

Audit Progress Report

Tyne & Wear Fire and Rescue Authority



March 2017



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Our reports are prepared in the context of the Public Sector Audit Appointment Limited'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.

Audit progress

2016/17 audit planning

We have now completed our 2016/17 planning and the results are reflected in the Audit Strategy Memorandum included as a separate agenda item for discussion at the Audit and Governance Committee on 27 March 2017.

Our planning included:

- identifying the business risks facing the Authority, including assessing your own risk management arrangements;
- considering financial performance;
- assessing internal controls, including reviewing the control environment;
- evaluating and testing the IT control environment;
- assessing the risk of material misstatement arising from the activities and controls within the information systems; and
- completing walkthrough tests on the key controls within the material financial systems.

As part of our work, we took into account the most recently published updated VFM guidance for local government bodies (in essence, no significant change). <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

We held planning meetings with senior managers to inform our planning risk assessments and to better understand the priorities and challenges the Authority faces. We also discussed the previous year's audit and considered any areas for continuous improvement.

As part of our commitment to quality, team members have already attended our annual audit training conference which included technical issues in respect of the local government and related sectors and feedback from quality reviews to take into account in the coming year. For example, the workshop covered the new format for the Comprehensive Income and Expenditure Statement to be used in 2016/17.

Bringing forward the accounts and audit timetable

We have continued to work with officers as they seek to streamline arrangements to enable us to bring forward the 2016/17 accounts and audit timetable. Officers plan to produce the draft accounts requiring certification by the end of May 2017 and we aim to complete the audit by the end of July 2017.

We have discussed emerging technical issues early and have shared a list of working paper requirements. We have also carried out early substantive testing to reduce the volume of audit work that will be required in June and July 2017.

Issues arising

At this stage of our audit work, we have no significant deficiencies in internal control to report to you.

Final accounts workshop

Our annual accounts workshops took place in February 2017 and officers from the Authority attended. The workshops provided an update on the latest developments as well as a forum to discuss emerging issues.

North East Governance Forum

The latest meeting of our Governance Forum, targeted at Chairs and Vice Chairs of Audit Committees and officers took place in February 2017 covering the following:

- developing an integrated assurance framework; and
- commercialisation, local authority trading companies and alternative models of service delivery.

Our next North East Governance Forum is planned for October / November 2017.

National publications and other updates

National publications and other updates	
1.	Regularity, Compliance and Quality Report 2015-16, PSAA, August 2016
2.	Understanding Local Authority (and related bodies) Financial Statements, CIPFA, September 2016
3.	Alternative Delivery Models, CIPFA, October 2016
4.	2017/18 work programme and scale of fees, PSAA, October 2016
5.	Report on the results of auditors' work 2015/16: Local government (and related) bodies, PSAA, December 2016
6.	Auditor General Guidance Note AGN/01, National Audit Office, December 2016
7.	Investigation into Police and Firefighters Pension Scheme Commutation Factors, NAO, January 2017
8.	Oversight of audit quality: quarterly compliance reports 2016/17, Public Sector Audit Appointments Ltd
9.	Procurement strategy, PSAA, December 2016, Updated March 2017

1. Regularity, Compliance and Quality Report 2015-16, PSAA, August 2016

Public Sector Audit Appointments Ltd (PSAA) is responsible for appointing the Authority's auditor, and assessing the performance of all appointed auditors. This consists of monitoring both the quality of the work undertaken and the regulatory compliance of all firms appointed under the Local Audit and Accountability Act.

The audit quality and regulatory compliance monitoring for 2015/16 incorporated a range of measurements and checks comprising:

- a review of each firm's latest published annual transparency reports;
- the results of reviewing a sample of each firm's audit quality monitoring reviews (QMRs) of its financial statements, Value for Money (VFM) conclusion and housing benefit (HBCOUNT) work;
- an assessment as to whether PSAA could rely on the results of each firm's systems for quality control and monitoring;
- a review of the Financial Reporting Authority's (FRC) published reports on the results of its inspection of audits in the private sector;
- the results of the inspection of each firm by the FRC's Audit Quality Review team (AQR) as part of PSAA's commissioned rolling inspection programme of financial statements and VFM work;
- the results of each firm's compliance with 15 key indicators relating to PSAA's Terms of Appointment requirements;
- a review of each firm's systems to ensure they comply with PSAA's regulatory and information assurance requirements; and
- a review of each firm's client satisfaction surveys for 2014/15 work.

PSAA has recently completed this process for 2015/16. A 'RAG' rating system is used, and we are delighted to inform you that Mazars is one of only two firms that have been consistently graded 'green' in all areas, scoring joint-highest for quality of work undertaken, and highest for client satisfaction.

2016 Comparative performance for audit quality and regulatory compliance

BDO Green	Deloitte Green	EY Green	GT Amber	KPMG Amber	Mazars Green	PwC Amber
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2015 Comparative performance for audit quality and regulatory compliance

BDO Amber	Deloitte Amber	EY Green	GT Amber	KPMG Amber	Mazars Green	PwC Amber
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The report can be found at: <http://www.psaa.co.uk/audit-quality/>

2. Understanding Local Authority (and related bodies) Financial Statements, CIPFA, September 2016

This publication updates previous CIPFA guidance designed to make the complex financial statements required for authorities more understandable. This includes the financial statements of fire and rescue authorities. The 2016/17 Code includes a revised format that is closer to that used for management reporting during the year. The document describes the changes and identifies opportunities to simplify presentation and make the messages clearer regarding:

- Comparison with budgets;
- Reserves positions; and
- Cash Flow.

<http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/simplification-and-streamlining-the-presentation-of-local-authority-financial-statements>

3. Alternative Delivery Models, CIPFA, October 2016

Alternative service delivery models of various shapes and sizes are increasingly being used to deliver a growing number and range of public services in many locations in the UK.

An alternative delivery model can be a different way of managing, collaborating and contracting, or it can involve the establishment of a completely new organisation that could be wholly, or partly owned by the parent body or a completely independent enterprise.

They range from small community-based initiatives, employee led spin outs (large and small), local authority companies, to substantial multi-stakeholder partnerships involving private and public sector organisations.

At their best, these new models can provide greater flexibility and dynamism, while maintaining continued commitment to public service and wellbeing. This combination of innovation in public enterprise and public/social purpose can make them effective vehicles for improving service outcomes.

Tyne & Wear Fire and Rescue Authority has already established some arrangements for trading through TWFRS Ltd, linked to the separate charity the Impeller Foundation and its trading subsidiary, Impeller Assurance and Resilience Ltd.

<http://www.cipfa.org/policy-and-guidance/publications/a/a-practical-guide-to-alternative-delivery-models-online>

4. 2017/18 work programme and scale of fees, PSAA, October 2016

The consultation sets out the work that auditors will undertake at principal local government and related bodies for 2017/18, with the associated scale fees.

There are no changes to the overall work programme for 2017/18. PSAA therefore proposes that scale fees are set at the same level as the fees applicable for 2016/17. These fees reflect the significant reductions made to scale fees since 2012/13.

The consultation ended on 12 January 2017, but as at the beginning of March 2017 the results of the consultation had not yet been reported.

<http://www.psaa.co.uk/audit-and-certification-fees/201718-work-programme-and-scales-of-fees/>

5. Report on the results of auditors' work 2015/16: Local government (and related) bodies, PSAA, December 2016

Auditors of 100% of fire and rescue authorities were able to issue the opinion on the accounts by the statutory deadline of 30 September 2016.

<http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/reports-on-the-results-of-auditors-work/>

6. Auditor General Guidance Note AGN/01, National Audit Office, December 2016

The National Audit Office (NAO) issues guidance to auditors of public sector bodies. The main revision to the General Guidance note is to update explanatory and supplementary guidance on meeting the requirements in the Code of Audit Practice to safeguard integrity, objectivity and independence in the conduct of local audit. The Annex to the guidance also illustrates how the requirements of the Financial Reporting Council's (FRC) ethical standard on financial, business, employment and personal relationships apply to audits of local public bodies.

The guidance note and its Annex is addressed to local auditors however it is recommended that audit teams ensure that their audited bodies are aware of the need for auditors to comply with relevant ethical requirements and also that those charged with governance are briefed as appropriate on the requirements of the FRC's ethical standard.

We confirm that we have taken into account the updated guidance and fully comply with the FRC's ethical standard.

<https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

7. Oversight of audit quality: quarterly compliance reports 2016/17, Public Sector Audit Appointments Ltd

The latest 2016/17 monitoring report (quarter 3) highlights full compliance with the Regulator's standards for Mazars LLP.

<http://www.psaa.co.uk/audit-quality/principal-audits/mazars-audit-quality/>

8. Investigation into Police and Firefighters Pension Scheme Commutation Factors, NAO, January 2017

This looks at the chain of events which led to the government paying £711m in compensation to 34,000 pensioners who retired from the Police and Firefighters' Pension Schemes between 2001 and 2006 without receiving their full pension entitlement. These payments were made following the Pensions Ombudsman's finding of maladministration in the Government Actuary's Department's (GAD) handling of the administration of the factors that were used to convert annual pension entitlements to lump sum payments.

The NAO found that the Government was aware in 2006 that the commutation factors used to calculate police and firefighters' pension lump sums did not reflect the life expectancy of pensioners or the underlying trends across pension schemes. Due to the extent of the legal process in the case, some police and firefighters were retired for over 15 years before they received their full pension entitlement from government. Tyne & Wear Fire and Rescue Authority has now paid the affected retired firefighters and been reimbursed by the Government through top-up grant.

<https://www.nao.org.uk/report/investigation-into-police-and-firefighters-pension-scheme-commutation-factors/>

9. Procurement strategy, PSAA, December 2016, Updated March 2017

As previously reported to the Audit and Governance Committee, from 2018/19 onwards, authorities will be required to appoint their own auditor. A collective procurement option is available via PSAA who published their procurement strategy on 21 December 2016 as well as details of which bodies had signed-up to date.

<http://www.psaa.co.uk/supporting-the-transition/appointing-person/procurement-strategy/>

<http://www.psaa.co.uk/wp-content/uploads/2017/01/2017-01-04-List-of-opted-in-authorities.xlsx>

On 2 March 2017, PSAA published an updated list of authorities that had signed-up for the national collective procurement. 97% of fire and rescue authorities had signed-up at that date, including Tyne & Wear Fire and Rescue Authority.

<http://www.psaa.co.uk/supporting-the-transition/appointing-person/opted-in-authorities/>

Contact details

Please let us know if you would like further information on any items in this report.

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