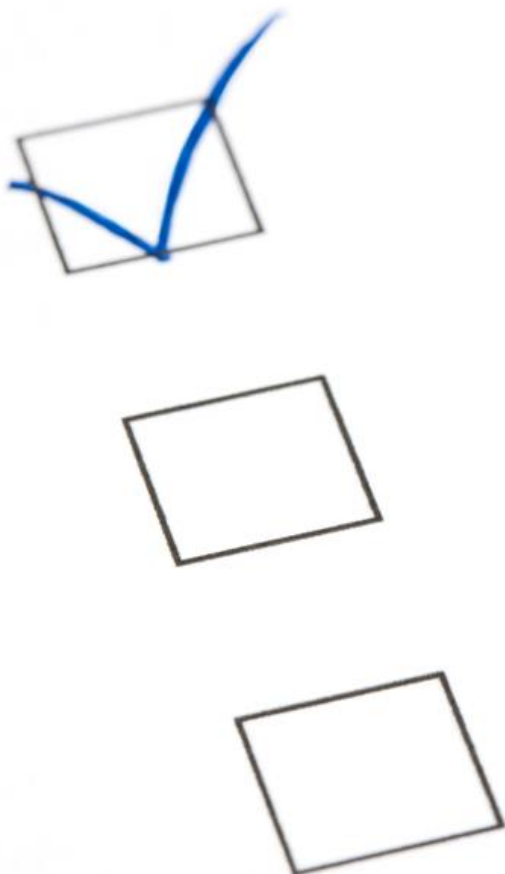


# Tyne and Wear Fire and Rescue Authority

Audit Progress Report

March 2015



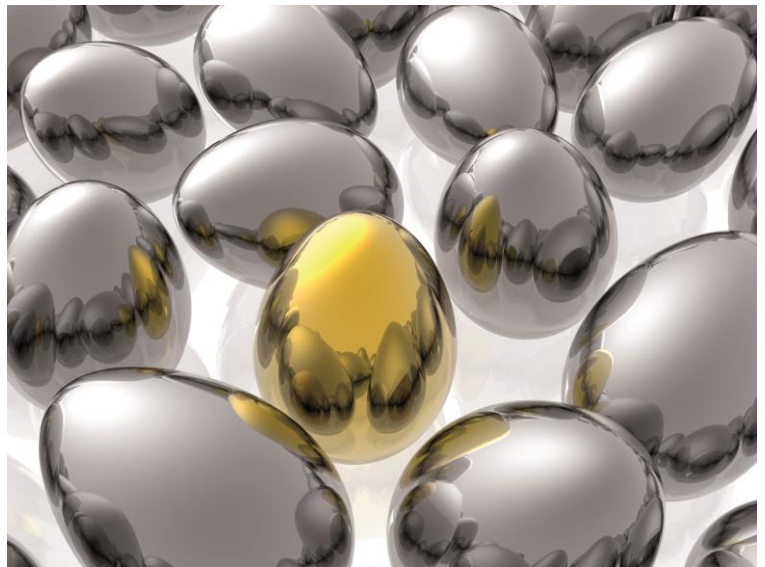
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Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use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

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# 01



## 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



In February 2015, Mazars provided a workshop for finance staff on accounting and auditing issues relating to the closedown and preparation of the 2014/15 statement of accounts. These workshops were well attended and well received by our clients. The Authority's officers were represented at the workshop.

We have now completed our audit planning and our Audit Strategy Memorandum is also on the agenda for this meeting. This document sets out the risks we have identified for both the opinion on the financial statements and the value for money conclusion, and our overall approach to the audit.

We are now starting our detailed work.

# 03

## Emerging issues and developments



The following pages outline for your attention some significant emerging issues and developments in respect of:

- New proposals to bring forward the accounts and audit timetable from 2017/18 and other proposals relating to local audit
- Regulatory Compliance and Quality Review Programme - Annual report 2014
- Annual Regulatory Compliance and Quality Report - Mazars LLP
- 2015/16 proposed fee scales and work programme, Audit Commission
- Transitional arrangements regarding the Local Audit and Accountability Act 2014
- Protecting the Public Purse 2014, Audit Commission
- Auditing the Accounts 2013/14, Quality and timeliness of local public bodies' financial reporting.

# Emerging issues and developments

Issue / development	Implications
<p><b>New proposals to bring forward the accounts and audit timetable from 2017/18 and other proposals relating to local audit</b></p> <p>Members will recall that previous Audit Progress Reports have referred to consultation on proposals to bring forward the accounts production and audit timetable.</p> <p>New proposals were made by DCLG, which will bring the accounts production deadline forward by one month from 30 June to 31 May from the 2017/18 financial year. The audit deadline will come forward by two months from 30 September to 31 July at the same time.</p> <p>The rationale from the consultation is set out below:</p>	<p>The changes in the accounts and audit deadline will have a significant impact on the Authority's arrangements.</p> <p>More information on the changes:  <a href="https://www.gov.uk/government/consultations/local-audit-regulations">https://www.gov.uk/government/consultations/local-audit-regulations</a></p>
<p><b>4.6</b> In relation to the bringing forward of the timetable for Category 1 authorities; whilst Ministers acknowledge the challenge that this will involve both for the authorities affected and their auditors, the proposal is firmly in line with wider Government moves to improve local government accountability to the public. The points made in the consultation responses about the complexity and length of local authority accounts are acknowledged, and Government will be working with the Chartered Institute of Public Finance and Accountancy to support their current initiatives to simplify the accounts and make them easier for local people to understand. The introduction of a requirement for an explanatory narrative to accompany the statement of accounts is a first step in the necessary changes.</p> <p><b>4.7</b> The Government proposes to bring forward the existing dates of 30 June and 30 September to 31 May and 31 July as from the accounts for 2017-18 for accounts being signed and certified by the Responsible Financial Officer and then approved and published. This period of notice is intended to give authorities time to make the necessary changes in their processes, and auditing firms time to adjust their business models accordingly. But it is hoped that authorities will move to the new timetable as soon as they can; some indeed already comply. No change is proposed in the timetable for Category 2 authorities.</p>	

# Emerging issues and developments

Issue / development	Possible action
<p><b>Regulatory Compliance and Quality Review Programme - Annual report 2014</b></p> <p>The Audit Commission recently published the outcomes from its monitoring of the performance of all its audit firms. The report concludes that audit quality was maintained in the year following transfer of staff from the Commission's Audit Practice to firms, and the introduction of new firms to the regime. The Commission is satisfied that the risks of audit failure remain low; that all firms are meeting the Commission's regulatory requirements; and that all firms are continuing to produce work to an acceptable standard.</p>	<p>The results of monitoring by the Commission provides the Authority and other stakeholders with assurance that high-quality audits are being delivered.</p> <p>The report can be found at <a href="http://www.audit-commission.gov.uk/audit-regime/audit-quality-review-programme/">http://www.audit-commission.gov.uk/audit-regime/audit-quality-review-programme/</a></p>
<p><b>Annual Regulatory Compliance and Quality Report - Mazars LLP</b></p> <p>This report, published in June 2014, summarises the results of monitoring work by the Audit Commission as described above, for Mazars LLP.</p> <p>The Firm was rated 'Green' overall, and the Audit Commission concluded that the Firm 'has performed well in its first year in the Commission's regime. All of the 2013/14 regulatory compliance indicators have been scored as green. In addition, audited bodies are satisfied with the performance of Mazars as their auditor'.</p>	<p>The report is available from <a href="http://www.audit-commission.gov.uk/wp-content/uploads/2012/11/Mazars-2013-14-Annual-Regulatory-Compliance-and-Quality-Report.pdf">http://www.audit-commission.gov.uk/wp-content/uploads/2012/11/Mazars-2013-14-Annual-Regulatory-Compliance-and-Quality-Report.pdf</a></p>

# Emerging issues and developments

Issue / development	Possible action
<p><b>2015/16 proposed fee scales and work programme, Audit Commission</b></p> <p>The Audit Commission is consulting on its 2015/16 proposed work programme and scales of fees. The Department for Communities and Local Government (DCLG) has asked the Audit Commission to set fees for 2015/16 before the Commission’s closure on 31 March 2015.</p> <p>The Commission is proposing to reduce scale fees by a further 25 per cent from 2015/16, based on the scale fees applicable for 2014/15. It does not plan to make changes to the overall work programme. The 25 per cent fee reduction has been achieved as a result of a recent procurement exercise to retender the work undertaken under older contracts with audit firms, and is in addition to the 40 per cent cut in fees made by the Commission in 2012.</p> <p>The consultation document also states: “The new contracts awarded in the 2014 procurement are for two years, with the potential for extension by a further three years. The contracts will finish in 2017, or in 2020 if extended. The Commission’s other audit contracts, awarded in 2012, finish at the same time as the 2014 contracts. Extending the contracts to 2020 would ‘lock in’ reduced audit fees, delivering further savings for audited bodies”.</p> <p>The Commission has also highlighted in a press release that it will be returning a further £6 million to its audited bodies in rebates.</p>	<p><b>The proposed scale fee for Tyne and Wear Fire and Rescue Authority is £30,636 that is, a 25 per cent reduction on the 2014/15 scale fee of £40,848.</b></p> <p><a href="http://www.audit-commission.gov.uk/audit-regime/audit-fees/201516propwpsf/">http://www.audit-commission.gov.uk/audit-regime/audit-fees/201516propwpsf/</a></p>



# Emerging issues and developments

Issue / development	Possible action
<p><b>Transitional arrangements regarding the Local Audit and Accountability Act 2014</b></p> <ul style="list-style-type: none"> <li>• The Council’s 2014/15 audits will be delivered under the Audit commission Act 1998, and the 2015/16 audit will be the first under the LA&amp;A Act 2014;</li> <li>• The existing Code of Audit Practice will continue to apply in 2014/15, moving to the NAO Code (expected April 2015) for 2015/16 onwards;</li> <li>• Under the LA&amp;A Act, auditors must have ‘regard to’ the guidance issued by the NAO. This is not the same as our current contractual requirement; and</li> <li>• NAO will continue to run technical networks for NHS, local government and smaller bodies.</li> </ul>	<p>We will keep the Committee informed on the implementation of the Act in our Progress Reports and Briefings.</p>
<p><b>Protecting the Public Purse</b></p> <p>The Audit Commission’s latest report on fraud in local government revealed the highest value of fraud detected by England’s councils since the Audit Commission turned the spotlight on 25 years ago. Fraud valued at £188 million was detected in 2013/14, a ten-fold increase since 1990 and beating all records for the past 25 years.</p>	<p>The Report can be found at <a href="http://www.audit-commission.gov.uk/2014/10/highest-value-of-fraud-detected-by-councils-since-audit-commission-turned-the-spotlight-on-25-years-ago/">http://www.audit-commission.gov.uk/2014/10/highest-value-of-fraud-detected-by-councils-since-audit-commission-turned-the-spotlight-on-25-years-ago/</a></p>

# Emerging issues and developments

Issue / development	Possible action
<p><b>Auditing the Accounts 2013/14, Quality and timeliness of local public bodies' financial reporting</b></p> <p>This Audit Commission report summarises the financial reporting outcomes for local authorities and other bodies within its regime. Audit opinions were issued at 90% of fire and rescue authorities by 30 September 2014. The report names authorities that produced their accounts early and also names those where there were delays or non standard wording to the auditor's reports.</p>	<p>Tyne &amp; Wear Fire and Rescue Authority met all of the statutory deadlines and received an unqualified audit opinion and VFM conclusion on 30 September 2014.</p> <p>The report can be found at <a href="http://www.audit-commission.gov.uk/2014/12/local-government-financial-reporting-remains-strong-nevertheless-over-1000-small-bodies-have-their-accounts-qualified/">http://www.audit-commission.gov.uk/2014/12/local-government-financial-reporting-remains-strong-nevertheless-over-1000-small-bodies-have-their-accounts-qualified/</a></p>

# 04

## Contact details



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