

# Tyne & Wear Fire and Rescue Authority

## Audit Completion Report Year ended 31 March 2013

September 2013

## Contents

1.	Purpose of this document	1
2.	Independence	1
3.	Our audit approach	1
4.	Overall conclusion and opinion	1
5.	Limitations	2
6.	Audit status	2
7.	Significant risks and key judgement areas identified during planning	3
8.	Audit findings	8
9.	Internal control	9
10.	Misstatements	10
11.	Value for money	12
Appendix 1	Management representations	16
Appendix 2	Draft audit report	20
Appendix 3	Required communication	24

*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 Non-Executive Directors, Members or officers are prepared for the sole use of the audited body and we take no responsibility to any Non-Executive Director, 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*

## 1. Purpose of this document

This document has been prepared to feed back the findings of our audit for the year ended 31 March 2013 and forms the basis for discussion at the Governance Committee meeting on 23 September 2013.

Our communication with you is important to:

- share information to assist both the auditor and those charged with governance of Tyne & Wear Fire and Rescue Authority to fulfil their respective responsibilities;
- provide constructive observations arising from the audit process to those charged with governance of Tyne & Wear Fire and Rescue Authority;
- ensure as part of the two-way communication process we, as external auditors, gain an understanding of the attitude and views of those charged with governance of Tyne & Wear Fire and Rescue Authority to the internal and external operational, financial, compliance and other risks which might affect the statement of accounts, including the likelihood of those risks materialising and how they are managed; and
- receive feedback from those charged with governance as to the performance of the engagement team.

## 2. Independence

As part of our on-going risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

No further threats to our independence have been identified since we issued our Audit Strategy Memorandum.

## 3. Our audit approach

Our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board.

There have been no changes to our audit approach as communicated to you in the Audit Strategy Memorandum dated 19 February 2013.

## 4. Overall conclusion and opinion

At the time of issuing this report we anticipate:

- issuing an unqualified opinion on your statement of accounts; and
- concluding that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

## 5. Limitations

Our audit procedures, which have been designed to enable us to express an opinion on the statement of accounts, have included the examination of the transactions and the controls thereon of Tyne & Wear Fire and Rescue Authority. The International Standards on Auditing (UK and Ireland) do not require us to design audit procedures for the purpose of identifying supplementary matters to communicate with those charged with governance.

Our audit included consideration of internal controls relevant to the preparation of the statement of accounts in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

We have included in this report only those matters that have come to our attention as a result of our normal audit procedures and, consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

## 6. Audit status

We have substantially completed our audit of the statement of accounts for the year ended 31 March 2013.

Alongside our audit of your statement of accounts we are required to review your Whole of Government Accounts submission and report to the National Audit Office in line with their group instructions and

guidance produced by the Audit Commission. We anticipate completing this work by 30 September 2013.

As at the time of preparing this report, there are no significant matters outstanding.

We expect to be able to certify the closure of the 2012/13 audit by 30 September 2013. We have not received any objections to the Authority's 2012/13 statement of accounts from electors and have no outstanding matters or correspondence with electors.

## 7. Significant risks and key judgement areas identified during planning

Set out below are the significant risks and key areas of management judgement in the Audit Strategy Memorandum of 19 February 2013 to which we paid particular attention in order to reduce the risk of material misstatement in the statement of accounts. We have detailed below the work performed to address each risk and judgement and our conclusions.

Significant audit risks	How we addressed this risk	Audit conclusion
<p><b>Property, Plant and Equipment (PPE)</b></p> <p>PPE is subject to significant estimation uncertainty and is based on valuations provided by a third party.</p> <p>There is a risk that the valuation reported in the financial statements will be materially misstated due to:</p> <ul style="list-style-type: none"> <li>• basis of valuation not in line with IFRS requirements;</li> <li>• incorrect assessments of the assets' estimated useful lives;</li> <li>• incorrect asset classifications;</li> <li>• failure to recognise impairments or other significant changes in asset values; and</li> <li>• incorrect distinction between revenue and capital expenditure.</li> </ul> <p>There is also a risk that the Authority will fail to meet:</p> <ul style="list-style-type: none"> <li>• IFRS and Code requirements, and statutory requirements for capital accounting and financing.</li> </ul>	<p>We reviewed the Authority's arrangements for:</p> <ul style="list-style-type: none"> <li>• instructing the valuer and relying on their work;</li> <li>• maintaining an accurate fixed asset register;</li> <li>• establishing estimates of asset lives; and</li> <li>• identifying impairments.</li> </ul> <p>We also carried out tests of detail on capital transactions, balances and disclosures in the accounts.</p>	<p>Our work has provided the assurance we sought and has not highlighted any issues to bring to your attention.</p>

Significant audit risks	How we addressed this risk	Audit conclusion
<p><b>PFI schemes</b></p> <p>The Authority has two PFI schemes and both are material to the accounts. It is therefore required to:</p> <ul style="list-style-type: none"> <li>• model expected accounting entries on the contract;</li> <li>• comply with IFRIC 12 requirements;</li> <li>• include the assets and associated liabilities of the PFI schemes in the financial statements; and</li> <li>• account for PFI grant funding in accordance with the Code.</li> </ul> <p>There were some errors in the initial disclosures in the 2011/12 accounts, although these were subsequently corrected.</p>	<p>The focus of our work in 2012/13 was to confirm consistency with prior years and to carry out tests of detail (as appropriate) on:</p> <ul style="list-style-type: none"> <li>• contract variations and payment deductions;</li> <li>• asset revaluation/impairments;</li> <li>• refinancing; and</li> <li>• grant receipts.</li> </ul>	<p>We have asked officers to follow up queries in relation to accounting for PFI between service charges and financing costs, and to resolve queries in relation to how the accounting entries are related back to the operators' models for each PFI scheme.</p> <p>These enquiries are not complete, but our work has provided the assurance that there are no material errors in the PFI disclosures and the audit can be completed on this basis.</p>

Significant audit risks	How we addressed this risk	Audit conclusion
<p><b>Pension assets and liabilities</b></p> <p>The accounting treatment for the national Firefighters' Pension Fund account (FFPF) and top up grant is specified by the Code. Employees who are not firefighters belong to the Tyne and Wear Local Government Pension Scheme (TWLGPS) which is accounted for on a different basis under IAS19.</p> <p>These are material and highly complex transactions, reliant to a large extent on information provided by third parties. Therefore there is an inherent risk that the financial statements may be materially misstated.</p>	<p>We reviewed the Authority's process for engaging with pension fund actuaries and:</p> <ul style="list-style-type: none"> <li>• confirmed the experience and competence of the actuaries;</li> <li>• assessed the reasonableness of the key assumptions used;</li> <li>• reviewed the information provided and outputs received; and</li> <li>• received assurances from the auditor of TWLGPS around the position of this scheme.</li> </ul> <p>We also carried out tests of detail on pension fund transactions and disclosures in the accounts.</p>	<p>Our work has provided the assurance we sought and has not highlighted any issues to bring to your attention.</p>

Significant audit risks	How we addressed this risk	Audit conclusion
<p><b>Management override of controls</b></p> <p>In any organisation, management may be in a position to override the financial controls that it has in place. In the current economic climate, the Authority may face pressure to deliver financial performance levels it has previously forecast.</p> <p>A breach of the controls over journal entries, accounting estimates and other accounts preparation processes may result in a material misstatement. I therefore consider management override of controls as a significant risk and adapt my audit procedures accordingly.</p>	<p>We updated our understanding and evaluation of internal control processes and procedures as part of our audit planning, including completion of a fraud risk assessment. As part of this process we also obtained information from the Governance Committee and management on processes for assessing the risk of fraud in the financial statements and arrangements in place to identify, respond to and report fraud.</p> <p>We completed audit testing of accounting estimates and journal entries.</p>	<p>Our work has provided the assurance we sought and has not highlighted any issues to bring to your attention.</p>
<p><b>Income and expenditure recognition</b></p> <p>There is a presumption under the ISAs that there is a significant risk of fraud in the timing of revenue recognition leading to the material misstatement of revenue overall. This is because revenue is an area of particular focus by users of financial statements and can be subject to judgements as to when the full risk and reward of the ownership of an asset has passed. For fire and rescue authorities, the same risk applies to the recognition of expenditure.</p>	<p>We tested cut off to assess whether income and expenditure was included in the appropriate year. We also carried out analytical review procedures.</p>	<p>Our work has provided the assurance we sought and has not highlighted any issues to bring to your attention.</p>

In addition to significant risks, we also identified in the Audit Strategy Memorandum the key areas of management judgement that would impact the statement of accounts. We detail below the work performed to evaluate the robustness of each judgement and our conclusions.

Areas of management judgement	How we addressed this judgement	Audit conclusion
Property, plant and equipment Pension liabilities as assessed by the actuary	We carried out the work identified in the significant risks table above.	We did not identify any issues with the exercise of judgements in relation to the Authority's treatment of property, plant and equipment and pension liabilities.
Provisions are made for various known liabilities of uncertain timing, such as claims against the Authority which will not be met from insurance	The Authority's provisions were not material and no contingent liabilities were disclosed. From our review, we did not identify any undisclosed provisions or contingent liabilities.	We did not identify any issues with the Authority's treatment of provisions and contingent liabilities.

## 8. Audit findings

It is a requirement of ISA 260 that significant findings from the audit are communicated to those charged with governance.

### Significant qualitative aspects of accounting practices

ISA 260 requires us to communicate with those charged with governance our views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. This communication may include:

#### Accounting Policies

- The appropriateness of the accounting policies to the particular circumstances of the entity. Where acceptable alternative accounting policies exist, this communication may include identification of the financial statement items that are affected by the choice of significant accounting policies.
- Any changes in significant accounting policies, including the application of new accounting pronouncements.

#### Accounting Estimates

- For items which estimates are significant, issues communicated could include: management's identification of accounting estimates, management's process for making accounting estimates, risks of material misstatement, indicators of possible management bias and disclosure of estimation uncertainty in the statement of accounts.

#### Financial Statement Disclosures

- The issues involved, and related judgements made, in formulating particularly sensitive financial statement disclosures (for example, disclosures related to revenue recognition, remuneration, going concern, subsequent events, and contingency issues).
- The overall neutrality, consistency and clarity of the disclosures in the statement of accounts.

We have not identified any issues in respect of the Authority's accounting policies, accounting estimates or disclosures which we need to bring to your attention.

## 9. Internal control

The purpose of our audit was to express an opinion on the statement of accounts. As part of our audit we have considered the internal controls in place relevant to the preparation of the statement of accounts, in order to design audit procedures to allow us to express an opinion on the statement of accounts, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters that we report are limited to those deficiencies and other control recommendations that we have identified during our audit and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported.

We have not identified any significant deficiencies in the accounting and internal controls systems during the course of the audit that need to be brought to your attention.

## 10. Misstatements

### Unadjusted misstatements

There are no unadjusted misstatements.

### Adjusted misstatements

The accounts have been amended for the following misstatements identified during the audit:

- **Reclassification of PFI Liabilities as Other Long Term Liabilities:**

Balance Sheet: Dr Long term borrowing £24,229k and Cr Other long term liabilities £24,229k

[To correct a classification error where PFI liabilities of £24.2m were included in long term borrowing in the balance sheet rather than other long term liabilities, which is the most appropriate accounting treatment. Prior year figures were also amended.]

- **Reclassification of PFI Liabilities between Current and Long Term Liabilities:**

Dr Other long term liabilities £710k and Cr Other short term liabilities £710k

[Having reclassified PFI liabilities as Other long term liabilities above, this adjustment shows the amount payable in the next 12 months of £710k as a current liability. Prior year figures were also amended.]

- **Reclassification of Long Term Borrowing between Current and Long Term Liabilities:**

Dr Long term borrowing £623k and Cr Short term borrowing £623k

[Having removed PFI liabilities from Long term borrowing above, this adjustment shows the amount repayable in the next 12 months of £623k as a current liability. Prior year figures were also amended.]

- **Reclassification of an element of Short Term Creditors as Grants Received in Advance**

Dr Short term creditors £5,757k and Cr Grants received in advance £5,757k

[Grants received in advance of £5.7m were originally included in short term creditors in the balance sheet rather than Grants received in advance, which is the most appropriate treatment. Prior year figures were also amended..]

### **Disclosure amendments**

The disclosure notes were amended as follows:

- To reflect the impact of the adjusted misstatements throughout the accounts, including adjustments to prior year comparatives.
- Some corrections were made to the Annual Governance Statement disclosures.
- Note 2, accounting standards that have been issued but not yet adopted, was not included in the original statements and was added to the disclosures in accordance with the requirements.
- Note 11, property, plant and equipment was for two errors on brought forward gross book values in Vehicles, Plant and Equipment (£2,490k) and Assets Under Construction (£542k). These errors were compensated for by overstated accumulated depreciation. Because the errors were compensating there was no impact on the values in the Balance Sheet.
- Note 34, leases, was updated to remove double counting of finance and operating leases.
- A number of other minor errors, omissions, clarifications and typographical errors were corrected.

## 11. Value for money

We are required to conclude whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We intend to issue an unqualified conclusion stating the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. Our draft conclusion is included in Appendix 2.

We assess your arrangements against the two criteria specified by the Audit Commission. We have set out below our conclusion against the two criteria.

### **Criteria 1: Financial Resilience**

The Authority managed its financial position well. Budget setting was robust and close monitoring ensured delivery of spending within revenue and capital budget limits. The outturn for 2012/13 shows that the Authority has achieved an underspend against budget of £1.5m, delivering its planned savings whilst maintaining healthy financial reserves to help it meet its likely future commitments.

The Authority is financially resilient. The Medium Term Financial Strategy sets out how the Authority proposes to deal with the difficult economic climate and the cuts in funding. The Authority has considered the impact of the retention of business rates and localisation of council tax support, and is monitoring these areas closely.

Careful financial management has enabled the Authority to build up a good level of earmarked reserves, that are set aside for specific plans and projects. The latest VFM profiles produced by the Audit Commission show that the General Fund Balance was relatively low, and that earmarked reserves are the highest for all fire authorities, reflecting the Authority's managed plans for future spending.

### **Criteria 2: Securing economy, efficiency and effectiveness**

In its submission to Sir Ken Knight's efficiency review, the Authority demonstrated not only that recent budget reductions have been delivered effectively, but that over the last 10 years the Authority has delivered over £10m of savings in its base budgets. Measures taken have included:

- a strategic review of fire cover
- implementing 4+4 crewing on pumping appliances, revising other crewing arrangements, and other staffing flexibility
- investing in preventative approaches to community safety, that result in cost reductions in the medium term

- reducing the back office, investing in shared services, collaboration and improved procurement
- improvement in sickness management.

The actions already taken by the Authority are in line with those that Sir Ken Knight has recently proposed that the fire service nationally delivers in the future. Notwithstanding its success so far the Authority recognises that further spending cuts will be required and has now determined to look at five new areas of potential savings, including reviewing response, reviewing diversionary activities, building on staffing flexibility, reviewing cleaning and catering and exploring the business case for establishing a trading company.

### Significant risks

Our Audit Strategy Memorandum, issued on 19 February 2013 reported to you the significant risks that were relevant to our Value for Money conclusion. We have set out below our work addressing each of the risks we identified.

Criteria	Identified Risk	Audit conclusion
<b>Financial Resilience</b>	The Authority faces financial pressures from reduced funding and continues to identify plans to deliver future savings. Without robust budgetary control and delivery of its action plans, the Authority's financial resilience and service performance could deteriorate.	The Authority continues to closely monitor the delivery of its action plans and its budgets. The outturn for 2012/13 showed that the Authority has achieved an underspend against budget, delivering the savings required so far, and it also has healthy financial reserves to help it manage the future cuts that are likely to be required. To date, the Authority has managed to drive further improvement in performance despite the cuts in spending. The Authority is preparing for difficult decisions in future years as further cuts in funding are required.

<b>Criteria</b>	<b>Identified Risk</b>	<b>Audit conclusion</b>
<b>Securing economy, efficiency and effectiveness</b>	A new command and control project is being implemented in partnership with Northumberland Fire and Rescue Service. Failure to deliver this project effectively could impact adversely on the smooth running of emergency response services.	The Authority has received regular progress reports on the joint command and control project with Northumberland Fire and Rescue Service.  The project is due for delivery in the autumn of 2013.

## Appendices

## Appendix 1 – Management representations

### **Tyne & Wear Fire and Rescue Authority**

23 September 2013

Dear Mr Nicklin

### **Tyne & Wear Fire and Rescue Authority - audit for year ended 31 March 2013**

This representation letter is provided in connection with your audit of the statement of accounts for Tyne & Wear Fire and Rescue Authority for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

#### **My responsibility for the statement of accounts and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

#### **My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Authority you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

### **Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Authority and Committee meetings, have been made available to you.

### **Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Authority's financial position, financial performance and cash flows.

### **Accounting estimates, including those measured at fair value**

I confirm that any significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

### **Contingencies**

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Authority have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

### **Laws and regulations**

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

### **Fraud and error**

I acknowledge my responsibility as Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Authority involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Authority's statement of accounts communicated by employees, former employees, analysts, regulators or others.

### **Related party transactions**

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

I have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which I am aware.

### **Impairment review**

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. A further impairment review is therefore not considered necessary.

### **Future commitments**

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

### **Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

**Going concern**

To the best of my knowledge there is nothing to indicate that the Authority will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Yours faithfully

Malcolm Page

Finance Officer

Tyne & Wear Fire and Rescue Authority

## Appendix 2 – Draft audit report

### **INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF TYNE & WEAR FIRE AND RESCUE AUTHORITY**

#### **Opinion on the Authority financial statements**

We have audited the financial statements of Tyne & Wear Fire and Rescue Authority for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Firefighters’ Pension Fund Account and the Firefighters’ Pension Fund Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Tyne & Wear Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

#### **Respective responsibilities of the Finance Officer and auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts the Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and

non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Tyne & Wear Fire and Rescue Authority as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

### **Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

## **Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Respective responsibilities of the Authority and the auditor**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission on 1 November 2012, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission on 1 November 2012, we are satisfied that, in all significant respects, Tyne & Wear Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

## **Certificate**

We certify that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Steve Nicklin

For and on behalf of Mazars LLP, Appointed Auditors

The Rivergreen Centre  
Aykley Heads  
Durham, DH1 5TS

30 September 2013

## Appendix 3 – Required communication

ISA 260 ‘Communication With Those Charged With Governance’ and ISA 265 ‘Communicating Deficiencies In Internal Control To Those Charged With Governance And Management’ require the auditor to communicate a number of matters with those charged with governance. These matters are set out below along with our proposed approach. We are required to ensure that all points listed below are communicated to those charged with governance.

Required communication	When and how we will communicate
<p>Respective responsibilities of auditor and those charged with governance.</p> <p>Our responsibility for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the statement of accounts.</p> <p>The audit of the statement of accounts does not relieve management or those charged with governance of their responsibilities.</p>	<p>This information was included in the Audit Strategy Memorandum.</p>

Required communication	When and how we will communicate
<p>Communication of the planned scope and timing of the audit.</p> <p>Matters communicated include:</p> <ul style="list-style-type: none"> <li>▪ Significant audit risks and how we will address them;</li> <li>▪ Our approach to internal control relevant to the audit;</li> <li>▪ The application of the concept of materiality in the context of an audit;</li> <li>▪ Our use of the work of internal audit;</li> <li>▪ Your approach to internal control and how you oversee the effectiveness of internal control procedures;</li> <li>▪ The attitude, awareness and action of those charged with governance concerning the detection or possibility of fraud; and</li> </ul> <p>Your response to new accounting standards, corporate governance practices and related matters.</p>	<p>This information was included in the Audit Strategy Memorandum.</p>
<p>Our views on significant qualitative aspect of accounting practices including accounting policies, accounting estimates and financial statement disclosures.</p> <p>When applicable, why we consider a significant accounting practice not to be appropriate to the entity.</p>	<p>Section 8 of this report.</p>

Required communication	When and how we will communicate
<p>Significant difficulties, if any, encountered during the audit.</p> <p>Significant difficulties encountered during the audit may include such matters as:</p> <ul style="list-style-type: none"> <li>▪ Significant delays in management providing required information;</li> <li>▪ An unnecessarily brief time within which to complete the audit;</li> <li>▪ Extensive unexpected effort required to obtain sufficient appropriate audit evidence;</li> <li>▪ The unavailability of expected information;</li> <li>▪ Restrictions imposed on the auditor by management; and</li> <li>▪ Management’s unwillingness to make or extend its assessment of the entity’s ability to continue as a going concern.</li> </ul>	<p>No significant difficulties were encountered.</p>
<p>Details of significant matters discussed with, or subject to correspondence with management.</p>	<p>Not applicable.</p>
<p>Details of written representations we require for our audit.</p>	<p>Appendix 1 to this report.</p>
<p>Any other matters which we consider to be significant to the oversight of the financial reporting process.</p>	<p>Section 8 of this report.</p>
<p>Statement that the engagement team and the firm have complied with relevant ethical requirements regarding independence.</p> <p>Written disclosure of relationships which have a bearing on our independence and safeguards we have put in place, details of non audit services provided and written confirmation of our independence.</p>	<p>This information was included in the Audit Strategy Memorandum.</p>

Required communication	When and how we will communicate
Form, timing and general content of communications.	We issue our Audit Completion Report. Should you require us to communicate in a different way please let us know.
Our evaluation of the adequacy of the communication process between ourselves and those charged with governance. This may include observations on appropriateness and timing of action taken by you in response to matters we have raised, the openness of your communication with us, your willingness and capacity to meet with us without management being present, your opportunity to fully comprehend matters we have raised, the extent to which you probe issues raised and our recommendations, any communication we have had in establishing with you the form, timing and general content of communications, your awareness of how our discussions impact on your governance and management responsibilities and whether your communication with us meets legal and regulatory requirements.	Our view is that there is an adequate communication process between ourselves and those charged with governance.
Any significant deficiencies and other control recommendations in respect of internal control that we have identified during the audit.	Section 9 of this report.

