

PRIVATE & CONFIDENTIAL

Members of the Finance & Audit Committee
Dorset & Wiltshire Fire and Rescue Authority
Five Rivers Health & Wellbeing Centre,
Hulse Road
Salisbury
SP1 3NR

Dear Sirs and Madams

Dorset & Wiltshire Fire and Rescue Authority – Auditor’s Annual Report

We are pleased to attach our draft Auditor’s Annual Report. This report summarises our audit conclusions and highlights the key findings arising from our value for money work.

We have initially discussed the contents of our report with management and have incorporated their comments where relevant.

This report is intended to be solely for the information and use of management and those charged with governance of the Authority and should not be shared with anyone beyond the Authority without our prior approval.

We would like to take this opportunity to thank the Authority’s officers for the co-operation and assistance afforded to us during the course of the audit.

Kind regards

Yours faithfully

A handwritten signature in black ink that reads "Bishop Fleming LLP." The signature is written in a cursive, flowing style.

BISHOP FLEMING LLP

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1. Introduction

Our Auditor's Annual Report (AAR) summarises the work that we completed for Dorset & Wiltshire Fire and Rescue Authority for the year ended 31 March 2024.

The Authority is responsible for keeping proper accounts and proper records in relation to the accounts and for maintaining an appropriate system of internal control. The Authority is responsible for the preparation of annual accounts for each financial year. Such accounts must present a true and fair view and comply with the requirements of enactments that apply to them.

The Authority is also responsible for putting in place appropriate arrangements to secure the economy, efficiency and effectiveness in its use of resources and to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives whilst safeguarding and securing value for money from the public funds at their disposal.

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are responsible for and are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Authority at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We are also required to report to the Authority by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

In addition we are also responsible for reviewing the Authority's arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report on the Authority's arrangements under three specified reporting criteria:

- Financial sustainability – how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Authority ensures it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness – how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We carried out our work in accordance with our External Audit Plan that we issued to the Authority in March 2024.

2. Executive summary

Results from the audit of the financial statements

We completed our audit of the financial statements and issued a modified audit opinion in February 2025. See section 3 for more details.

We are also completing component auditor procedures, alongside our certification of the accounts in line with the National Audit Office group auditor instructions for work required on the Whole of Government Accounts (WGA) return.

Results on our work on other matters

We completed our review of other matters in line with our issuing of the audit opinion. There were no matters to bring to your attention as a result of our work in these areas. See section 3 for more details.

Results from our work on VFM arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

Our conclusions are summarised below. See sections 4-8 for more details.

Financial sustainability		We did not identify any significant weaknesses in the Authority's arrangements for financial sustainability. We have also not made any recommendations.
Governance		We did not identify any significant weaknesses in the Authority's governance arrangements. We have also not made any recommendations.
Improving economy, efficiency and effectiveness		We did not identify any significant weaknesses in the Authority's arrangements for improving efficiency, economy and effectiveness. We have also not made any recommendations.

Key:

	No significant weaknesses in arrangements identified and no recommendations made
	No significant weaknesses in arrangements identified but recommendations made
	Significant weaknesses in arrangements identified and recommendations made

3. Audit of the financial statements

Audit opinion on the financial statements

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). We are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Authority at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We gave an 'Except for' qualified opinion on the Authority's financial statements. The qualification was due to the 2022/23 financial statements being qualified by Deloitte as they had not received assurances from the 2022/23 Wiltshire County Council Pension Fund audit team, as that audit had not been complete by the audit backstop date for 2023.

As a result of the modification to the opinion over the 2022/23 financial statements we are unable to conclude that the opening balances in relation to the net pension fund liability are materially correct and issued a modified audit opinion over the 2023-24 financial statements in this respect. The lack of assurance over the 31 March 2023 pension valuation and pension movements in 2022/23 mean that we are unable to provide assurance over the comparative balance sheet and Comprehensive Income and Expenditure Statement ('CIES') figures or the pension movements during 2023/24.

Other matters

We are required to report to the Authority by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We concluded that there were no matters to bring to the Authority's attention in respect of these matters.

More detailed findings can be found in our Audit Completion Report which was reported to the Audit Committee on 24 February 2024.

4. Value for Money

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

The Code requires us to report our commentary on the Authority's arrangements under three specified reporting criteria:

- Financial sustainability – how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Authority ensures it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness – how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

The NAO has issued guidance for auditors to report against each of the three specified reporting criteria. The guidance also includes a number of further areas for review within each criteria for the auditor to assess those arrangements.

Our risk assessment did not identify any potential risks of significant weakness.

We asked management to complete an evidenced self-assessment of the Authority's arrangements. We then reviewed the evidence provided and carried out follow up work as appropriate to consider whether there are any significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our commentary on the Authority's arrangements in each of these three areas is set out in sections 5, 6 and 7 of the report. Our recommendations for improvement are included in section 8.

5. Financial sustainability

We considered how the Authority plans and manages its resources to ensure it can continue to deliver its services, including how it:

- ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- plans to bridge its funding gaps and identifies achievable savings;
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Overview and 2023/24 outturn

The Authority reported a surplus of £1.25m in its outturn against budget for 2023/24. This was a favourable variance of £1.1m against the approved budget. This performance was driven by favourable variances that included an increase in business rates funding and non-ringfenced grants of £0.88m, increased investment income of £0.26m and savings of £0.20m on vehicle fuel and maintenance costs. This was partly offset by unfavourable variances that included expenditure of £0.31m on pay costs, including unbudgeted pay awards.

During the financial year the Authority's net liabilities reduced from £389.2m to £380.5m. Key factors contributing to this included a reduction of £5.41m in the net pension fund deficit and an increase in the value of property, plant and equipment held by the Authority to £63.20m from £59.51m in the previous year. The Fire Fighters Pension Fund liability of £419.9m is the key reason for net liabilities position. Financial sustainability is more accurately measured through assessment of reserves. As a result of the favourable variances noted above, the Authority's usable reserves have increased from £19.67m to £20.91m as at 31 March 2024.

Financial planning and monitoring

The Authority's budget is developed based on the Community Safety Plan which outlines the Authority's strategic priorities and demands that it must address. The budget cycle includes consideration of the key strategic issues facing the Authority over the coming years and takes into account the efficiency plans that includes a Resourcing and Savings Programme. The Authority considers inflationary pressures and specifically addresses the need to fund pay and pensions commitments.

Financial performance is monitored quarterly by the Finance and Audit Committee through presentation of the Financial Monitoring Report. These reports allow members of the committee to scrutinise and understand the financial position of the Authority through the year. The annual budget is updated through this process to reflect changing circumstances throughout the year.

The Authority prepares a balanced budget via a five-year Medium-Term Financial Plan (MTFP). The MTFP for 2023/24 was approved by the Authority on 8 February 2023. The main financial assumptions in preparing the 2023/24 budget were increases of 5% and 6% in pay awards for uniformed and Corporate staff respectively, decreasing for both categories of staff to 4% in 2024/25 and 2% from 2025/26 onwards. The budget took into account the Provisional Local Government Finance Settlement confirmed for 2023/24.

Achieving efficiency savings

The Medium-Term Finance Plan includes a section covering Efficiency and Value for Money. The section covers the savings that have been made since the new Authority was formed in 2016 and describes the Resourcing and Savings Programme work, through which the Authority is making further savings. The plan is presented to members who are involved in the budget setting process.

The Authority has a Resourcing and Savings Programme that is supported by an independent programme delivery team. This focuses on research and development of data and modelling to assist decision making and delivery and feeds into the budget-setting process.

The Productivity and Efficiency Statement, presented to the Audit and Finance Committee, sets out the plan for future savings of £2.5m a year. This will be achieved by reviewing the productivity and efficiency of the operational resources the Authority possesses and adopting a risk-based approach to ensure that they are used in the most financially viable and sustainable way.

2024/25 financial planning

The Authority produced the Medium-Term Finance Plan 2024-25 to 2027-28 the plan shows a balanced budget in 2024-25, with deficits of £2m, £2.4m and £3.1m in each of the respective following years. However, the budget for the following years is based on assumptions as the Authority is subject to one-year settlements from the central Government so there is uncertainty around the budgeted funding in the following years.

Sensitivity analysis performed within the Plan demonstrates how an additional increases in fire precepts for 2025-26 would reduce the forecast deficits.

The capital programme totalling £14m for 2024/25 includes planned expenditure resulting from property condition surveys as well as investment to deliver operational training facilities at Devizes Training Centre and Weymouth Fire Station. In addition, several appliances are due to be replaced in 2024/25 with a longer-term plan to be funded from the capital programme over the next 5 years to replace twenty two large fire appliances.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Authority's financial sustainability arrangements.

6. Governance

We considered how the Authority ensures that it makes informed decisions and properly manages its risks, including how it:

- monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- approaches and carries out its annual budget setting process;
- ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

Risk management

The Risk Management Policy sets out how risks are recorded and ranks them using a risk appetite matrix. The risks are reported on the Strategic Risk Register (SRR) which is reviewed by management and reported within the Finance & Audit Committee meetings.

The Strategic Leadership Team (SLT) monitor, review and manage the risks within the strategic risk register and any new emerging strategic risks. Oversight of all risks and the consideration of emerging risks falls within Department Meetings, and subsequently through the Heads of Department to the Service Delivery Team. If a risk is escalated above a score of 15, it is presented to the strategic leadership team.

The performance management system, Sycle, records all departmental and strategic risks, identified risk controls and risk review processes. Further strategic risk mitigations are actions within the Service's Service Delivery Plan, which is reported to the Authority through performance reporting at their committees on a quarterly basis and bi-annually through to the full Authority.

We note that the SRR currently only has four strategic risks that meet the scoring criteria for monitoring by the Finance & Audit Committee. These are reviewed monthly by the Head of Strategic Planning and managed by the Senior Leadership Team (SLT). Risks with scores lower than 15 are managed by the Service Delivery Teams (SDT) to which the risk relates. These are reviewed monthly by the relevant SDT.

Internal control

The Authority have appointed the South West Audit Partnership (SWAP) as their Internal Auditors. The Strategy and Annual Plan are aligned to eight themes of a healthy organisation, which include governance, performance and risk management.

The Authority's internal audit function assess the control environment throughout the year. They report to the Finance and Audit Committee on a quarterly basis and an annual report is produced for each respective year in the Summer. The quarterly reports provide a level of assurance over the internal controls and set out and prioritise actions to be taken to improve further. These are then set out in the IA Improvement Plan and recommendations are monitored for progress.

The Internal Audit Annual Opinion for 2023/24 gives "substantial" assurance. Of eight audits within the 2023/24 plan, five received substantial assurance and three adequate assurance. No individual recommendations were ranked as priority 1 matters, the most significant category of finding.

The 2023/24 plan included a range of audits for the subjects as we would expect. The 2024/25 Internal Audit Plan was presented to the Finance & Audit Committee 7th March 2024 and duly approved.

The Statement of Accounts and Annual Governance Statement produced and published by the Authority each summer is subject to external audit review and provides further assurance.

Budget setting and budgetary control

The budget setting process takes place over a number of months, beginning with a review of the budget setting requirements. This considers the Resourcing and Savings Programme, the Capital Programme and reserves and balances. The Authority also considers at this stage whether they are likely to encounter any funding issues in the future. The budget will also take into consideration external factors such as inflation, pay awards and the funding settlement from the central Government.

Internally, the performance in the preceding year helps to highlight pressures and their likely impact going forward. Strategic priorities and decisions taken by the Strategic Leadership Team are also factored into the calculations. As the financial settlement from the central Government is not confirmed until very late in the process, a number of different scenarios are considered throughout the process.

Members are made aware of the position throughout the process with two budget seminars held between December and January and an update on the provisional settlement is issued electronically. The budget is also made available for public consultation before it is set.

Decision making

All members are provided with meeting papers one week prior to Committee Meetings being held. The meeting papers are also made available via the website. The wider Members handbook also outlines the arrangements in place and the responsibility of members in decision making. The handbook also sets out the culture between members and the Strategic Leadership Team, this sets out what is expected of both parties to maintain a positive working relationship and ensures communication between the two is maintained.

Internally, staff are kept up to date and briefed on all strategic projects and decisions at the earliest opportunity. Minutes of meetings reflect discussion in committees for good decision making.

Ensuring appropriate standards

The Authority is aware of the regulatory standards and has policies and procedures in place to ensure compliance with them, as is set out in the Members Code of Conduct and the Staff Code of Conduct. The Code of Conduct follows the best practices set out in the Local Government Ethical Standards. Gifts and hospitality are appropriately addressed and a register is available on the Authority's website for transparency.

We note the HMICFRS report published 8 October 2024 which raises a cause for concern regarding behaviour and culture not in line with the Service values. We will seek to consider the Authority's response and actions in our work for 2024/25.

In October 2024 His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) issued a report on the Effectiveness, efficiency and people demonstrated by the Authority, following a review they carried out in 2023. This report included the conclusion that the Authority were 'inadequate' at promoting the right values and culture, noting that the Authority needs to 'do more to make sure its staff routinely demonstrate behaviours in line with its values'. Given the timing of this report, we will review the actions and activity the Authority has put in place in response to the findings during our review of the 2024/25 year.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Authority's governance arrangements.

7. Improving efficiency, economy and effectiveness

We considered how the Authority uses information about its costs and performance to improve the way it manages and delivers its services, including:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Authority evaluates the services it provides to assess performance and identify areas for improvement;
- how the Authority ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Authority commissions or procures services, how it assesses whether it is realising the expected benefits.

Assessing performance and evaluating service delivery

The Authority has Five Key Priorities that it centres its performance management around. These are: making safer and healthy choices; protecting you and the environment from harm; being there when you need us; making every penny count; and supporting and developing our people.

Performance is monitored according to priority level, with priorities considered to be a level 1-3, monitored quarterly by the Local Performance and Scrutiny Committees. Priorities considered a 4-5 are reviewed quarterly by the Finance and Audit Committee, which includes performance against key lines of enquiry, key performance indicators and Service demand.

The Finance and Audit Committee receives separate quarterly reports on financial performance, internal and external audit and strategic risks.

At service level, performance is monitored through team and directorate management, which then feeds up to the Service Delivery Team and the Strategic Leadership Team.

The ongoing financial challenges that the Authority faces means that all areas are constantly being reviewed and evaluated to ensure they are operating in the most efficient manner possible. This aligns directly to one of the Authority priorities of making every penny count. The Productivity and Efficiency plan published each March provides current examples of savings that have been achieved via the review and challenge process.

We are satisfied with the Authority's arrangement to assess performance and evaluate service delivery.

Partnership working

The Authority is not involved in many partnerships, however they are partners in the Network Fire Services Partnership (NFSP). A common fire control system is provided creating increased efficiency and effectiveness.

Senior officers of the authority are active participants in the ongoing governance of this arrangement. There is not typically an agenda or minutes produced for these meetings, however evidence has been provided in the form of an email trail which shows discussions of performance and costs relating to the partnership. It is shown that any decisions relating to the partnership are approved by the individual boards of each member of the partnership.

Commissioning and procuring services

The Authority does not directly commission or procure any third parties to carry out services to the community on its behalf.

The Authority does make use of third-party providers in areas such as the provision of occupational health services, payroll and pensions administration and internal audit, to name a few. All of these services follow the Authority's normal procurement and contract management procedures. Performance is closely monitored by contract owners and reported to Members where appropriate.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Authority's arrangements for improving economy, efficiency and effectiveness.

8. Recommendations

KEY:



Recommendations that refer to issues that have resulted in a significant weakness in the Authority's arrangements.



Recommendations that should improve the arrangements in place at the Authority but are not as a result of identifying a significant weakness.

Current year findings

We have not identified any weaknesses from our work that we wish to highlight.

There were no matters raised by the previous auditors Deloitte in their 2022/23 Auditors Annual Report for us to follow up.



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