
- We will test capital expenditure on a sample basis to confirm that it complies with relevant accounting requirements

Significant audit risks
Risk 2 – Management override of controls

Risk identified	In accordance with ISA 240 (UK) management override is a mandated significant risk on all audit engagements. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Authority's controls for specific transactions. The key estimates and judgements in the financial statements (as noted on page 12) include the pension liability valuation and property valuations. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.
Our response	We plan to perform the following audit procedures that directly address this risk: • We will test the design and implementation of key controls in place around journal entries and management estimates including pension valuations and property valuations; • We will risk assess journals and select items for detailed testing. The journal entries will be selected using computer-assisted profiling based on areas which we consider to be of increased interest; • We will test the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting; • We will review accounting estimates for biases that could result in material misstatements due to fraud; and • We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the Authority, or that otherwise appear to be unusual, given our understanding of the entity and its environment.

Value for Money

Areas of focus

We are required to consider the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources. In accordance with Code of Audit Practice 2020 and related Auditor Guidance Note 03, we are required to:

- Perform work to understand the Authority's arrangements to secure economy, efficiency and effectiveness in the use of resources against each of the three reporting criteria (financial sustainability, governance, and improving economy, efficiency and effectiveness);
- Undertake a risk assessment to identify whether there are any risks of significant weaknesses in arrangements;
- If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement;
- Issue a narrative commentary in the Auditor's Annual Report, setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings. If significant weaknesses are identified, the weaknesses and recommendations will be included in the reporting, together with follow-up of previous recommendations and whether they have been implemented. Where relevant, we may include reporting on any other matters arising we consider relevant to VfM arrangements, which might include emerging risks or issues.
- Where significant weaknesses are identified, report this by exception within our financial statement audit opinion.

AGN03 requires auditors to set out the results of their risk assessment as part of the audit planning report. Due to the timing of this meeting, this has not been possible to complete prior to the issue of this paper, and we will report to a later Finance & Audit Committee on any matters arising from this work.

Coronavirus (COVID-19) outbreak

How is Deloitte responding?

Deloitte has been closely monitoring and managing our response to the COVID-19 situation since its inception in order to be able to respond as necessary. The health and safety of our people is paramount, but we are doing our utmost to ensure we can complete audits to required timetables. We summarise below how we are responding.

Impact on our audit and our response

We have Business Continuity Plan ('BCP') arrangements which align to ISO 22301. Our BCP for the firm has been enacted to consider and mitigate the impact of COVID-19 across our operations. The health and safety of our people and those we work with comes first. This includes the provision of advice and support to staff and associates, development of response plans, and upgrades to our IT infrastructure to increase capacity for secure remote working.

We have the capability to work remotely with our audited entities, utilising a number of collaboration tools, including Deloitte Connect (a tool that facilitates secure two-way dialogue between the Deloitte team and management to effectively manage engagement co-ordination) and MS Teams allowing us to collaborate and supervise activities.

We also have adequate server capacity for all our people to work remotely. All our people have their laptops with them so they are able to work from home. Our people have remote access to the firm's network from Deloitte laptops (which utilise an always-on SSL VPN) and are able to elevate their privileges using remote token based access to the firm's network.

We are in regular contact with regulators as well as other Deloitte Member Firms to co-ordinate and understand the impact locally so we can execute global audits.

Audit quality

Our commitment to audit quality

Our objective is to deliver a distinctive, quality audit to you. Every member of the engagement team will contribute, to achieve the highest standard of professional excellence.

In particular, for your audit, we consider that the following steps will contribute to the overall quality:

We have obtained a deep understanding of your business, its environment and of your processes in enabling us to develop a risk-focused approach tailored to the Authority.

Our engagement team is selected to ensure that we have the right subject matter expertise and industry knowledge. We will involve IT Specialists to support the audit team to develop our understanding of the IT environment and Pension Specialists to support the audit team with regards to the pension schemes.

In order to deliver a quality audit to you, each member of the core audit team has received tailored learning to develop their expertise in audit skills.

Engagement Quality Control Review

We have developed a tailored Engagement Quality Control approach. Our dedicated Professional Standards Review (PSR) function will provide a 'hot' review before any audit or other opinion is signed. PSR is operationally independent of the audit team, and supports our high standards of professional scepticism and audit quality by providing a rigorous independent challenge.

Audit quality

AQR team report and findings

Executing high quality audits remains our number one priority. We are committed to our critical public interest role and continue to embed our culture of quality and excellence into all of our people. This includes using new technology and tools to continue to transform our audit approach.

In July 2021 the Financial Reporting Council (“FRC”) issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review (“AQR”) team for the 2020/21 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

In that context, overall FRC inspection results, showing an improvement since last year from 76% to 79% of all inspections assessed as good or needing limited improvement, reflect the progress we are making. The overall profile of our ICAEW inspections and our internal inspection programme also show a similar overall improvement since last year.

The results for the inspections of FTSE 350 entities fell short of our overall scores, reflecting specific findings on those particular audits rather than issues pervasive across other audits. Our objective continues to be for all of our audits to be assessed as good or needing limited improvement and we know we still have work to do in order to meet this standard.

We agree with and accept the FRC’s findings on the individual inspections. The FRC has recognised improvements following the actions and programmes for previous years and we welcome the good practice points raised, including in respect of impairment and revenue where individual findings continue to occur.

Overall, we are pleased that there have been no significant findings over our firm wide processes and controls over the last three inspection cycles in the areas subject to rotational review by the FRC. However, we are continually enhancing our processes and controls across our business and such changes will directly or indirectly affect audit quality.

All the AQR public reports are available on its website. https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports

Audit quality

AQR team report and findings (continued)

The AQR's 2020/21 Audit Quality Inspection Report on Deloitte LLP

"We reviewed 19 individual audits this year and assessed 15 (79%) as requiring no more than limited improvements. Of the 11 FTSE 350 audits we reviewed this year, we assessed eight (73%) as achieving this standard".

"Our key findings related primarily to the need to:

- Improve the evaluation and challenge of management's key assumptions of impairment assessments of goodwill and other assets.
- Enhance the consistency of group audit teams' oversight of component audit teams.
- Strengthen the effectiveness and consistency of the testing of revenue."

"The firm has taken steps to address the key findings in our 2019/20 public report, with actions that included increasing the extent of consultations, and enhanced learning, coaching and support programmes.

We have identified improvements, for example, in the extent of challenge of management by audit teams in respect of the estimates used for model testing. This was identified as a key finding last year.

We also identified good practice in a number of areas of the audits we reviewed (including robust procedures relating to going concern and evidence to support the challenge of management in areas of key judgement) and in the firm-wide procedures (including establishing a centre of excellence focused on credit for banking audits to encourage the consistent application of the firm's methodology and guidance)."

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the financial statements audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope; and
- Key regulatory and corporate governance updates, relevant to you

What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Authority.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Use of this report

This report has been prepared for the Authority, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Other relevant communications

We will update you if there are any significant changes to the audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Bristol, February 2022

Appendices

Fraud responsibilities and representations

Responsibilities explained

Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified the risk of fraud in capital expenditure and management override of controls as a key audit risk for your organisation.
- We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

We will request the following to be stated in the representation letter signed on behalf of the Authority:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - (i) management;
  - (ii) employees who have significant roles in internal control; or
  - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

Fraud responsibilities and representations (continued)

Inquiries

We will make the following inquiries regarding fraud:

Management:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries, in particular the Chief Executive.

Internal audit and Local Counter Fraud Specialist

- Whether internal audit have knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain their views about the risks of fraud.

Those charged with governance

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity.

Prior year audit adjustments

Uncorrected misstatements

The following uncorrected misstatements were identified during the course of our prior year audit:

		Credit/(Charge) to the income statement £'000	Increase/ (Decrease) in net assets £'000	Increase/ (Decrease) in retained earnings £'000
Judgemental misstatements				
Grant income recognised in 2020/21	[1]	490	(490)	
Goodwin pension adjustment	[2]	98 - 196	(98) - (196)	

(1) The Authority recognised grant income in 2020/21 as the funding was received and there was no requirement to repay. The grant however had a condition attached where the Authority had to submit a business case to the Home Office before utilising the funding. Our view was that the grant should not be recognised as income until the condition was satisfied.

(2) We identified that as a result of the Goodwin ruling there was an approximate impact for this type of Fund of between circa 0.1% - 0.2% of the total obligations. Management have not recorded this given the level of additional work and fees that would be involved for the Authority.

We obtained written representations from the Authority confirming that after considering all these uncorrected items, both individually and in aggregate, in the context of the consolidated financial statements taken as a whole, no adjustments were required.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Authority and will reconfirm our independence and objectivity to the Committee for the year ending 31 March 2022 in our final report to the Committee.
Fees	The audit fee for 2021/22, in line with the fee scale rate provided by Public Section Audit Appointments (PSAA), is £34,650. The audit fee is in the process of being reviewed in line with PSAA guidance and assessing the impact of the additional scope changes and Value for Money requirements which were new in the prior year. Any change to the audit fee will be agreed with management and will need to be approved by PSAA. No non-audit fees have been charged by Deloitte in the period.
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, senior management and its affiliates, including all services provided by us and the DTTL (Deloitte Touche Tohmatsu Limited) network to the Authority, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence. We are not aware of any relationships which are required to be disclosed

Independence and fees

The professional fees expected to be charged by Deloitte in the period from a 1 April 2021 to 31 March 2022 are as follows:

	Current year £ (excluding VAT)	Prior year £ (excluding VAT)
Financial statement audit including Whole of Government Accounts	34,650	34,650
Value for money	TBC	TBC
Scope change for ISA540	TBC	TBC
Total audit	TBC	TBC

Recently published Deloitte briefings and articles

Deloitte briefings

The State of the State 2021/22

Towards a new public sector normal

For more information, please visit: https://www2.deloitte.com/uk/en/pages/public-sector/articles/the-state-of-the-state.html

Since March 2020, the UK's government and public services have led radical, exhaustive and dynamic responses to the coronavirus pandemic. This year's State of the State finds them dealing with both the pandemic and its wider repercussions on the public sector's people, the services they deliver and the citizens they serve.

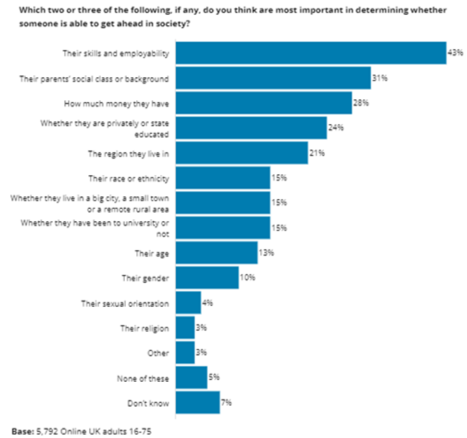
Looking beyond the pandemic, the UK Government has set out its ambition to 'build back better' through infrastructure investment, levelling up economic outcomes across the regions and revitalising the UK's place in the world. At the same time, the policies and politics of Northern Ireland, Scotland and Wales continue to diverge from Westminster. The State of the State explores all of these developments through exclusive research.

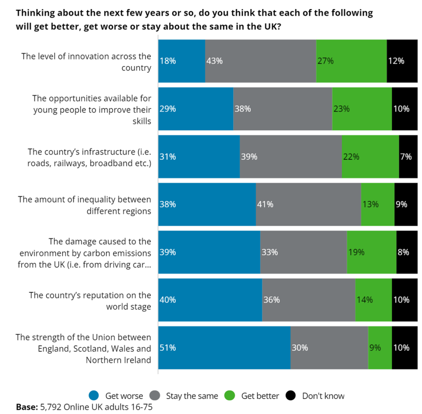
The pandemic has fractured public attitudes to tax and spending

This year, our survey finds the public split evenly between those who would welcome higher levels of tax and spend, those who would like to maintain the same levels as before the pandemic, and those who would prefer lower taxes and lower government spending. This split in attitudes to tax and spend appears to have deepened over the last year. There has been a drop in the those wanting higher spending and a rise in those wanting tax cuts since our last survey.

Levelling up is as much about people as place

As the Government continues to develop its levelling up programme, our survey explored some nuances of place-based thinking. Our citizen survey explored the factors people believe define our opportunities in life. The findings show a complex set of perceptions about social mobility in the UK.





The public expects the UK to build back, but not necessarily better

This Government has ambitious plans for the UK and aims to 'build back better' from the economic and social damage left by coronavirus, and our survey asked whether people expect those areas of UK life to improve in the next few years. Our results show that the pandemic has left the public fairly pessimistic for the future. Just 13 per cent believe inequalities between regions are set to improve, and 39 per cent think that the environmental damage caused by carbon emissions could get worse not better.