Item 21/34 Appendix A

Deloitte.

DORSET & WILTSHIRE
FIRE AND RESCUE

Dorset & Wiltshire Fire and Rescue Authority

Report to the Finance & Audit Committee on the audit for the year ended 31 March 2021

Issued 01 September 2021 for the meeting on 15 September 2021

Contents

Introduction

The key messages in this report

I have pleasure in presenting our report to the Finance & Audit Committee (the committee) for the 2021 audit. The scope of our audit was set out within our planning report presented to the Committee in March 2021.

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;
- 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 2021 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 22.
- Based on the current status of our audit work, we envisage issuing an unmodified audit opinion on the Authority's financial statements.
- 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 deficit of £155m for the year (2019/20: £58.3m surplus) which included a net loss of £0.5m in respect of property revaluation (2019/20: net gain of £1m) and losses due to remeasurement of the pension liability of £151.6m (2019/20: £66.7m gain). At the provision of service line the Authority showed better performance in comparison to last year with a net deficit of £4.3m (2019/20: £9.5m). At year end the Authority had usable reserves of £24.3m (31 March 2020: £17.7m). • Cash and cash equivalents held by the Authority decreased to £5.6m from £6m as at 31 March 2021. • 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 shared CIPFA compliance checklist exceptions to management and these have been reflected in updated accounts. • 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

Identify changes in your business and environment

In our planning report we noted that we had spent time with management understanding the current year matters and prepared our risk assessment for the audit. We have kept this under review throughout our audit and have considered impact of Covid-19 outbreak.

Scoping

Our planning report set out the scoping of our audit. We have completed our audit in line with our audit plan.

Other findings

As well as our conclusions on the significant risks we are required to report to you our observations on the internal control environment as well as any other findings from the audit. We would like to draw to your attention to page 16 to 17.

Determine materiality

In our interim paper we set our materiality at £1.26m based on 2% of total expenditure per 2020/21 year end outrun (Revenue & Capital monitoring P8 report). This figure has been updated based on the 2020/21 accounts resulting in a materiality level of £1.36m. We report to you in this paper all misstatements above £67.7k.

Significant risk assessment

In our planning report we explained our risk assessment process and detailed the significant risks we have identified on this engagement. We report our findings and conclusions on these risks in this report.

Conclude on significant risk areas

We draw to the Finance & Audit Committee's attention our conclusions on the significant audit risks on page 9 to 13.

Our audit report

Based on the current status of our audit work, we envisage issuing an unmodified audit report and unmodified value for money conclusion.

COVID-19 pandemic and its impact on our audit

Requirements	CIPFA had issued guidance, in prior year, highlighting the importance of considering the impact of COVID-19 in preparation of the 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: • 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: • Principal risk disclosures • Impact on property, plant and equipment • Valuation of 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: • 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 had issued a practice alert, as a result of which valuers had identified a material valuation uncertainty at 31 March 2020 for most types of property valuation. In current year this material uncertainty was removed from valuation report and hence we have removed an Emphasis of Matter from our audit report.	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 2021. The material uncertainty disclosed in the Statement of Accounts and resultant Emphasis of Matter in our audit opinion from prior year has been subsequently removed. We have engaged our internal specialist to understand the valuation methodology and are satisfied with approach adapted. Please refer to page 14 for details.
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	• In late March 2020 the Government provided an initial £1.6bn of additional one-off funding to local government to help support the response to the pandemic. For 2020/21, the Service has received £2.6m to compensate for the reduction in council tax and business rate income, and have also received £1.3m to fund direct costs arising from COVID-19. 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.	• We note that after discussion and reference to guidance these have been treated correctly in the updated statement of accounts.
Narrative and other reporting issues	The following areas need to be considered by local authorities as having being impacted on by the COVID-19 pandemic. • 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	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.

Significant audit risks

Significant risk dashboard

Risk	Fraud risk	Approach to controls	Level of management judgement	Conclusion	Expected to be a key audit matter in our audit report	Slide no
Completeness of accruals & creditors	✓	DI	⚠	Satisfactory	✓	10
Management Override of Controls	✗	DI	⚠	Satisfactory	✓	11
Pension Liabilities	✗	DI	⚠	Satisfactory	✓	12

Low Level of Judgement ⚠

Medium Level of Judgement ⚠

High Level of Judgement ⚠

Controls approach adopted

DI Assess design & implementation

Significant risks
Completeness of accruals & creditors

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 of accruals and creditors.

In February 2020, the Authority approved a budget with a net cost of service of £56.884m. By the end of the period, the Authority were able to deliver a £2.0m underspend on the budget. 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 through testing of post-year end invoices raised and payments made.

Deloitte view

Based on procedures performed, we have concluded that completeness of accruals and creditors is not materially misstated.

Significant risks (continued)

Management override of controls

Risk identified

In accordance with ISA 240 (UK) 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 of accruals and creditors and the Authority's pension liabilities. 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 and Goodwin 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 the 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. In 2019/20 the Government was denied leave to appeal the case, removing the uncertainty over recognition of a liability.

For the FPS the Authority's actuary assessed the likely liability for McCloud to be c£9.6m as at 31 March 2019. In July 2020, the Government published a consultation on the proposed remedy for McCloud. Following this the actuary advised that the liability should be revised down by c£2.1m. This reduction was included in the financial statements for 2020/21. The final remedy was confirmed when the Treasury published their response to the consultation in February 2021. In terms of benefits offered there was no change to that proposed in the consultation and therefore the actuary concluded that no further adjustments were required to the allowance for McCloud.

It should be noted that there is still uncertainty about the form of compensation that will be provided to members and therefore the final cost of complying with the ruling may be different to the estimate (and only known for certain after many years). Further there is speculation that there may be further challenges relating to the proposed McCloud rectification. There are likely to be significant administration and other costs associated with implementing the relevant benefit changes to reflect the McCloud judgment which have not yet been allowed for.

For the LGPS, an allowance of £210k was made in 2019/20 and we note that no further allowance has been made at this time. Previously, Hymans Robertson confirmed that they expected this allowance for a typical section to be approximately 1% of the total service cost. Based on the indicative costs and allowing for the Employer's salary growth assumption, we estimate that the impact for the Employer would be significantly below reporting threshold.

Significant risks (continued)

Pension Liabilities

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 2021, we note that the Authority's pensions accounting in respect of both LGPS and FPS makes no allowance for the Goodwin ruling and any impact is considered immaterial.

LGPS- Based on our specialist view we estimated Goodwin impact on a typical LGPS fund is likely to be very small, around 0.1% - 0.2% of the Defined Benefit Obligation (DBO). As 31 March 2021 this would equate to c.£98k - £196k for Dorset & Wiltshire Fire and Rescue Authority. Management consider the amount to be immaterial, therefore no allowance has been made in the financial statements. Please refer to page 22 for uncorrected misstatement.

FPS- Goodwin has no impact on FPS scheme in 2020/21. Barnett Waddingham have stated that there is "not yet have enough information to make an accurate estimate of the potential impact on the defined benefit 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 have involved our internal specialist to review, challenge and test the conclusions and adjustments resulting from McCloud and Goodwin rulings;
- 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 the final reports from our internal pension specialist however we do not anticipate any material misstatement.

We have identified as a result of the Goodwin ruling the potential impact of implementing a solution to correct the past underpayment of spouses' benefits would equate to liability adjustment of between £98k and £196k for the LGPS wihtin Dorset & Wiltshire Fire and Rescue Authority. This has been recorded as uncorrected misstatement on page 22.

Other focus areas

Property valuations

Risk identified

The Authority held £33.6m of property assets (land and buildings) as at 31 March 2020 which decreased to £32.5m as at 31 March 2021. The movement in part was due to downwards revaluations of £0.8m as a result of the authority undertaking an independent valuation exercise during 2020/21.

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 2021 represented part of a five year rolling programme. Of the Authority's asset portfolio, 13 have been valued in the current year.

The valuation was prepared as at 31 March 2021.

Deloitte response

- 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.

Deloitte view

Management have applied a rolling programme, consistent with last year's approach, and extrapolated the valuation results to assets within same category of assets/properties. We have involved our internal specialist to challenge and test the appropriateness of this process and valuation methodology. Furthermore, on sample basis we have tested the accuracy and completeness of the application. Based on the procedures performed we have concluded that the methodology applied by management and resultant revaluations are not materiality misstated.

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

Value for Money requirements

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 Value for Money arrangements, which might include emerging risks or issues arising; and
- Where significant weaknesses are identified, report this by exception within our financial statement audit opinion.

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 have reviewed of the Authority’s draft Annual Governance Statement;
- reviewed internal audit reports through the year
- considered issues identified through our other audit and assurance work;
- considered the Authority’ financial performance and management throughout 2020/21; and
- obtained an understanding of the Authority’s Medium Term Financial Plan, and budget for 2020/21.

Deloitte view

We have completed our Value for Money work. Our Value for Money commentary will be included in the Auditor’s Annual Report which will be prepared in line with the national timetable of the 30 November 2021.

Other significant findings

Internal control and risk management

During our audit, we have held discussion with management to understand controls around significant risk areas and areas prone to management bias, judgement or estimates. During our walkthrough of these controls, we have not identified any significant issues to report under ISA 540.

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.

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

Observation	Management update
Charminster Depot - Unsigned draft lease agreement: During our prior year audit, 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). 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. 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 2021/22.	Per discussions with management there are ongoing discussions with Dorset Council to finalise the lease arrangements, but this has not yet been completed. Once lease is signed, both parties will assess the future impact under IFRS 16 during 2021/22.

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 expected to be 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

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	The Narrative Report is expected to address (as relevant to the Authority): - Organisational overview and external environment; - Governance; - Operational Model; - Risks and opportunities; - Strategy and resource allocation; - Performance; - Outlook; and - Basis of preparation	We have assessed whether the Narrative Report has been prepared in accordance with CIPFA guidance. 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. Our review identified a number of minor areas where the Narrative Report needed revising in order to comply with guidance and to ensure that it was fair, balanced and understandable, which have been reflected in the final version.
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.

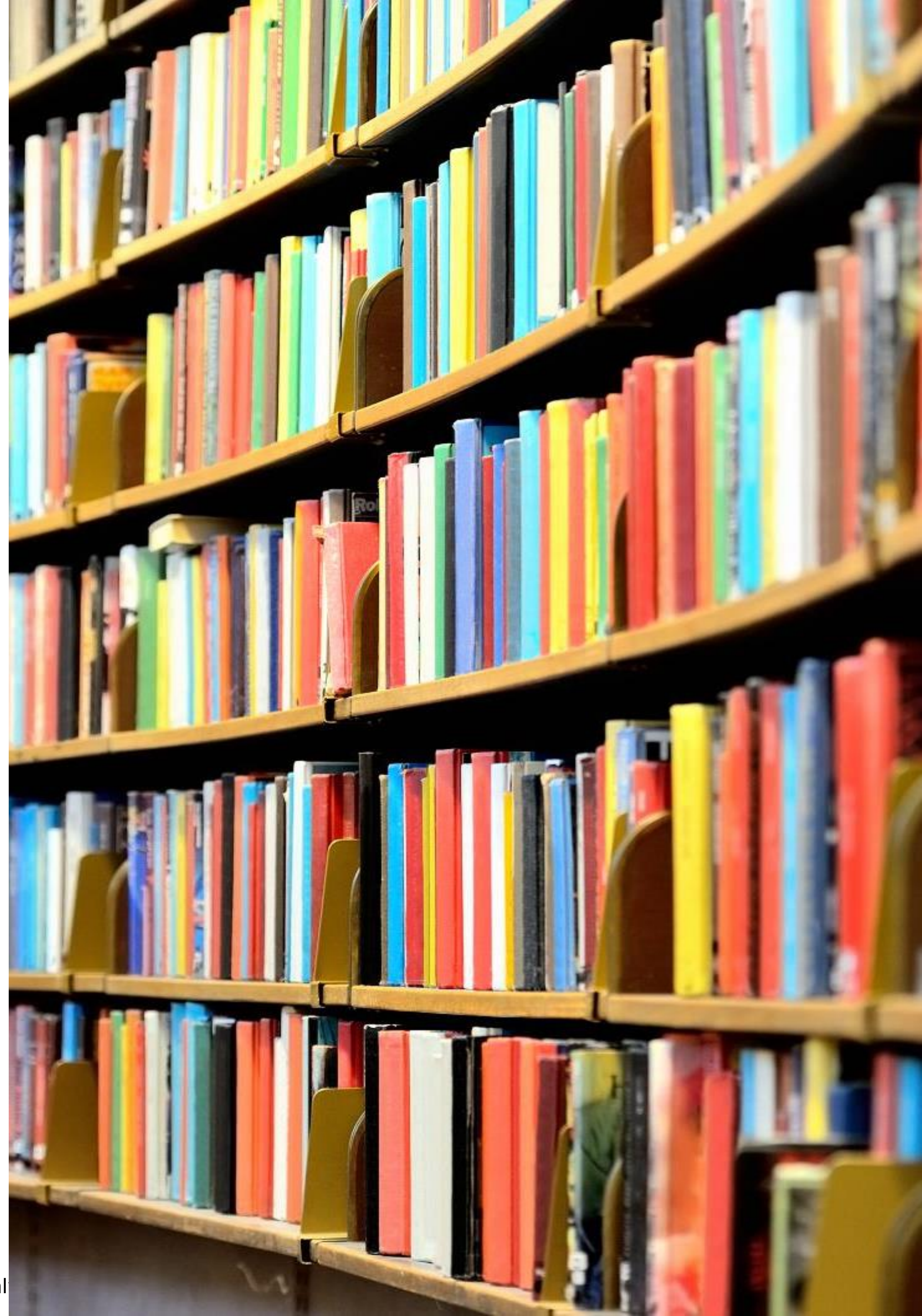
Michelle Hopton

for and on behalf of Deloitte LLP

Bristol

01 September 2021

Appendices



Audit adjustments

Unadjusted misstatements/disclosure deficiencies

We identified that £490k worth of grant income relating to the Emergency Services Mobile Communications Programme (ESMCP) project has been recognised in 2020/21. We appreciate that in the Authority's view the funding has been received and there is no requirement to repay, therefore the income can be recognised in 2020/21. However, the grant has a condition attached where the Authority has to submit a business case to the Home Office before utilising the funding. Our view is that the grant should not be recognised as an income until that condition is satisfied. Therefore, in our view, the income is overstated by £490k and should be corrected as follows:

Dr Income £490k

Cr Capital/revenue grant received in advance £490k

We identified that as a result of the Goodwin ruling the actuary has carried out some approximate analysis across our LGPS clients to understand the potential impact of implementing a solution to correct the past underpayment of spouses' benefits. The approximate impact of this for a typical Fund is (c0.1-0.2% of obligations). This would equate to between £98k and £196k for Dorset & Wiltshire Fire and Rescue Authority. Similar to prior year, management have not recorded the impact of this, given the level of additional work and fees that would be involved for the Authority.

Dr Income statement £98k-£196k

Cr Liability £98k-£196k

Corrected misstatements/disclosure deficiencies

We identified one misstatement that was subsequently corrected by management. This misstatement relates to the overstatement of assets and liabilities arising from the treatment of supplier invoices that were received before year end but relate to post-year end. The treatment had initially been to debit the prepayment balance to ensure that nil charge was made to the CIES during the current period. However, as there is no expense incurred in the year, there is no liability at the balance sheet date. Hence, the correct entry would be to debit the liability.

Correcting journal entry posted by management:

Dr Creditors £160k

Cr Prepayments £160k

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	The audit fee for 2020/21, 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 Value for Money requirements which are new this 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 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	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. We are not aware of any relationships which are required to be disclosed.

Deloitte.