

Annual Audit Letter 2013/14

Tyne & Wear Fire and Rescue Authority



October 2014

Mazars LLP
Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

Members
Tyne and Wear Fire and Rescue Authority
Nissan Way
Sunderland
Tyne and Wear
SR5 3QY

October 2014

Dear Members

Annual Audit Letter 2014

We are delighted to present to you the Authority's Annual Audit Letter.

We carried out the audit in accordance with the Code of Audit Practice for Local Government bodies, which includes fire and rescue authorities, as issued by the Audit Commission and delivered all expected outputs in line with the timetable established by the Accounts and Audit Regulations 2011 and the National Audit Office.

2013/14 has been another challenging year for the Authority and like most other authorities in the North East and across the country Tyne & Wear Fire and Rescue Authority has faced difficult decisions on its spending priorities and plans for the future. We reflect on these matters in the value for money part of this letter. However, we were pleased to issue an unqualified opinion on the statement of accounts and value for money conclusion.

I would like to express my thanks for the assistance of the accountancy team providing services from Sunderland City Council, the Authority's finance team as well as senior officers and the Governance Committee, during the audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 383 6300 or mark.kirkham@mazars.co.uk.

Yours faithfully

Mark Kirkham
Mazars LLP

Contents

01 Overall messages	3
02 Fees	5
03 Future challenges	6

Our reports are prepared in the context of the Audit Commission’s ‘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.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales

01 Overall messages

Purpose of this letter

Our Annual Audit Letter provides a summary of our work and findings for the 2013/14 audit period for Members and other interested parties.

In addition to the summary outlined in this letter, our Audit Completion Report that we presented to your Governance Committee on 29 September 2014 provides a more detailed analysis of the work we have undertaken in 2013/14. Our outline plan was set out in the Audit Strategy Memorandum we issued for the year and we updated Members periodically in our regular Audit Progress Reports

Our audit of the statement of accounts

We issued an audit report including an unqualified opinion on the Authority's statement of accounts on 29 September 2014.

The production of the statement of accounts is a significant technical challenge involving a great deal of work by officers. We appreciate the cooperation of management and the patience, courtesy and assistance shown to us in the completion of our work. The working papers supporting the statement of accounts were of good quality and officers were responsive in following up the queries we raised.

Our main findings from the audit were:

- a small number of amendments to the financial statements were made;
- there were few unadjusted misstatements where errors were not material; and
- the overall quality of the final statement of accounts was good.

Our value for money conclusion

We performed our work in line with the Audit Commission's Code of Audit Practice for Local Government bodies, which includes fire and rescue authorities, and the Commission's guidance for 2013/14. Our audit report included a conclusion that you had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Our work in this area focussed on the two criteria specified by the Audit Commission, and considered whether the Authority had proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

Financial Resilience

The Authority has managed its financial position well. Budget setting is robust and close monitoring ensured delivery of spending within budget. The outturn report for 2013/14 shows that the Authority underspent by £1.618m against the revenue budget. There was some slippage on the capital programme with £1.669m being carried forward to 2014/15.

The Medium Term Financial Strategy sets out how the Authority proposes to deal with the difficult economic climate and funding cuts. The earmarked reserves set aside for specific plans and projects will help the Authority to manage the financial challenges over the next few years. Further savings are required and £6m reserves have already been set aside for the next three years until current savings plans are fully implemented.

Securing economy, efficiency and effectiveness

In recent years, the Authority has made significant changes to deliver significant budget reductions.

The Authority regularly reviews its priorities in light of its funding position and known community risk through the Integrated Risk management Plan (IRMP) process. IRMP actions have been delivered and have realised significant efficiencies. Full year savings of £4.1m were achieved in 2013/14 through the implementation of previous IRMP actions, including: back office review, community safety; dual staffing of specials; and fire prevention.

We note that the actions already taken are in line with those that Sir Ken Knight proposed that the fire service nationally delivers in the future. Further spending cuts are required, however, and progress continues to be made during 2013/14. The Response and Catering review outcomes were agreed by the Authority in January 2014, and the Diversionary review agreed in March 2014.

The outcome of the Response review resulted in the Authority making difficult decisions about changes to operational resources, including removing six main fire appliances, reducing fire stations, introducing Targeted Response Vehicles (TRVs) for lower risk incidents and standing down two fire appliances at night.

Whole of Government Accounts (WGA)

We provide assurance to the National Audit Office (NAO), as the auditor of central government departments, in relation to the consistency of your WGA consolidation pack with the audited statement of accounts. As your activity is below the threshold set by the NAO for a full review of WGA, the procedures we were required to carry out were limited to consideration of Property, Plant and Equipment and pensions entries. We reported to NAO on 29 September 2014, highlighting one non material difference between the WGA consolidation pack and the audited statement of accounts.

Our other responsibilities

As the Authority's appointed external auditor, we have other powers and responsibilities as set out in the Audit Commission Act 1998. These include responding to questions on the accounts raised by local electors as well as a number of reporting powers such as reporting in the public interest. We did not receive any questions or objections in relation to your 2013/14 accounts from local electors, nor did we exercise our wider reporting powers.

02 Fees

As outlined in our Audit Strategy Memorandum presented to the Audit Committee on 17 March 2014, the Audit Commission sets a scale fee for our audit work. The fees applicable to our work in 2013/14 are summarised below.

Element of work	As previously reported	Final Fee
Code audit work	£40,848	£40,848
Non-audit work	£0	£0
Total	£40,848	£40,848

All fees are exclusive of VAT

We confirm that we did not undertake any non-audit work during the year.

03 Future challenges

The main challenge we see for the Authority, along with other fire and rescue authorities and the wider public sector, is the continued pressure on finances and the need to plan for further reductions in spending power which will make it increasingly difficult to maintain the existing level of emergency cover and also invest sufficiently in preventative work.

In our comments earlier in this report, we summarised how the Authority has dealt with this challenge so far, its financial resilience and its plans for the future, including the difficult decisions that have been taken to secure the sustainability of future services.

There are still risks with these and the other initiatives the Authority is engaged in and it is important that you continue to monitor closely the progress of your key projects and initiatives in order to deliver your objectives and manage risks with the resources available.

We will focus our 2014/15 audit on the risks that these challenges present to your financial statements and your ability to maintain proper arrangements for securing value for money.

We will also share with you relevant insights that we have as a national and international accounting and advisory firm with experience of working with other public sector and commercial service providers.

In terms of the technical challenges that officers face around the production of the statement of accounts, we will continue to work with them to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise.

Should you require any further information on this letter or on any other aspects of our work, please contact:

Name of Engagement Lead	Mark Kirkham
Position	Director
T:	0191 383 6300
E:	mark.kirkham@mazars.co.uk

Mazars LLP
The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS