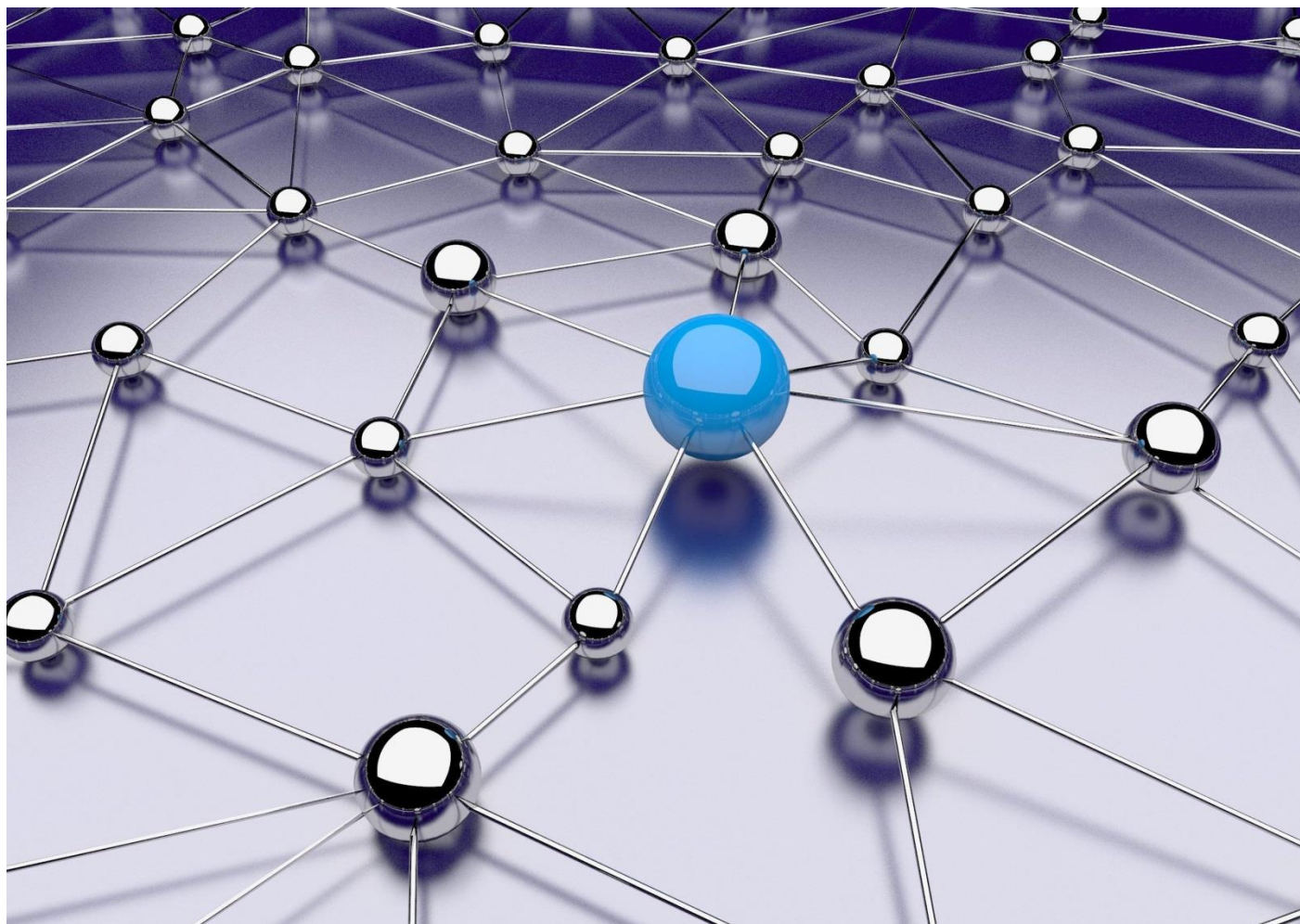


# Annual Audit Letter 2014/15

Tyne & Wear Fire and Rescue Authority



**Tyne and Wear Fire and Rescue Service**  
*Creating the Safest Community*  
[www.twfire.gov.uk](http://www.twfire.gov.uk)

The logo of the Tyne and Wear Fire and Rescue Service. It is a circular emblem with a red border. Inside, there's a blue and white design featuring a stylized 'T' and 'W' intertwined. The words 'FIRE AND RESCUE SERVICE' are written around the top inner edge, and 'TYNE AND WEAR' is at the bottom.

October 2015

Mazars LLP  
Rivergreen Centre  
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Durham  
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Authority Members  
Tyne and Wear Fire and Rescue Authority  
Nissan Way  
Sunderland  
Tyne and Wear  
SR5 3QY

30 October 2015

Dear Members

**Annual Audit Letter 2015**

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.

2014/15 has been another challenging year for the Authority and, like many public bodies in the North East, 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. We were, however, 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 provided by the Authority's finance team, senior officers and the Governance Committee, as well as the accountancy team providing services from Sunderland City Council; the continued constructive approach to our audit is appreciated.

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

Yours faithfully

Mark Kirkham  
Mazars LLP

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*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 audited body and we take no responsibility to any member or officer in their individual capacity or to any third party.*

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# 01 Overall messages

## Purpose of this letter

Our Annual Audit Letter provides a summary of our work and findings for the 2014/15 audit period for Members and other interested parties.

In addition to the summary outlined in this letter, the Audit Completion Report we presented to your Governance Committee on 28 September 2015 provides a more detailed summary of work in 2014/15. Our outline plan was set out in the Audit Strategy Memorandum we issued and we updated Members periodically in our Audit Progress Reports.

## Our audit of the statement of accounts

We issued an audit report including an unqualified opinion on your statement of accounts on 28 September 2015.

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.

A number of late changes were required to the financial statements. The Pensions Ombudsman's Determination in May 2015 in the case of Mr Milne v Government Actuary's Department (GAD) resulted in the need for GAD to revisit commutation factors used in the calculation of pension lump sum payments between 2001 and 2006. GAD provided the revised commutation factors over the summer, and it was then for the Authority to calculate the additional payments due to pensioners, amounting to £3.4m, the cost of which will be met by Government. This issue was not of the Authority's making, but it took significant officer resource to resolve, and led to a number of very late adjustments to the financial statements. We are particularly grateful to officers for their patience in dealing with these issues.

Our main findings from the audit were:

- apart from amendments for the GAD commutation issue mentioned above, a very small number of amendments were made to the financial statements;
- there were few unadjusted misstatements where errors were not material; and
- the overall quality of the final statement of accounts was good.

## Whole of Government Accounts (WGA)

We reported to the National Audit Office (NAO), as the auditor of central government departments, that your activity was below the threshold set by the NAO meaning that we were not required to review the WGA return this year.

## Our value for money conclusion

We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report our conclusion to those charged with governance, having regard to criteria specified by the Audit Commission.

On the basis of our work, we were satisfied that in all significant respects that the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015. We issued an unqualified Value for Money conclusion on 28 September 2015.

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**

Overall, the Authority has responded well to the financial pressures it has faced, at a time of unprecedented reductions in public sector spending and has a strong track record of delivering savings and keeping within budget.

The Authority has experienced a £10m reduction in central government revenue spending power between 2011 and 2015, which represents 19% of the 2014/15 revenue budget. The Authority has faced a disproportionately greater reduction in central funding compared to most other fire authorities but has consistently delivered services within budget.

As part of the budget setting process for 2014/15, the Authority set aside a total of £6.1m of reserves to fill the identified budget gap over the three years 2014/15 to 2016/17. This was a temporary shortfall until Integrated Risk Management Plan (IRMP) actions are fully implemented. The 2014/15 outturn report showed, however, that the in-year £2m planned use of reserves was no longer required, because of lower than expected employee related costs following the impact of changes arising from IRMP actions.

Your 2015/16 budget includes a precept increase of 1.99% to reduce the funding gap faced by the Authority.

### **Securing economy, efficiency and effectiveness**

Like most fire and rescue authorities, the Authority is planning to operate with significantly reduced resources and has in place a clear Integrated Risk Management Plan (IRMP) to address the budget gap. This Plan includes the rollout of a fundamental review of operational response by 2017; the introduction of a Trading Company; the implementation of reviews of Control, Cleaning and Catering; and the commencement of a Management review, a full organisational review and the development of greater collaboration with partner organisations.

Based on performance data, performance is good overall despite the spending cuts but further, difficult decisions lie ahead to meet the scale of the financial challenge. The net budget requirement for 2015/2016 was established at £49.8m and the budget process included a base budget review of all delegated budgets, with the intention of identifying efficiency savings and ensuring that resources are aligned with key strategic priorities.

Progress against the IRMP 2013-2016 continued during 2014/15. Phase one of the Response Review is complete, delivering a £1.0m saving in 2014/15 with a further £0.3m in 2015/16. Full implementation of the Response Model Review is expected to deliver £5.1m savings in total.

Further IRMP 2013-2016 reviews are still to be implemented by the Authority which will help to address the continuing reductions in government funding. However, additional IRMP actions may need to be developed if government funding reductions continue at the same, or at an increased, pace.

### **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 2014/15 accounts from local electors, nor did we exercise our wider reporting powers.

# 02 Fees

As outlined in our Audit Strategy Memorandum presented to the Governance Committee on 16 March 2015, the Audit Commission sets a scale fee for our audit work. The fees applicable to our work in 2014/15 are summarised below.

Element of work	2013/14 fee	2014/15 As previously reported	2014/15 Final Fee
Code audit work	£40,848	£40,848	£40,848
Non-audit work	£0	£0	£0
<b>Total</b>	<b>£40,848</b>	<b>£40,848</b>	<b>£40,848</b>

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. We have noted how the Authority has dealt with this challenge so far and are aware of your plans for the future, including the difficult decisions that have been taken to secure the sustainability of services.

With a financial outlook that is increasingly challenging, to deliver your objectives and manage risks with the resources available the Authority will need to continue to:

- carefully forecast and effectively monitor budgets;
- identify and address financial pressures as they emerge;
- deliver a long term financial strategy that addresses immediate pressure while allowing scope for strategic service change;
- maintain effective arrangements for public engagement; and
- use constructive relationships with partners to deliver further improvement.

We would also highlight the potential far-ranging changes to the Authority depending on the outcome of the current (October 2015) central government consultation on “Enabling closer working between the Emergency Services”. Presenting three main governance models for closer working between police and fire (and ambulance services), the models present potential significant changes. As set out in the consultation document “the picture of collaboration around the country is still patchy and there is much more to do to improve value for money and the service to the public. Strong leadership will be required to drive greater efficiencies and improved outcomes”.

We will focus our 2015/16 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:

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