



Dorset & Wiltshire Fire and Rescue Authority

Report to the Finance & Audit Committee on the audit for the year ended
31 March 2020

Issued 2 September 2020 for the meeting on 17 September 2020

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Introduction

The key messages in this report

I have pleasure in presenting our report to the Finance & Audit Committee (the committee) for the 2020 audit. The scope of our audit was set out within our planning report presented to the Committee in December 2019.

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.

Status of the audit

Our audit is at an advanced stage at the date of issue of this report with the following principal matters to be finalised:

- Receipt and evaluation of return from Wiltshire pension fund auditor on their work on plan assets and membership data;
- Updates incorporated in final accounts for CIPFA checklist exceptions;
- Clearance and completion of internal quality reviews;
- Completion of pension review by internal specialist and impact assessment of recent update on McCloud and Goodwin rulings;
- Receipt of signed management representation letter; and
- Our review of events since 31 March 2020 through to signing.

We will provide an oral update on the completion of these matters at the meeting of the Finance & Audit Committee.

Conclusions from our testing

- We have not identified any significant uncorrected audit adjustments or disclosure deficiencies. As our audit work is ongoing, further misstatements may be identified through the completion of our remaining work. We will provide an oral update regarding any such matters in the meeting.
- We have summarised any audit adjustments on page 24.
- Based on the current status of our audit work, we envisage issuing an unmodified audit opinion on the Authority's financial statements with an emphasis of matter paragraph included in relation to material valuation uncertainty of property assets. The emphasis of matter paragraph relates to the material uncertainty that has been included in the external valuation report as a result of Covid 19. See page 10 for details.
- We have considered the impact of the Covid-19 pandemic on our work – we include details on pages 6 to 8. We did not identify any new financial statement or value for money significant risks as a result of the impact of the pandemic.

Introduction

The key messages in this report (continued)

Financial Sustainability and Value for Money

- In the CIES, the Authority reported an accounting surplus of £56.2m for the year (2018/19: £15.6m deficit) which included a net gain of £1m in respect of property revaluation (2018/19: net gain of £1.8m) and gains due to remeasurement of the pension liability of £66.7m (2018/19: £6.1m). At the provision of service line the Authority showed better performance in comparison to last year with a net deficit of £11.6m (2018/19: £23.5m). At year end the Authority had usable reserves of £17.7m (31 March 2019: £17.9m).
- Cash and cash equivalents held by the Authority increased to £6m from £4.5m as at 31 March 2019.
- We did not identify any significant risk related to Value for Money and we do not anticipate reporting any matters within our audit report in respect of the Authority's arrangements for securing the economy, efficiency and effectiveness of the use of resources.

Narrative Report & Annual Governance Statement

- We have reviewed the Authority's Narrative Report & Annual Governance Statement to consider whether they are misleading or inconsistent with other information known to us from our audit work.
- The Annual Governance Statement complies with the Delivering Good Governance guidance issued by CIPFA/SOLACE. We have shared CIPFA compliance checklist exceptions to management and are awaiting updated statements. We will update you in the meeting if updates have been implemented.
- We have no matters to raise with you in respect of the latest version of the Narrative Report.

Duties as public auditor

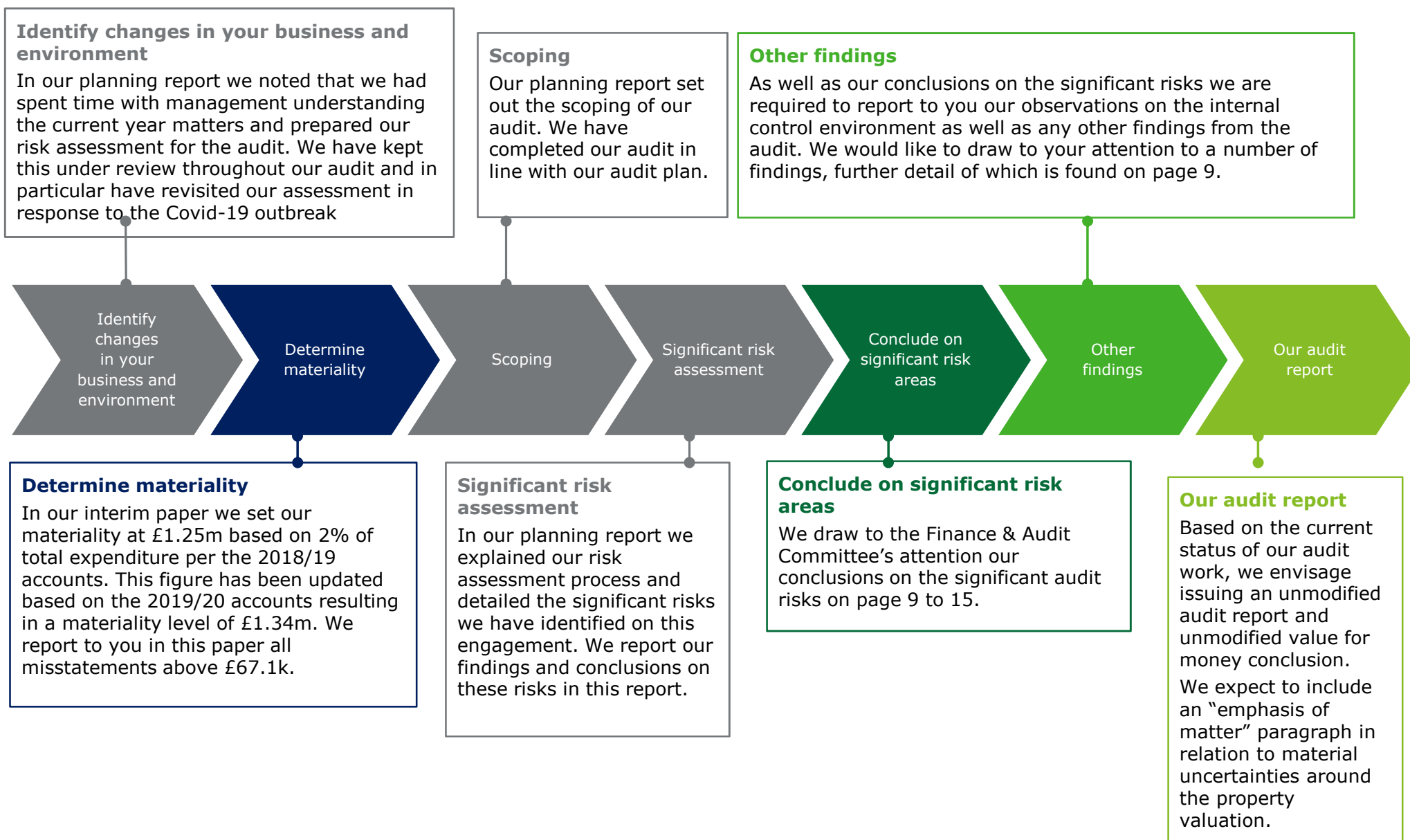
- We did not receive any formal queries or objections from local electors this year.
- We have not identified any matters that would require us to issue a public interest report. We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.

Whole of Government Accounts (WGA)

- The Authority continues to be below the threshold for WGA reporting.

Our audit explained

We tailor our audit to the Authority and your strategy



COVID-19 pandemic and its impact on our audit

Requirements

CIPFA has issued guidance highlighting the importance of considering the impact of COVID-19 in preparation of the 2019/20 financial statements, including communicating risks and governance impacts in narrative reporting. This is consistent with the Financial Reporting Council's guidance to organisations on the importance of communicating the impact of COVID-19 and related uncertainties, including their impact on resilience and going concern assessments.

Entity-specific explanations of the current and expected effects of COVID-19 and the Fire Authority's plans to mitigate those effects should be included in the narrative reporting (including where relevant the Annual Governance Statement), including in the discussion on Principal Risks and Uncertainties impacting an organisation.

As well as the effects upon reserves, financial performance and financial position, examples of areas highlighted by CIPFA include the impact on service provision, changes to the workforce and how they are deployed, impacts upon the supply chain, cash flow management, and plans for recovery. Risks highlighted include those relating to subsidiaries and investments, capital programmes, and resilience of the community including partner organisations and charities.

Actions

A thorough assessment of the current and potential future effects of the COVID-19 pandemic is required including:

- A detailed analysis across the authority's operations, including on its income streams, supply chains and cost base, and the consequent impacts on financial position and reserves;
- The economic scenario or scenarios assumed in making forecasts and on the sensitivities arising should other potential scenarios materialise (including different funding scenarios);
- Any material uncertainties relating to the Authority's financial position, the financial sustainability of the Authority, and the potential requirement for a section 114 notice; and
- The effect of events after the reporting date, including the nature of non-adjusting events and an estimate of their financial effect, where possible

Impact on the Authority	Impact on narrative report and financial statements	Impact on our audit
We have considered the key impacts on the business such as: <ul style="list-style-type: none">• Interruptions to service provision.• Supply chain disruptions.• Unavailability of personnel.• Reductions in income.• The closure of facilities and premises.	We have considered the impact of the outbreak on the narrative report and financial statements, discussed further on the next slide including: <ul style="list-style-type: none">• Principal risk disclosures• Impact on property, plant and equipment• Valuation of commercial properties• Impact on pension fund investment measurement and impairment• Financial sustainability assessment• Events after the reporting period and relevant disclosures• Bad debts provision policy• Narrative reporting• Impairment of non-current assets	We have considered the impact on the audit including: <ul style="list-style-type: none">• Resource planning• Timetable of the audit• Impact on our risk assessment• Logistics including meetings with entity personnel.

COVID-19 pandemic and its impact on our audit (continued)













	Potential Impact on narrative report and financial statements	Audit response
Impact on property, plant and equipment	The Royal Institute of Chartered Surveyors has issued a practice alert, as a result of which valuers have identified a material valuation uncertainty at 31 March 2020 for most types of property valuation. This has impacted the Authority and has required specific disclosure in the financial statements. Consequently, this has resulted in an Emphasis of Matter in our audit report.	<p>The Fire Authority has considered its approach to the measurement of property, plant and equipment (PPE). Where property held at current value is based on market valuations the Fire Authority considered with their valuers the impact that COVID-19 has had on current value. The Fire Authority also considered whether there are any indications of impairment of assets requiring adjustment at 31 March 2020.</p> <p>The material uncertainty is disclosed in the Statement of Accounts and leads to an Emphasis of Matter in our audit opinion.</p>
Impact on pension fund investment measurement	As a result of the COVID-19 pandemic pension fund investments have been subject to volatility.	We engaged early with the Wiltshire Pension Fund auditor to not only gather information for year-end measurements but to also understand any estimation techniques and any changes to those techniques that may be needed to measure the assets. At the date of this report, we have not had the response from the Pension Fund auditor to conclude on this matter.

COVID-19 pandemic and its impact on our audit (continued)

	Potential Impact on narrative report and financial statements	Audit response
Covid related income received pre year end	<ul style="list-style-type: none"> In late March the Government provided an initial £1.6bn of additional one-off funding to local government to help support the response to the pandemic. A further £1.6bn has subsequently been provided. In total this Service has received £1.3m (£184k in 2019/20) from the £3.2bn allocated nationally. Initially this has been used to fund some additional staff costs and other essential purchases, such as the provision of enhanced PPE and cleaning materials. 	<ul style="list-style-type: none"> We note that after discussion and reference to guidance these have been treated correctly in the updated statement of accounts. The remaining Covid related income receipts received after the year end will be considered as part of the 2020/21 audit.
Narrative and other reporting issues	<p>The following areas need to be considered by local authorities as having being impacted on by the COVID-19 pandemic.</p> <ul style="list-style-type: none"> Narrative reporting as well as the usual reporting requirements will need to cover the effects of the pandemic on services, operations, performance, strategic direction, resources and financial sustainability. Reporting judgements and estimation uncertainty, the Fire Authority will need to report the impact on material transactions including decisions made on the measurements of assets and liabilities 	<p>We note that the narrative report adequately discloses matters related to Covid-19, including risks, potential impacts and other issues. The report is compliant with the guidance in this area.</p> <p>We have received a further updated version back from the Fire Authority that we are checking complies with all the relevant requirements. We will update you in the meeting if any changes arise from this.</p>


Significant Risks


Significant Audit Risk dashboard

Risk	Material	Fraud risk	Planned approach to controls	Level of management judgement	Slide no.
Property Valuations			D+I		6
Completeness and Cut-off of Expenditure.			D+I		7
Management Override of Controls			D+I		8
Pension liabilities			D+I		9

D+I: Assessing the design and implementation of key controls

Low Level of Judgement 

Medium Level of Judgement 

High Level of Judgement 

Significant risks (continued)

Property valuations

Risk identified

The Authority held £31.7m of property assets (land and buildings) as at 31 March 2019 which increased to £33.6m as at 31 March 2020. The increase in movement in part was due to upwards revaluations of £1.3m as a result of the authority undertaking a independent valuation exercise during 2019/20.

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years. This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value.

Key judgements

Property assets are revalued as part of the Authority's five year rolling programme for the revaluation. The valuations are carried out by the Authority's external valuers, BNP Paribas.

The financial year to 31 March 2020 represented part of a five year rolling programme. 16 of the Authority's asset portfolio were valued.

The valuation was prepared as at 31 March 2020.

The main movements supporting the upward trend in the Authority's land and buildings assets are the revaluation of £1.3m and capital additions of £1.4m.

Deloitte response

- We tested the design and implementation of key controls in place around the property valuation, including how the Authority assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation.
- We reviewed revaluations performed in the year, assessing whether they have been performed in a reasonable manner, on a timely basis and by suitably qualified individuals.
- We used our valuation specialists, Deloitte Real Estate, to support our review and challenge the appropriateness of the assumptions used in the valuation of the Authority's property assets.
- We tested a sample of revalued assets and reperformed the calculation of the movement to be recorded in the financial statements to check correctly recorded.

Significant risks (continued)

Valuation of property assets – Material Uncertainty due to Covid-19

Material Uncertainty due to Covid 19

The Authority's valuer has included disclosures in relation to Covid 19 in their report including the extracts below:

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors.

As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of these properties under frequent review.

This is a common feature of valuation reports prepared to 31 March 2020

Impact on Statement of Accounts

The Authority is required to disclose the existence of this material uncertainty in the Statement of Accounts. This can be seen in Note 2 to the accounts, an extract of which is included below:

The Authority engages an external valuer to undertake the valuation of property annually. Property assets valuations are reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, valuation will need more frequent future review. Given current circumstances we do not expect any significant market evidence to be available until later in 2020 at the earliest. The impact on valuations may only be fully seen in subsequent accounts.

Impact on Audit Opinion

An "emphasis of matter" is required to be included in our audit opinion to draw attention to management's disclosure:

"We draw attention to note 2 and note 5, which describes the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the valuation of the Authority's property portfolio.

As noted by the Authority's external valuer, the pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the valuation of the property portfolio at the balance sheet date. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, they recommend that Authority should keep the valuation of these properties under frequent review. Our opinion is not modified in respect of this matter."

Deloitte view

We have concluded that the net book value of property assets is not materially misstated. The Authority's valuation assumptions are reasonable and are in line with last year.

Significant risks (continued)

Completeness and Cut-off of Expenditure

Risk identified

Under UK auditing standards, there is a presumed risk of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies with the completeness and cut-off of expenditure.

In February 2019, the Authority approved a budget with a net cost of service of £55.8m. As at September 2019, the Authority projected an underspend of £0.6m against this position. This forecasted position has been updated to £0.4m under budget (as at December 2019). Given the Authority's current budget position and the pressures across the whole of the public sector, there is an inherent fraud risk associated with the under recording of expenditure in order for the Authority to report a more favourable year-end position.

There is a risk that the Authority may materially misstate its expenditure through the understatement of creditors and accruals in an attempt to report a more favourable year end position.

Deloitte response

- We obtained an understanding of the design and implementation of the key controls in place to ensure the completeness of accruals and expenditure.
- We performed focused testing in relation to the completeness of creditors and accruals and cut off of expenditure through testing of post-year end invoices raised and payments made.

Deloitte view

We have concluded that expenditure (pinpointed to completeness and cut off of expenditure) is not materially misstated.

Significant risks (continued)

Management override of controls

Risk identified

In accordance with ISA 240 (UK and Ireland) management override is a significant risk. 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 judgements in the financial statements are those which we have selected to be the significant audit risks, i.e. completeness and cut-off of expenditure and the Authority's property valuations. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.

Deloitte response

- We tested the design and implementation of key controls in place around journal entries and key management estimates.
- We risk assessed journals and select items for detailed testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest.
- We reviewed accounting estimates for biases that could result in material misstatements due to fraud.
- We did not identify any significant transactions that were outside of the normal course of business for the Authority.

Deloitte view

We have found no evidence of management override of control.

Significant risks (continued)

Pension Liabilities

Risk identified

The net pension liability is a material element of the Authority's balance sheet. The Authority is an admitted body of the Wiltshire Pension Fund and the Dorset and Wiltshire Fire and Rescue Service Firefighters Pension Scheme.

The valuation of the Schemes relies on a number of assumptions, including actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation. Furthermore there are financial and demographic assumptions used in the calculation of the Authority's valuation – e.g. the discount rate, inflation rates, mortality rates. These assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data.

In addition, the McCloud judgement is continuing to evolve and the impact on the pension liabilities need to be continually accessed.

There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to the net pension liability accounted for in the financial statements

McCloud Judgment

The Authority's pension liability is derived from actuarial estimates of the assets and liabilities of the Local Government Pension Scheme (LGPS) and a Firefighters Pension Scheme (FPS). Both schemes are affected by the McCloud legal case in respect of potential discrimination in the implementation of transitional protections following changes in public sector pension schemes in 2015. Last year the Government was denied leave to appeal the case, removing the uncertainty over recognition of a liability.

The Authority commissioned its actuaries in the prior year to revise its liability assumptions for both the LGPS and FPS. The result was an increase of £210,000, and £9,623,000 respectively in 2018/19. Within the 2019/20 financial statements no revision been made to the previous allowance for the recent McCloud ruling (following the publication of the Ministry of Housing, Communities and Local Government (MHCLG) as the consultation was completed in July 2020. We are working with the Authority to assess if the impact of this will be material.

The NAO are working with GAD to provide a remedy to enable the impact of the consultation which was completed in 2020 to be assessed without requiring IAS19 reports to be re-run. Once this has been released we will be work with the Authority to calculate the potential impact.

Goodwin Judgement

The Goodwin judgement relates to sex discrimination as a result to changes that were made to pension rights for same sex married couples and relates to a tribunal ruling that was made on the 20th June 2020. For accounting at 31 March 2020, we note that the Authority's pensions accounting in respect of both LGPS and FPS makes no allowance for the Goodwin ruling, however the NAO are liaising with MHCLG in order to provide guidance to auditors in relation to this matter.

Significant risks (continued)

Pension Liabilities

Deloitte response

- We obtained an understanding of the design and implementation of the key controls in place in relation to data passed to the actuary and review of the assumptions by the Authority;
- We evaluated the competency, objectivity and independence of Barnett Waddingham and Hymans Robertson LLP, the Authority's actuarial specialists;
- We reviewed the methodology and appropriateness of the assumptions used in the valuations, utilising a Deloitte Pension team to provide specialist assessment of the variables used;
- We reviewed the pension related disclosures in the financial accounts; and,
- We tested the pension assets on sample basis and held consultation with internal specialist.

Deloitte view

We are awaiting confirmation from the pension fund auditors in addition to concluding on the McCloud and Goodwin judgements as detailed above. Therefore we are yet to conclude on our testing of pension liabilities and assumptions.

Conclusion on arrangements to secure economy, efficiency and effectiveness from the Authority's use of resources

Background

Under the National Audit Office's Code of Audit Practice, we are required to report whether, in our opinion, the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Code and supporting Auditor Guidance Notes require us to perform a risk assessment to identify any risks that have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. We are required to carry out further work where we identify a significant risk - if we do not identify any significant risks, there is no requirement to carry out further work. We note that the NAO guidance indicates a low likelihood that Covid-19 forms a risk area impacting the assessment of arrangements for 2019/20. Rather this will form part of the risk assessment and evaluation for 2020/21. The response to Covid-19 is described as an "emerging risk" in this guidance (rather than a significant risk) unless clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the 2019/20 financial year.

Our risk assessment and procedures

We are required to satisfy ourselves that the Authority has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources.

To perform this work, we are required to:

- plan our work based on consideration of the significant risks of giving a wrong conclusion; and
- carry out as much work as is appropriate to enable us to give a safe conclusion on the arrangements to secure VFM.

We did not identify any significant audit risks from performance of following procedures,

- We obtained an understanding of the Authority's Medium Term Financial Plan, and budget for 2020/21.
- We reviewed the Authority's draft Narrative Report, Annual Governance Statement and relevant Authority papers and minutes.
- We considered the Authority's financial results for the year and the assumptions in the budget for future years.
- We considered matters identified by the National Audit Office as potential value for money risks for Authority for 2019/20.

Deloitte view

Based on the current status of our audit work, we envisage issuing an unqualified "value for money conclusion".

The expected form of our conclusion is as follows:

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in April 2020 we are satisfied that, in all significant respects, Dorset & Wiltshire Fire and Rescue Service put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Other significant findings

Internal control and risk management

During the course of our audit we have identified a number of internal control and risk management findings, which we have included below for information.

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Observation		Deloitte recommendation	
1	Charminster Depot - Unsigned draft lease agreement: During our review, we noted that the Service uses the Charminster Depot operationally as a vehicle workshop, a subject to a peppercorn lease. However there is no signed lease agreement between the Fire Service and the property owner (Dorset Council).	We recommend that the Fire Service agree and sign a lease for Charminster Depot with the property owner, Dorset Council and assess the future impact under IFRS 16 during 2020/21.	
	There is no significant audit impact in current year under IAS 17. However, there is a risk that future periods will be impacted due to the implementation of IFRS 16 which would require the Fire Service to assess their lease arrangements in accordance with the new standard. Without signed lease documentation it is unclear how this assessment can be performed.		

Other significant findings

Internal control and risk management

During the course of audit we also discussed and obtained the update on prior year findings.

Finding	Update
<p>Authentication Security Settings for Agresso:</p> <p>During our review in prior year, we noted that the password settings below on Agresso are not aligned to industry standards i.e.</p> <ul style="list-style-type: none">• No automated control in place to ensure users will use different types of characters while defining passwords;• Password history is not kept; and• No lockout threshold enabled.	<p>Per discussion with management they have taken comfort from 2 step authentication i.e. the user have to log in the windows password to get access to system and then type in the Agresso password therefore these controls are not required.</p>
<p>Lack of user access right review:</p> <p>We noted that user access right reviews on Windows Active Directory and Agresso are not formally documented and are conducted on an adhoc basis by the respective system administrators</p>	<p>As above, per discussion with management they have taken comfort from 2 step authentication i.e. the user have to log in the windows password to get access to system and then type in the Agresso password therefore these controls are not required.</p>
<p>Review of pension report</p> <p>In prior year we noted that there is no control in place to verify the accuracy of the transcription of the IAS 19 Actuary Report figures entered into the financial statements</p>	<p>Per discussion with management, although no formal control has been documented Ian Cotter, Head of Financial Services and Treasurer, performs these reviews as part of his review of financial statements to ensure that disclosures and assumptions are in line with actuary report.</p>

Other significant findings (continued)

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

No issues have been identified as at the date of this report.

Significant matters discussed with management:

No issues have been identified as at the date of this report.

Other matters relevant to financial reporting:

No issues have been identified as at the date of this report.

We will obtain written representations from those charged with governance on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

Our audit report

Matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report..



Our opinion on the financial statements

Our opinion on the financial statements is unmodified.



Material uncertainty related to going concern

We have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.



Emphasis of matter and other matter paragraphs

We include details on the other matter paragraph in relation to property valuations on page 11 of this report.

There are no other matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



Our value for money conclusion

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money).

We anticipate issuing a unmodified conclusion on the Authority's arrangement.



Other reporting responsibilities

The narrative report is reviewed in its entirety for material consistency with the financial statements and the audit work performed and to ensure that they are fair, balanced and reasonable.

Your narrative report

We are required to report by exception on any issues identified in respect of the Narrative Report and Annual Governance Statement. . At this stage in the audit no issues have been noted, however as the audit is completed items that impact on the below areas may be identified.

	Requirement	Deloitte response
Narrative Report	<p>The Narrative Report is expected to address (as relevant to the Authority):</p> <ul style="list-style-type: none"> - Organisational overview and external environment; - Governance; - Operational Model; - Risks and opportunities; - Strategy and resource allocation; - Performance; - Outlook; and - Basis of preparation 	<p>We have assessed whether the Narrative Report has been prepared in accordance with CIPFA guidance.</p> <p>We have also read the Narrative Report for consistency with the annual accounts and our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>Our review identified a number of minor areas where the Narrative Reports needed revising in order to comply with guidance and to ensure that they were fair, balanced and understandable, which have been reflected in the final version.</p>
Annual Governance Statement	The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.	No issues have been identified as at the date of this report.

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 help the Finance & Audit Committee and the Authority discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your narrative report.
- Our internal control observations.
- Other insights we have identified from our audit.

What we don't report

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

The scope of our work

Our observations are developed in the context of our audit of the financial statements. We described the scope of our work in our audit plan and again in this report.

This report has been prepared for the Finance & Audit Committee and 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.

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

Michelle Hopton

for and on behalf of Deloitte LLP
Bristol

2 September 2020

Appendices



Audit adjustments

Unadjusted misstatements/disclosure deficiencies

We did not identify any misstatement above clearly trivial threshold in current year.

Corrected misstatements/disclosure deficiencies

We did not identify any misstatement above clearly trivial threshold in current year.

Fraud responsibilities and representations

Responsibilities explained



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. 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.



Required representations:

We have asked the Authority to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the Authority.

We have also asked the Authority to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning we identified completeness and cut off of expenditure and management override of controls as key audit risks for your organisation.

During the course of our audit, we have had discussions with management and those charged with governance and have not identified any further risks relating to fraud.

Concerns:

No concerns identified during our work.

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 that we comply with Financial Reporting Council (FRC) Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.
Fees	<p>The audit fee for 2019/20, in line with the fee scale rate provided by Public Section Audit Appointments (PSAA), is £34,650.</p> <p>No non-audit fees have been charged by Deloitte in the period.</p>
Non-audit services	In our opinion there are no inconsistencies between FRC Ethical Standards for Auditors and the Authority'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	<p>We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and 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.</p> <p>We are not aware of any relationships which are required to be disclosed.</p>



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