

3 December 2021
Private & Confidential

[REDACTED]
Provided by email

We set out below our response to the items raised in the Public Access Statement dated 21 November 2021 presented to AGECE on the 24 November 2021. We do not consider these to be Formal Objections to the accounts and have been treated as questions raised as part of the audit. We note that whilst we, as auditors to the Authority, are not required to respond outside of 30-day Public Inspection period, we have replied in good faith to address the issues raised in the statement.

| | Public Access Statement | Deloitte Response |
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| 1 | <p>It has taken over four months and my persistent refusal to accept the dismissals and denials, by Avon Finance staff and auditors Deloitte, of the writing off of £740k capital expenditure on the new Avonmouth Station, for this to be admitted. So that is now £3.2 million misstatements in the 2020/21 accounts identified by me.</p> | <p>These adjustments have been made to the final accounts.</p> |
| 2 | <p>The misstatement of £740k regarding the new Avonmouth Station did affect the bottom line.</p> <p>Deloitte report that they have made the following adjustments in the 2020/21 accounts to correct this: £474k understatement of Retained Earnings and £266k understatement in Revaluation Reserve.</p> <p>I do not believe these adjustments are correct.</p> <p>The net book value of the RAM item number 000002 old Avonmouth Station, to which the £740k cash expenditure was originally added, had been impaired (revalued down) to a value of £219k at 31 March 2021, representing Jones Lang Lasalle's valuation of £269k at 31 March 2020 less £49k depreciation in 2020/21.</p> <p>Deloitte's adjustment represents cash expenditure of £266k as a non-cash transaction increase to the Revaluation Reserve, either artificially increasing the old Avonmouth Station's value to £485k, or incorrectly representing £266k of the £740k</p> | <p>As noted in the Deloitte response dated the 19 November 2021 it set out that as this adjustment related to 2019/20 and was not material therefore a prior year adjustment could not be made in accordance with accounting standards. On this basis the prior year cost of services remains unchanged. Refer to CIPFA code para 3.3.2.18.</p> <p>The adjustment has therefore been posted through the current year CIES and balance sheet. The adjustments to the accounts have been audited with no issues noted.</p> <p>The adjustment has no impact on cash and is reversing a non-cash adjustment relating to a previous impairment which had been charged to the revaluation reserve and the capital adjustment account.</p> |

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| | <p>cash spent as a non-cash increase in value in the new Avonmouth Station.</p> <p>They have done this kind of thing before.</p> <p>Please can Deloitte provide a clear explanation of why they believe this is correct, and if this is, as I believe, incorrect can they correct this.</p> | |
| 3 | <p>It is concerning that in 2020/21 Avon Fire decided for the first time (in decades at least) not to use independent professional property valuers and instead have valuations done by Deloitte. Deloitte's report suggests this may continue.</p> | <p>Please refer to the final ISA260 on page 15, this was presented to AGEC on the 24 November 2021.</p> <p>For clarification, Deloitte have not completed any valuation of the properties in 2020/21.</p> |
| 4 | <p>Despite a commitment from Deloitte to AGEC members, in their meeting of 23 September, to give a "full response" to my concerns raised in emails dated 17 and 21 September, sent to them and copied to the AGEC Chair, following my review of 2020/21 accounting records provided to me, two months on they have failed to do this. The only concern they have responded to is the £740k error as above.</p> | <p>All responses have been provided in the letter dated 19 November 2021 and this letter dated 3 December 2021.</p> |
| 5 | <p>Another "bottom line" error of approx £250k (this one, an uncorrected adjustment, overstating expenditure) is mentioned in Deloitte's latest report, but no details of what the prepaid invoice referred to was for. Can Deloitte please let AGEC members and the public know. The only invoice I can find large enough, as per published expenditure over £500 is for insurance.</p> | <p>This misstatement relates to a prepayment of insurance which was identified during the audit. This has been communicated to those charged with governance as an uncorrected misstatement on the 23 September 2021 and the 24 November 2021.</p> <p>The decision to leave the misstatement unadjusted does not impact on our audit opinion as set out in the final ISA260 presented to AGEC on the 24 November as based on our assessment of materiality this is immaterial.</p> |
| 6 | <p>Zurich was paid approximately £450k in mid September 2018 and 2019. In 2020/21 however these insurance payments were made:</p> <p>14/04/2020 Fire and Rescue Indemnity Company Limited £232,331.00 21/09/2020 Bristol City Council - Insurance £20,000.00 02/12/2020 Zurich Insurance Company £33,665.62 27/01/2021 Fire and Rescue Indemnity Company Limited £420,451.79</p> <p>Deloitte rebutt the need to audit incoming monies, but can they please confirm (with proof) how much was received from Zurich, on</p> | <p>Whilst Deloitte has rebutted the significant risk of fraud in revenue recognition (incoming monies), this does not mean that we do not carry out procedures in respect of revenue. As with all areas of any audit this may be completed on a sample basis or through analytical procedures and will not look at individual transactions on an item by item basis.</p> <p>Please also refer to point 5 above.</p> <p>We are in the process of finalising our value for money procedures and will review the cessation of the insurance contract as part of this.</p> <p>The last paragraph will need to be considered by management.</p> |

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| | <p>the apparent early ending of insurance cover provided by them? And also confirm that any insurance refund received was credited against insurance expenditure.</p> <p>Can Avon also please explain why they are apparently paying either approximately £250k more, or, if Zurich repaid a similar amount, the same inflated amount for insurance with the new providers?</p> | |
| 7 | <p>In the AGECE meeting of 23 September it was resolved to publish the audited statement of accounts on Avon Fire's website by 30 September - it's not there? If it has been removed, for correction of the additional misstatement I identified, please state when the amended version will be published. It is strange that Deloitte generally don't alter draft accounts with errors found during their audit, as can be seen in their report of numerous 6 figure sum unadjusted errors. Isn't the point of an audit to produce accurate accounts?</p> | <p>The accounts will be published once the audit opinion has been provided. Accounts are unable to be published as audited until our audit has concluded.</p> <p>It should be noted that all misstatements that were considered material to the audit opinion have been adjusted by management as required to do so.</p> <p>The decision as to whether to adjust amounts which are not material is one for management and those charged with governance and not the auditors.</p> <p>The audit opinion was signed on the 26 November 2021 and has been published on the Authority's website.</p> |

I can confirm the above issues have been reviewed by Deloitte and we can confirm there has been no impact on the Council Tax calculations in relation to the Authority and there has been no loss of public funds found in our audit work.

It should be noted that any additional work to address points raised which are outside of the scope of work set out in our audit plan will incur an additional audit fee and that will in turn impact upon the Authority's resources which could result in an increase to the amount to be raised through Council Tax. Any fees associated with additional items outside the scope of the audit plan will be agreed with AGECE prior to invoices for such additional fees being raised.

The above matters have been fully considered as part of the audit to the extent required to issue an opinion under International Auditing Standards and on this basis, we consider them to be closed.

Kind Regards



Engagement lead
Deloitte LLP