



# Dorset and Wiltshire Fire and Rescue Authority

## Auditor's Annual Report 2020/21

## November 2021

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# Key messages

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## Audit opinion on the financial statements

We issued an unqualified opinion on the Authority's financial statements on 30 September 2021.

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## The Authority's arrangements to secure Value for Money

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### Financial Sustainability

*How the body plans and manages its resources to ensure it can continue to deliver its services*

- The Authority recognised a deficit on the provision of services for the year of £5.1m. At 31 March 2021, the Authority had net liabilities of £645.3m (31 March 2020: net liabilities of £489.3m), net current assets of £6.6m (31 March 2020: £6.4m), and cash of £5.6m (31 March 2020: £6.0m). The net liability position is driven by the pensions liability and therefore is not considered a risk. The Authority's useable reserves have increased by £17.7m to £23.4m.
  - The Authority has a thorough annual financial planning and forecasting process and has set out a balanced Medium Term Financial Strategy from 2020/21 to 2022/23.
  - The Authority reports the financial position on a quarterly basis which includes an analysis of the actual expenditure incurred compared to budget.
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### Governance

*How the body ensures that it makes informed decisions and properly manages its risks*

- The Authority has a detailed risk management process in place and performed an assessment of the risks of Covid-19 during the year. The Authority maintains a Risk Management Framework and risk register, which are reviewed on a quarterly basis by the Authority.
  - The Authority receives a bi-annual corporate performance report which includes a review of the actual outturn position against the budget, and details any significant variances. In addition the committees with delegated authority review the performance against the key strategic priorities on a quarterly basis.
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# Key messages

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## The Authority's arrangements to secure Value for Money (continued)

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### Improving economy, efficiency and effectiveness

*How the body uses information about its costs and performance to improve the way it manages and delivers its services*

- The Authority assesses its performance through quarterly Corporate Performance Reports presented to key committees, which consider 5 key priorities.
  - Her Majesty's Inspector of Constabulary and Fire and Rescue Service (HMICFRS) carried out a full national inspection of all fire and rescue services in 2018 and 2019. The Effectiveness section of the inspection report provides an external validation of the Authority's partnership working arrangements with no issues noted. This is further supported in the report on our Covid-19 themed inspection from 2020.
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# Purpose of this report

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Our Auditor's Annual Report sets out the key findings arising from the work we have carried out at Dorset and Wiltshire Fire and Rescue Authority ("the Authority") for the year ended 31 March 2021.

This report is intended to bring together the results of our work over the year at the Authority, including commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM").

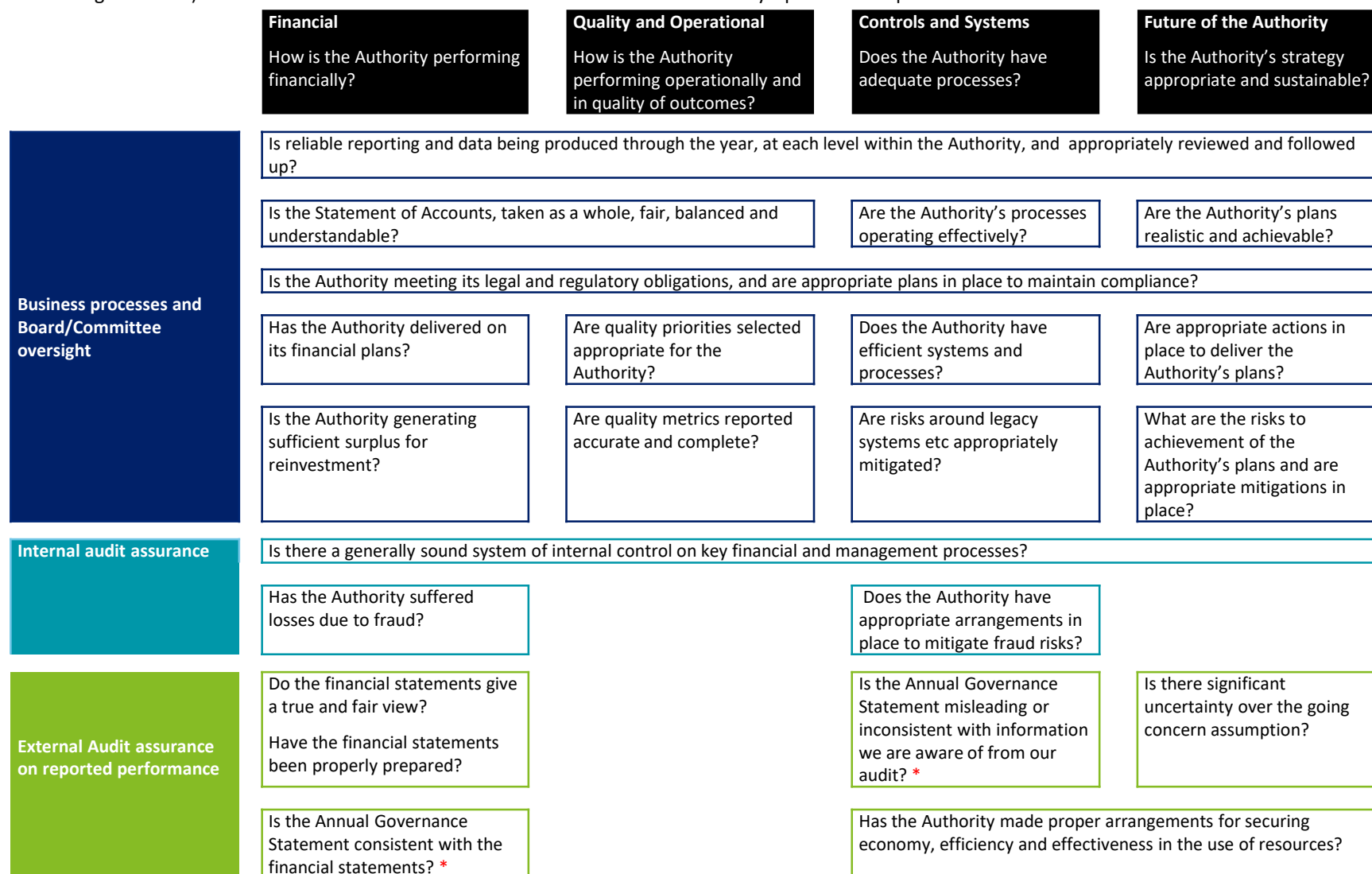
In preparing this report, we have followed the National Audit Office's ("NAO") Code of Audit Practice and its Auditor Guidance Note ("AGN") 07. These are available from the NAO's website.

A key element of this report is our commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in the use of resources. Our work considering these arrangements is based on our assessment of the adequacy of the arrangements the Authority has put in place, based on our risk assessment. The commentary does not consider the adequacy of every arrangement the Authority has in place, nor does it provide positive assurance that the Authority is delivering or represents value for money. Where we find significant weaknesses in the Authority's VfM arrangements or areas where arrangements could be further strengthened, we include recommendations setting out what the Authority needs to do to strengthen its arrangements. We have found no significant weaknesses in our audit work for 2020/21.

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# Assurance sources for the Authority

The diagram below illustrates how the assurances provided by external audit around finance, quality, controls and systems, and the future of the Authority (set out in the green rows) fit with some of the other assurances available over the Authority's position and performance.



# Opinion on the financial statements

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**We provide an independent opinion on whether the Authority's financial statements:**

- Give a true and fair view of the financial position of the Authority at 31 March 2021 and of its income and expenditure for the year then ended;
- Have been properly prepared in accordance with the accounting policies directed by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21; and
- Have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

The full opinion and certificate are included in the Authority's Statement of Accounts, which can be obtained from the Authority's website.

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We conduct our audit in accordance with the NAO's Code of Audit Practice, International Standards on Auditing (UK) ("ISAs (UK)") and applicable law.

We are independent of the Authority in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

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**Audit opinion on the financial statements**

We issued an unqualified opinion on the Authority's financial statements on 30 September 2021. We did not identify any matters where, in our opinion, proper practices had not been observed in the compilation of the financial statements.

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**Annual Governance Statement**

We did not identify any matters where, in our opinion, the Annual Governance Statement did not meet the disclosure requirements set out in the CIPFA Code of Practice, was misleading, or was inconsistent with information of which we are aware from our audit.

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**Narrative Report**

We are satisfied that the information given in the narrative report for the year ended 31 March 2021 is consistent with the financial statements.

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**Reports in the public interest and use of other powers**

We did not exercise any of our additional reporting powers in respect of the year ended 31 March 2021.

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**Audit Certificate**

We certified completion of the audit on 26 November 2021, following completion of our responsibilities in respect of the audit for the year ended 31 March 2021.

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# Our financial statement audit approach

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## **An overview of the scope of the audit**

Our audit was scoped by obtaining an understanding of the Authority and the environment it operates in, including internal control, and assessing the risks of material misstatement to the financial statements. Our risk assessment procedures include considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures. This enables us to determine the scope of further audit procedures to address identified risks of material misstatement.

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team, led by the audit lead, Michelle Hopton. The audit team included integrated Deloitte specialists bringing specific skills and experience in local government pension schemes and property valuation.

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## **Materiality**

Our work is planned and performed to detect material misstatements. We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Authority to be £1,355k, on the basis of 2% of expenditure.

We agreed with the Finance and Audit Committee that we would report to the Committee all audit differences in excess of £67.7k, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Finance and Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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## **Procedures for auditing the Authority's financial statements**

Our audit of the Authority's financial statements included:

- developing an understanding of the Authority, including its systems, processes, risks, challenges and opportunities and then using this understanding to focus audit procedures on areas where we consider there to be a higher risk of misstatement in the Authority and Fund's financial statements;
  - interviewing members of the Authority's management team and reviewing documentation to test the design and implementation of the Authority's internal controls in certain key areas relevant to the financial statements; and
  - performing sample tests on balances in the Authority's financial statements to supporting documentary evidence, as well as other analytical procedures, to test the validity, accuracy and completeness of those balances.
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## **Approach to audit risks**

We focused our work on areas where we considered there to be a higher risk of misstatement. We refer to these areas as significant audit risks.

We provided a detailed audit plan to the Authority's Finance and Audit Committee setting out what we considered to be the significant audit risks for the Authority, together with our planned approach to addressing the risk. We have provided a summary of the significant audit risks on the next pages.

We have made recommendations in our Audit Committee reporting in relation to an informal lease agreement where management are in discussions to agree appropriate terms and conditions. However, we do not consider these recommendations to reflect significant weaknesses in the Authority's VfM arrangements.

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# 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 Godwin 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 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 Dorset & Wiltshire Fire and Rescue Authority. This was recorded as an uncorrected misstatement.

# Auditor's work on Value for Money (VfM) arrangements

The Accounting Officer is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

The Accounting Officer reports on the Authority's arrangements, and the effectiveness with which the arrangements are operating, as part of their Annual Governance Statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied as to whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Under the National Audit Office's Auditor Guidance Note 3, we are required to assess arrangements under three areas:

<b>Financial Sustainability</b>	<i>How the body plans and manages its resources to ensure it can continue to deliver its services</i>
<b>Governance</b>	<i>How the body ensures that it makes informed decisions and properly manages its risks</i>
<b>Improving economy, efficiency and effectiveness</b>	<i>How the body uses information about its costs and performance to improve the way it manages and delivers its services</i>

In this report, we set out the findings from the work we have undertaken. Where we have found significant weaknesses in arrangements, we are required to make recommendations so that the Authority can consider them and set out how it plans to make improvements. We have not identified any significant weaknesses in arrangements.

In planning and performing our work, we consider the arrangements that we expect bodies to have in place, and potential indicators of risks of significant weaknesses in those arrangements. As a result of the Covid-19 pandemic, there have been changes in nationally led processes, changes in expectations around the Authority's arrangements, and events occurring outside of the Authority's control, which affect the relevance of some of these indicators. We have still considered whether these indicators are present, but have considered them in the context of the circumstances of 2020/21 in assessing whether they are indicative of a risk of significant weakness.

In addition to our financial statement audit, we performed a range of procedures to inform our VfM commentary, including:



Interviews with key officers, including Ian Cotter (Head of Financial Services and Treasurer), Jill McCrae (Head of Strategic Planning and Corporate Assurance) and Andy Cole (ACFO).



Review of Board and Committee reports and attendance at Finance and Audit Committee meetings.



Reviewing reports from third parties including internal audit.



Considering the findings from our audit work on the financial statements.



Review of the Authority's Annual Governance Statement and narrative report.

# VfM arrangements: Financial Sustainability

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## Approach and considerations

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

- How the Authority ensures it identifies all the significant financial pressures that are relevant to its short and medium-term plans, and builds these into them;
- How the Authority plans to bridge its funding gaps and identifies achievable savings;
- How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Authority ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning; and
- How the Authority identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.

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## Commentary

The Authority recognised a deficit on the provision of services for the year of £5.1m. At 31 March 2021, the Authority had net liabilities of £645.3m (31 March 2020: net liabilities of £489.3m), net current assets of £6.6m (31 March 2020: £6.4m), and cash of £5.6m (31 March 2020: £6.0m). The net liability position is driven by the pensions liability and therefore is not considered a risk. The Authority's useable reserves have increased by £17.7m to £23.4m.

There has been limited impact of the Covid-19 pandemic on the Authority, with additional grant income being received during the year. The Authority has reviewed the additional costs of Covid-19 on the Authority and used the Covid-19 grants to support the delivery of services during the pandemic.

The Authority has a thorough annual financial planning and forecasting process. The financial plan is considered as part of the overall operational planning process and this process is led by the Head of Financial Services and Treasurer. The Authority has a balanced Medium Term Financial Strategy for 2020/21 to 2024/25.

In preparing the 2021/22 budget, the Authority has performed a full review of the base budget, this involved reviewing both the internal and external environments to ensure that all financial pressures were identified and factored in to the budget.

The 2021/22 budget is linked to the corporate objectives and has been prepared to ensure the Authority has sufficient resources to deliver services.

# VfM arrangements: Financial Sustainability - continued

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## Commentary

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The Authority has a detailed risk management process. This includes a Risk Framework and a 5X5 matrix rating system to measure the risks. The Authority maintains departmental and a strategic risk register which is reviewed and challenged on a quarterly basis by the Authority's Finance and Audit Committee. The highest risk on the strategic risk register is 'Failure to secure financial sustainability that's ensures and maintains effective service provision'. This specifically relates to the uncertainties in the future funding of Fire Authorities which isn't specific to Dorset and Wiltshire Fire Authority therefore no significant weaknesses have been noted.

The Authority reports the corporate performance on a regular basis, which includes a review of the financial position and an analysis of the actual expenditure incurred compared to budget. This allows the Authority to identify any changes in demand throughout the year.

# VfM arrangements: Governance

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## Approach and considerations

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

- how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the body approaches and carries out its annual budget setting process;
- how the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

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## Commentary

As set out on the previous page, the Authority has a detailed risk management process in place. The Authority maintains a Risk Management Framework and a strategic risk register which is reviewed on a quarterly basis by the Authority, departmental risk registers are reviewed on a monthly basis. The risks identified are allocated to an owner to implement the mitigating actions. Due to the Covid-19 pandemic, the risk register was reviewed and risks identified relating to the pandemic were added to the risk register.

The Authority has a series of policies covering internal controls, including a whistleblowing and anti-fraud policy. These policies are readily available for all staff to review on the Authority's website.

The Treasurer is responsible for ensuring that a budget and a long term budget plan or forward financial forecast (Medium Term Financial Plan) is prepared on an annual basis for consideration by Members. National and local guidance is assessed and used to form the basis of a number of assumptions in the plan. Current year performance is evaluated with notable variances explained to determine any ongoing impact. The budget seeks to explain year on year movements and any pressures are identified. There is a clear process in place to set the annual budget and this is approved by the Authority.

The Authority receives a bi-annual corporate performance report which includes a review of the actual outturn position against the budget, and details any significant variances. In addition the committees with delegated authority review the performance against the key strategic priorities on a quarterly basis.

The Authority has a number of staff policies in place including a code of conduct. These are all contained within the policies and procedures and are readily available for all staff to access. Declarations of interest are maintained for all senior members of staff and decision making officers.



# VfM arrangements: Improving economy, efficiency and effectiveness

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## Approach and considerations

We have considered how the body 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, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- Where the Authority commissions or procures services, how the Authority ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the Authority assesses whether it is realising the expected benefits.

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## Commentary

The Authority has a detailed Performance Management framework in place, this is detailed in a picture on the next page. The Authority assesses its performance through bi-annual Corporate Performance Reports which consider a number of key priorities:

- Priority 1- Making safer and healthier choices
- Priority 2 – Protecting you and the environment from harm
- Priority 3 – Being there when you need is
- Priority 4 – Making every penny count
- Priority 5 – Supporting and developing our people.

Performance against these priorities is reviewed by the Local Performance and Scrutiny Committee and the Finance and Audit Committee on a quarterly basis.

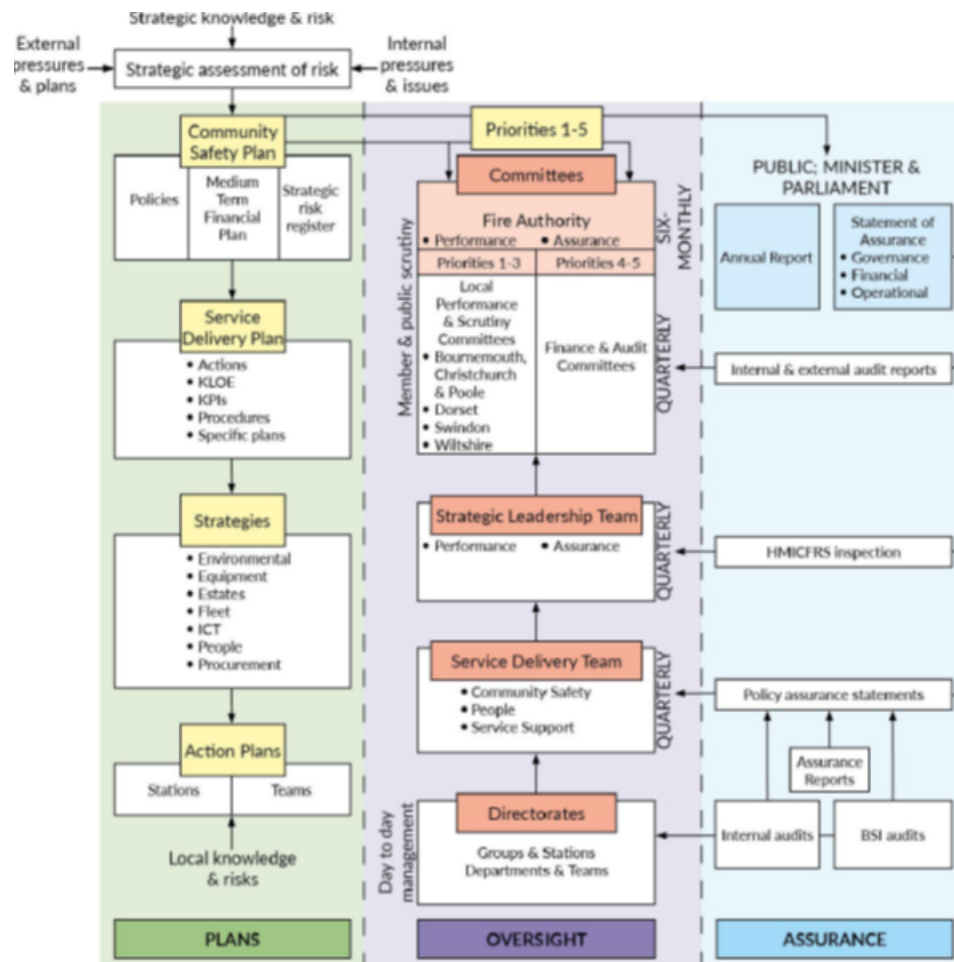
Officers and Members represent the Authority and Service at various strategic partnership boards and meetings including health and wellbeing boards, community safety partnerships, local resilience forums and public service boards. At a more local level officers also support partnership arrangements, such as area boards in Wiltshire.

The Authority are partners, along with Devon & Somerset FRS and Hampshire & Isle of Wight FRS, in the Network Fire Services Partnership (NFSP). NFSP provides a common fire control system and procedures across the partnership, with borderless mobilising sending the closest available resources to an incident, irrespective of location within the five geographical counties.

Her Majesty's Inspector of Constabulary and Fire and Rescue Service (HMICFRS) carried out a full national inspection of all fire and rescue services in 2018 and 2019. The Effectiveness section of the inspection report provides an external validation of the Authority's partnership working arrangements with no issues noted. This is further supported in the report on the Covid-19 themed inspection from 2020.

# VfM arrangements: Improving economy, efficiency and effectiveness - continued

## Commentary



# Appendices



# Purpose of our report and responsibility statement

## What we report

Our report fulfils our obligations under the Code of Audit Practice to issue an Auditor's Annual Report that brings together all of our work over the year, including our commentary on arrangements to secure value for money, and recommendations in respect of identified significant weaknesses in the Authority's arrangements.

## 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.

## Use of this report

This report is made solely for the Authority, as a body, in accordance with the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in our Auditor's Annual Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed

## What we don't report

Our audit was not designed to identify all matters that may be relevant to the Authority.

Also, there will be further information the Pensions Authority need to discharge their 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 work under the Code of Audit Practice in respect of Value for Money arrangements.

**Deloitte LLP**  
Bristol, November 2021

# Appendix 1: Authority's responsibilities

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Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Treasurer as Accounting Officer of the Authority, is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Accounting Officer is required to comply with the CIPFA code of practice and prepare the financial statements on a going concern basis, unless the Authority is informed of the intention for dissolution without transfer of services or function to another entity. In applying the going concern basis of accounting, the Accounting Officer has applied the 'continuing provision of services' approach set out in the CIPFA code of practice as it is anticipated that the services the Authority provides will continue into the future.

The Accounting Officer is required to confirm that the Statement of Accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for patients, regulators and stakeholders to assess the Authority's performance, business model and strategy.

The Accounting Officer is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of the Authority's resources, for ensuring that the use of public funds complies with the relevant legislation, delegated authorities and guidance, for safeguarding the assets of the Authority, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Accounting Officer and the Board are responsible for ensuring proper stewardship and governance, and reviewing regularly the adequacy and effectiveness of these arrangements.

# Appendix 2: Auditor's responsibilities

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## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at:

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Auditor's responsibilities relating to the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required under the Code of Audit Practice and the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the foundation Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance, published by the Comptroller & Auditor General in April 2021, as to whether the Authority has proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Authority a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021. Other findings from our work, including our commentary on the Authority's arrangements, are reported in our Auditor's Annual Report.

## **Auditor's other responsibilities**

We are also required to report to you if we exercise any of our additional reporting powers under the Local Audit and Accountability Act 2014 to:

- make a written recommendation to the Authority, copied to the Secretary of State;
- make a referral to the Secretary of State if we believe that the Authority or an officer of the Authority is:
  - about to make, or has made, a decision which involves or would involve the Authority incurring unlawful expenditure; or
  - about to take, or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency; and
- consider whether to issue a report in the public interest.



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