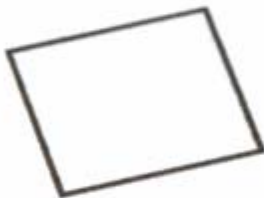


# Tyne and Wear Fire and Rescue Authority

## Audit Progress Report

March 2013



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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.

Finally, please note the website address [www.mazars.co.uk](http://www.mazars.co.uk) which sets out the range of work Mazars carries out across the UK public sector. It also details the wider services provided within the UK and abroad.

# 02

## Summary of audit progress



Good progress has been made on the 2012/13 audit:

- We have issued our fee letter confirming that the audit fee is in line with the Audit Commission's scale fee for the Authority of £40,848, representing a 40% reduction on the previous year's audit fee
- We have met with key officers to discuss the issues the Authority faces and have developed an audit programme to address the key risk areas for the audit opinion and the VFM conclusion
- We have agreed our Audit Strategy Memorandum with officers. This will be presented to the Governance Committee and is elsewhere on the March agenda papers.
- Work is now underway on each of the key financial systems to confirm our understanding of the systems, including reviewing documentation on the design and operation of the systems and walking through transactions to test our understanding in practice. We are also reviewing general ICT controls and making arrangements for early substantive testing of income and expenditure.

# 03

## Emerging issues and developments



The following pages outline some significant emerging issues and developments. Although some of the reports mentioned focus on councils, we have included them to the extent that the messages are still relevant in the fire sector:

- Protecting the public purse 2012, Fighting fraud against local government
- Tough Times 2012, responses to a challenging financial climate
- Efficiency review of fire and rescue services
- Striking a balance , Improving decision making on reserves
- Auditing the accounts 2011/12: Quality and timeliness of local public bodies' financial reporting
- Consultation on 2013/14 audit fees and work programme
- VFM profiles and financial ratio tools
- the Local Government Financial Settlement 2013/14, including the impacts of localisation of business rates and localising council tax support
- Final accounts workshops for finance staff

# Emerging issues and developments

## Issue / development

### **Protecting the public purse 2012** (November 2012)

This Audit Commission report found that councils were targeting their investigative resources more efficiently and effectively, detecting more than 124,000 cases of fraud in 2011/12 totalling £179 million.

Although the scope for fraud is more limited in fire and rescue authorities, it is important to always remain alert to the risks of fraud, and it is particularly important to retain adequate levels of internal control when redesigning services and looking for savings in the current challenging economic environment.

The report contains an updated checklist which gives organisations an opportunity to consider how effective they are at responding to the risk of fraud.

### **Tough Times 2012** (December 2012)

This report finds that in 2011/12, the second year of the four-year Spending Review, councils largely delivered their planned savings and in many cases added to reserves. However, auditors reported that signs of financial stress were visible with 12 per cent of councils not well-placed to deliver their 2012/13 budgets and a further 25 per cent will cope, but may struggle in the remaining years of the Spending Review period. The report is the second in the Audit Commission's Tough times series.

Although focused on councils, the pressures faced, and the increasing pressure over time, will also be familiar to fire and rescue authorities.

# Emerging issues and developments

## Issue / development

### **Efficiency review of fire and rescue service** (December 2012)

In mid December the Government announced an expert led review of fire efficiency, stating that “the review is to be conducted by former firefighter and out-going government Chief Fire and Rescue Adviser, Sir Ken Knight, in the new year. The review will seek to identify ways fire and rescue authorities can pinpoint savings and improvements without reducing the quality life-saving services that the country’s fire firefighters are known for.”

The fieldwork and analysis for the review is being carried out between January and March 2013, with reporting of the findings in Spring 2013.

### **Striking a balance, Improving decision making on reserves** (December 2012)

This Audit Commission report found that English councils held £12.9 billion in their reserves at 31 March 2012, and that reserves have increased by 36% in real terms since 2006/07.

The Commission has called upon councils to improve their decision making around reserves. Given the sums involved, and the current financial challenges, councils should focus more attention on their reserves and the purposes for which they hold them. All councils should ensure that their decisions have been clearly explained to taxpayers and service users.

These messages are equally applicable to fire and rescue authorities.

# Emerging issues and developments

## Issue / development

### **Auditing the accounts 2011/12: Quality and timeliness of local public bodies' financial reporting** (December 2012)

This Audit Commission report summarised the financial reporting outcomes for local authorities and other bodies within its regime. Audit opinions were issued at all fire and rescue authorities by 30 September 2012, and this was the only local government sector achieving a 100% record.

### **Consultation on 2013/14 audit fees and work programme** (December 2012)

The Audit Commission has proposed that the 2013/14 work programme will be unchanged and that the scale fees will therefore be unchanged from the 2012/13 fees in cash terms. In effect, this means that the 2013/14 fees will be even lower than 2012/13 fees in real terms, with the auditor absorbing any cost pressures.

### **VFM profiles and financial ratio tools** (February 2013)

The Audit Commission has updated its VFM profile and financial ratios tools for 2011/12 outturn data. The profiles are available by following the links at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk). They enable key indicators for Tyne & Wear Fire and Rescue Authority to be compared with all fire authorities or just with metropolitan fire authorities.



# Emerging issues and developments

## Issue / development

### **Local Government Financial Settlement 2013/14** (February 2013)

The Government has announced that while the average spending power by English local authorities has reduced by 1.7 per cent in 2013/14 compared to 2012/13, for fire authorities the decrease is significantly larger, reflecting the back loading of spending reductions in the spending review period.

Metropolitan fire authorities have had a spending power reduction of 4.9 per cent on average for 2013/14. The provisional settlement for 2014/15 shows a further 3.8 per cent spending power reduction for metropolitan fire authorities.

As well as the direct cuts in funding, fire and rescue authorities will also be impacted in future by changes to business rates and council tax support. The changes mean that a fire authority's income may change if the amount of business rates collected in their area goes up or down. The fire authority will also be impacted if council tax collection is effected following changes to local council tax support schemes. Tyne and Wear Fire and Rescue Authority will be effected by the performance of all five metropolitan councils in the area, something which it can do little to influence itself.

### **Final accounts workshops for finance staff** (February 2013)

Mazars has provided a workshop for finance staff on accounting and auditing issues relating to the closedown and preparation of the 2012/13 statement of accounts. The workshop was free for our clients, including Tyne and Wear Fire and Rescue Authority, and your officers attended the event in February 2013. We understand that the workshop was well received and thought to be beneficial.

# 04

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