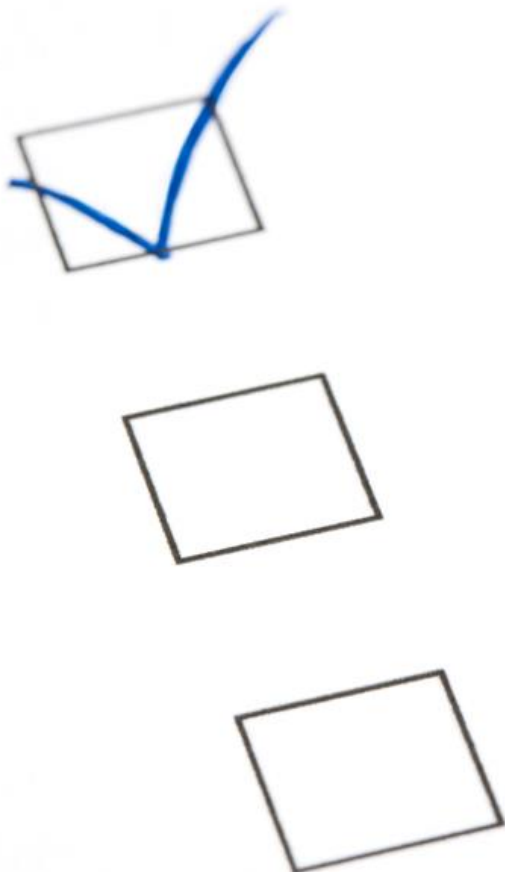


Tyne and Wear Fire and Rescue Authority

Audit Progress Report

June 2015



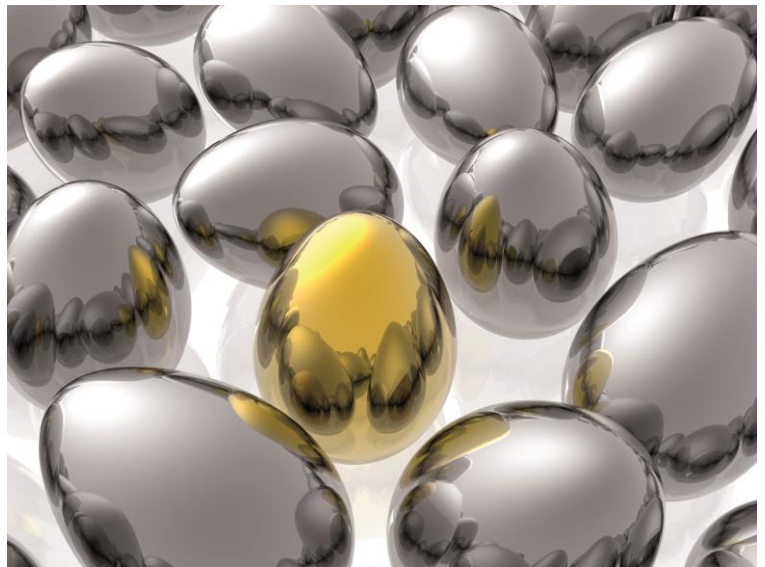
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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

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Purpose of this paper

This paper updates the Governance Committee on our progress in meeting our responsibilities as your external auditor. It also highlights key emerging national issues and developments which may be of interest to you.

If you require any further information please contact your Engagement Lead or Senior Manager using the contact details at the end of this update.

02

Summary of audit progress



Our audit work has continued to progress well.

Opinion audit

We have completed our interim work on financial systems.

We did not identify any significant issues that require reporting to members.

We are mindful that from 2017/18, the accounts and audit timetable will be brought forward significantly. With this in mind, we have continued to carry out early testing where we can. This year we have completed journals and income and expenditure transactions testing up to month 10 ahead of the main final accounts audit. We also expect to have completed work on the bank reconciliation before the accounts are finalised.

This is a step in the right direction, although we will need to work closely with officers in future years to ensure arrangements are made to meet the new deadlines from 2017/18. This will require gradual changes each year by both ourselves and officers.

We have maintained a dialogue with officers working on the production of the Authority's accounts. This has once again been a positive process and we envisage that this will help the audit of the accounts run more smoothly.

VFM conclusion

We continue to review the Authority's arrangements to secure VFM in its use of resources. This has included reviewing the Authority's key plans and the delivery of those plans, and its financial arrangements, as well as considering the data in VFM profiles.

This year, we have produced a separate report detailing our assessment of the Authority's arrangements for securing economy, efficiency and effectiveness. This report is a separate item on this Committee agenda, and although we will update our findings before we reach our final VFM conclusion at the end of September 2015, it does provide Members with an appreciation of the issues we have considered and the provisional judgements we have reached.

Our proposals for a North East Governance Forum

We are the largest provider of external audit services to local authorities and related bodies in the North East and North Yorkshire. We are committed to a long term presence in this market when it is opened up to wider competition. We recognise that we need to continue to provide high quality services, provide value for money and also provide added value where we can. We strive for this in all that we do, and are committed to improving our offer to you where we can.

Consequently, we are seeking to establish a North East Governance Forum, targeted at Chairs and Vice Chairs of Audit Committees, with the aim of promoting good governance and sharing ideas and best practice.

The flyer attached as Appendix 1 to our Audit Progress Report sets out our proposals, including details of the two free places that are available to Tyne and Wear Fire and Rescue Authority.

We hope that the Authority will find this a helpful initiative and will participate in it.

03

Emerging issues and developments



The Audit Commission closed on 31 March 2015.

Pages 8 to 10 below are an extract from the Audit Commission's website (now archived) which explains how its functions have been discharged from 1 April 2015.

Future of Local Audit

In August 2010, the Department for Communities and Local Government (DCLG) announced plans to put in place new arrangements for auditing England's local public bodies.

Local Audit and Accountability Act 2014

The Act received Royal Assent on 30 January 2014. The Act makes it possible for the Audit Commission to close, in line with Government expectations, on 31 March 2015, 30 years after it was established.

Several of the Commission's functions will continue after its closure.

Management of audit contracts

An independent company created by the Local Government Association (Public Sector Audit Appointments Limited) will be responsible for overseeing the Commission's current external audit contracts with audit firms from 1 April 2015 until December 2017 or up to 2020. It will manage the contracts and exercise statutory powers to appoint auditors, set and determine fees, and to make arrangements for housing benefit subsidy certification.

The professional conduct of auditors will continue to be regulated by the professional accountancy bodies. From 2017 or up to 2020, Recognised Supervisory Bodies will determine the eligibility of local public auditors and register them and, in turn, they will be recognised and supervised by the Financial Reporting Council.

The Financial Reporting Council's Audit Quality Review team will monitor the local public audits carried out by auditors through new regulatory arrangements.

Source: Audit Commission website

Grant certification

The role of making arrangements for housing benefit subsidy certification will transfer to Public Sector Audit Appointments Limited from 1 April 2015. It is intended that this role will continue until housing benefit is rolled into Universal Credit, or until the audit contracts end – whichever happens first. The independent company will not have a role in relation to the certification of other grant claims.

Code of Audit Practice

The National Audit Office will produce and maintain the Code of Audit Practice and provide supporting guidance to auditors from 1 April 2015.

Whistleblowing

The Comptroller and Auditor General will be a prescribed person to whom whistleblowing disclosures can be made in respect of local public bodies under the Public Interest Disclosure Act 1998 from 1 April 2015. Appointed auditors retain their status as a prescribed person under the Act.

National Fraud Initiative

The Audit Commission powers to conduct the National Fraud Initiative will pass to Cabinet Office on the 1st of April 2015, and the NFI will run under Cabinet Office powers from that date onwards. The NFI matches data provided by some 1,300 participating organisations from across the public and private sectors against data provided by other participants, and key data sets provided by government departments and other national agencies, to prevent and detect fraud.

Counter fraud

To preserve the legacy of the Audit Commission's counter-fraud work we will publish relevant counter-fraud tools and outputs online with open access before the Commission closes at the end of March 2015.

Provision of information about audit

The National Audit Office will publish information previously provided by the Audit Commission. The NAO will become the owner of *Council Accounts: A Guide to Your Rights*, often referred to as the guide to the electorate's rights with regard to the audit of their local authority. Public Sector Audit Appointments Limited will continue to publish Auditing the Accounts and quarterly and annual reports on auditor compliance and audit quality.

Analytical tools

Three of the Audit Commission's analytical tools that are primarily maintained to support audit contracts will transfer to Public Sector Audit Appointments Limited and will continue until the end of the current audit contracts: the two Value for Money Profiles Tools (for councils and for fire authorities), and the Audit Fees Comparator Tool. The Financial Ratios Tool is also likely to continue, although arrangements are yet to be finalised.

National value for money studies

Building on its existing work, including in the Health sector, the National Audit Office now also carries out studies which consider the value for money of services delivered by the local government sector.

Best value inspections

The power to carry out Best Value inspections (not exercised by the Audit Commission since 2010) transferred to the Secretary of State for Communities and Local Government on 4 April 2014.

Audit Commission historic reports and information

The National Archives preserves copies of the Audit Commission's website and these are available at http://webarchive.nationalarchives.gov.uk/*/http://audit-commission.gov.uk/pages/default.aspx. For copies of the Commission's past reports you may view these on the National Archives website.

Source: Audit Commission website

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Contact details



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Appendix 1

Our Proposals for a North East Governance Forum

North East Governance Forum



We are seeking to establish a North East Governance Forum, targeted at Chairs and Vice Chairs of Audit Committees, with the aim of promoting good governance and sharing ideas and best practice.

What is good governance?

Governance is about the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions, and lead and control their functions, to achieve their objectives.

Good governance combines the ‘hard’ factors – robust systems and processes, such as risk management, financial management, performance management and internal controls – with the ‘softer’ characteristics of effective leadership, a culture based on openness and honesty, and high standards of behaviour. It involves a combination of both internal and external focus, understanding the needs of service users and the public and maintaining clarity of purpose.

The best organisations use governance to create the culture and tone that underpins the delivery of service excellence.

Why establish a governance forum?

Local government and the wider public sector is facing greater change and transformation than ever before, driven by austerity, significant cuts in public spending and a sharper focus on improving

services and achieving better outcomes for local people.

Significant changes will include:

- new and innovative models of service delivery;
- commissioning services rather than directly providing them;
- making services more self financing and sustainable;
- managing demand and reducing reliance on the public sector;
- working more closely with partners and the voluntary sector; and,
- building community capacity and resilience.

This change brings with it new governance and oversight challenges and those charged with governance need to be well sighted on the implications of the changes for their responsibilities.

Who should attend the governance forum?

The governance forum is for elected members and independent members and is targeted at the Chairs and Vice Chairs of Audit Committees and others interested in governance.

How will the governance forum help?

The purpose of the Governance Forum would be to:

- promote good practice in governance;



- facilitate a dialogue, debate and sharing of ideas among those providing governance oversight and their peers;
- horizon scanning to ensure that the forums are briefed on the latest developments and key topical issues; and,
- provide a safe and secure forum for discussion with a professional input drawing on Mazars' wide range of experience and expertise.
- January / February - Planning phase, identifying and addressing risks;
- May / June – Accounts production, annual reviews of governance arrangements; and,
- October – Reflections on audit completion, and horizon scanning on upcoming issues and developments.

The governance forum will meet for the first time in October 2015.

How much will it cost?

Each authority that we invite to join the governance forum will be entitled to two free spaces at each meeting.

If an authority wishes to nominate more than two delegates, each additional delegate will be charged at a nominal fee of £50 plus VAT (this charge will be per person per meeting).

What are the benefits for those that attend?

Those attending the Governance Forum will be better equipped to deal with their governance responsibilities and will benefit from:

- up-to-date briefings;
- a deeper understanding of key issues; and,
- a wider perspective on topics of interest and concern.

Which authorities are being invited to join the forum?

The forum is focused on local government and related bodies, and invitations to join are being sent to:

- all local authorities in the North East;
- The North East Combined Authority;
- police and fire bodies; and,
- other bodies, such as local government pension funds covering the North East / and organisations like Nexus.

Where will it meet and what will the format of the meeting be?

The first meeting will be held at our offices at the Rivergreen Centre in Durham; the date is to be confirmed.

The meeting will run from 10am to 12.30pm, with tea / coffee on arrival and including a tea / coffee break, and a buffet lunch / networking opportunity will be provided afterwards.

How do we make nominations to join the North East Governance Forum?

Please make your nominations to join the North East Governance Forum by completing the attached form and sending it by e-mail to:

durham.admin@mazars.co.uk

When will it meet?

The forum would aim to meet 3 times a year, and be broadly based around the accounts and audit timetable: