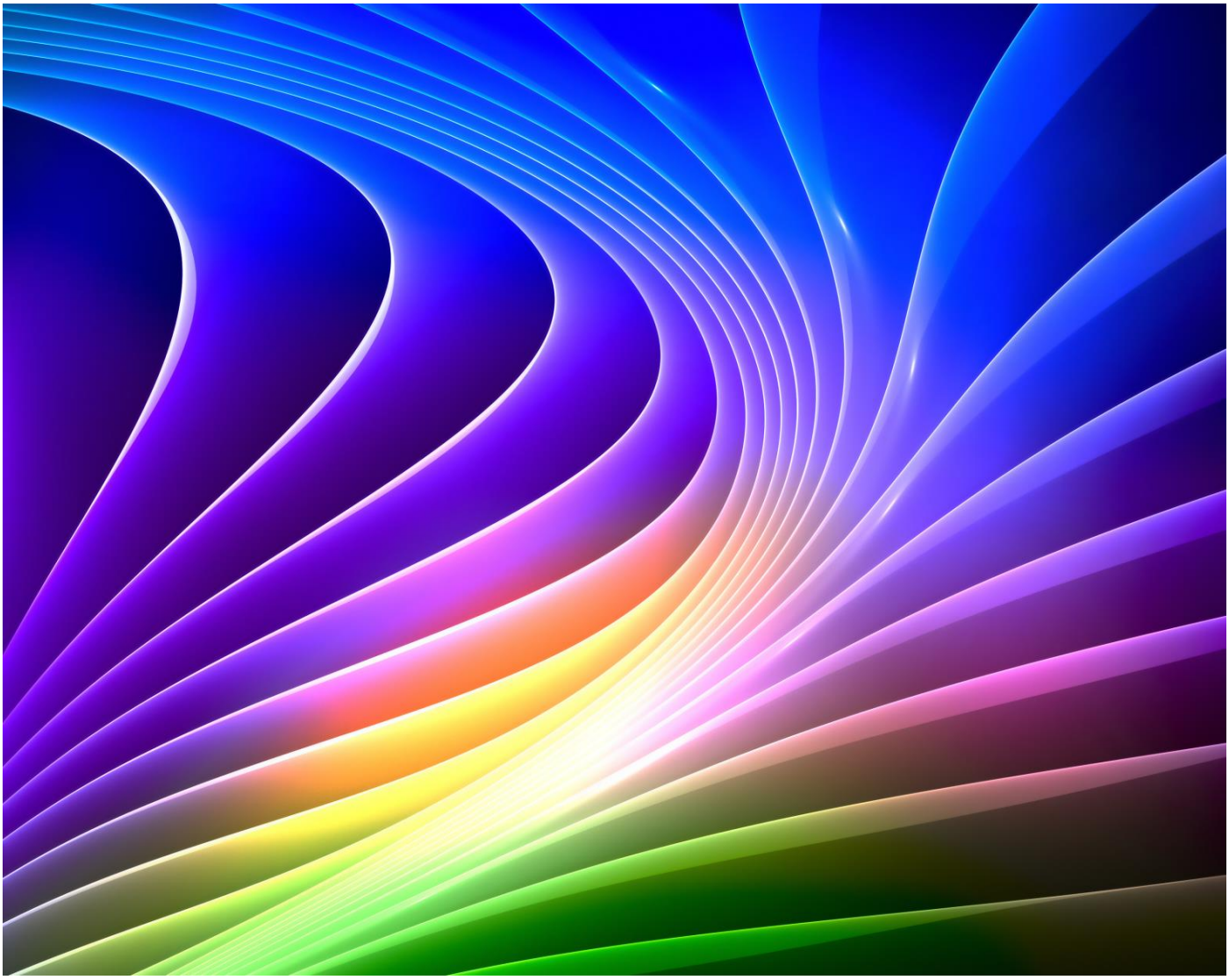
Audit Completion Report

Tyne and Wear Fire and Rescue Authority – year ended 31 March 2015

September 2015



Tyne and Wear Fire and Rescue Service

Creating the Safest Community

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Governance Committee
Tyne and Wear Fire and Rescue Authority
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17 September 2015

Dear Members

Audit Completion Report – Year ended 31 March 2015

We are delighted to present our Audit Completion Report for the year ended 31 March 2015. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and areas of management judgement was outlined in our Audit Strategy Memorandum which we presented on 16 March 2015. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks remain appropriate.

We would like to take this opportunity to express our thanks to your officers for their assistance during the course of our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me 0191 383 6300 or mark.kirkham@mazars.co.uk.

Yours faithfully

Mark Kirkham
Partner

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 Executive summary

Purpose of this document

This document has been prepared to communicate the findings of our audit for the year ended 31 March 2015 to the Governance Committee of Tyne and Wear Fire and Rescue Authority and forms the basis for discussion at the Governance Committee meeting on 28 September 2015.

Our communication with you is important to:

- share information to assist both the auditor and those charged with governance to fulfil our respective responsibilities;
- provide you with constructive observations arising from the audit process;
- ensure, as part of the two-way communication process, we gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Tyne and Wear Fire and Rescue Authority; and
- receive feedback from yourselves as to the performance of the engagement team.

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) which means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement. Section 3 of this report includes our conclusions on the significant risks that we set out in our Audit Strategy Memorandum.

We also set out details of internal control recommendations in section 4 and a summary of misstatements discovered as part of the audit in section 5.

Status and audit opinion

We have substantially completed our audit of the financial statements for the year ended 31 March 2015.

At the time of preparing this report, we have not yet received and reviewed the required assurance from the auditors of Tyne & Wear Pension Fund (PWC) over IAS 19 (pensions) related entries in the financial statements. We will provide an update to you in a follow up letter to this report should any issues arise in relation to this matter.

Subject to the satisfactory conclusion of the remaining audit work, we anticipate:

- issuing an unqualified opinion, without modification, on your statement of accounts; and
- concluding that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

We also anticipate completing our work in respect of your Whole of Government Accounts submission in line with the group instructions issued by the National Audit Office by the deadline of 2 October 2015.

Our proposed audit report is set out in Appendix B.

02 Commentary on the financial statements

Good finances are the foundation of the Authority's ability to deliver essential services and to achieve value for money for taxpayers. The Statement of Accounts is the key medium by which the Authority communicates financial performance with external stakeholders. As such it provides valuable data on how resources have been employed and what assets and liabilities are outstanding, and is a useful indicator as to the financial health of the organisation.

Comprehensive Income and Expenditure Statement (CIES)

The CIES shows the cost of providing services for 2014/15 prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2014/15. The statement shows a deficit for the year for the provision of services of £19.7m. As with other fire and rescue authorities the statement differs from the Authority's reported performance on its revenue budget for 2014/15 because of items of expenditure which are correctly charged to the CIES under accounting rules but are not charged to the General Fund under statute.

The Authority's performance against its revenue budget is set out in the Explanatory Foreword to the Statement of Accounts. The outturn position represented a net underspend on the revenue budget of £24k.

The CIES then accounts for other items, primarily the gains arising from the revaluation of Property, Plant and Equipment and a significant actuarial adjustment in the defined benefit liability for pensions, and the bottom line result on the CIES is a deficit of £48.8m.

Movements in Reserves Statement (MIRS)

The MIRS takes the deficit on the provision of services of £48.8m, and adjusts it for the entries in the CIES that were required under accounting rules, but which are not chargeable to the General Fund under statute.

Note 6 to the financial statements sets out the adjustments between the accounting basis and the funding basis.

The MIRS statement culminates in the closing balance on each of the Authority's reserves. Total Usable Reserves represent real resources available to the Authority. Between 31 March 2014 and 31 March 2015 these reduced from £36.6m to £34.2m. The General Fund balance, which is available to meet unforeseen circumstances, increased slightly from £3.87m to £3.88m.

Balance Sheet

The Balance Sheet shows the value of the Authority's assets and liabilities on a single date at the year end. It shows that the Authority has net liabilities or 'negative net worth' of £729.7m, which was an increase of £48.7m or 7.2% in net liabilities compared to last year. This is almost entirely due to the pension liabilities calculated under accounting standards relating to firefighters and other staff, which at 31 March 2015 were £792.0m.

The most significant movement from last year relates to an increase in the net pension liability of £51.2m following the assessment by the actuary. This has been partly offset by a small net increase in assets.

The Authority's net assets are matched by reserves which comprise both usable and unusable reserves. In addition to the General Fund balance, the Authority also has £3.3m in a capital receipts reserve. A further £27.1m is held in earmarked reserves. Note 7 to the financial statements sets out the Authority's earmarked reserves in more detail. Although these reserves are earmarked, they do provide the Authority with some flexibility in managing in the current challenging financial environment.

03 Significant findings

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding the significant risks outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 6 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks

Management override of controls

Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work on:

- consideration and review of accounting estimates impacting amounts included in the financial statements;
- consideration and review of any unusual or significant transactions outside the normal course of business; and
- journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Our work has provided the assurance we sought and has not highlighted any issues to bring to your attention.

Revenue recognition

Description of the risk

There is a risk of fraud in financial reporting relating to income recognition due to the potential to inappropriately record revenue in the wrong period. ISA 240 allows the presumption of fraud relating to revenue recognition to be rebutted in exceptional circumstances. Mazars' policy is that the scope to apply such a rebuttal is limited. As there is an inherent risk of fraud in revenue recognition we consider it to be a significant risk. This does not imply that we suspect actual or intended manipulation but that we continue to approach the audit with due professional scepticism.

How we addressed this risk

We evaluated the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. We also undertook a range of substantive procedures including:

- testing receipts in March, April and May 2015 to ensure they were recognised in the right year;
- testing adjustment journals; and
- obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger.

Audit conclusion

Our work has provided the assurance we sought and has not highlighted any issues to bring to your attention.

Pensions estimates (IAS19)

Description of the risk

The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

How we addressed this risk

We discussed with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we:

- evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary; and
- considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which was commissioned by the Audit Commission.

As at the time of preparing this report, we have not yet received and reviewed the required assurance from the auditors of Tyne & Wear Pension Fund (PWC) over IAS 19 (pensions) related entries in the financial statements.

Audit conclusion

As at the time of preparing this report, we have not yet received and reviewed the required assurance from the auditors of Tyne & Wear Pension Fund (PWC) over IAS 19 (pensions) related entries in the financial statements.

Subject to a satisfactory response from PWC, our work has provided the assurance we sought and has not highlighted any issues to bring to your attention.

Further risk assessment work on potential audit risk

In our Audit Strategy Memorandum, we identified a further potential audit risk. At that time we reported that:

> *The 2013/14 financial statements disclosed a contingent liability relating to Government pension top-up grant. This is a national issue reflecting clarification of funding arrangements relating to historic firefighter injury awards. The issue continues to be discussed at a national level and we are informed that consensus has not yet been reached in respect of the potential liability and accounting treatment. We will issue an update to the Audit Strategy Memorandum if a new significant risk is identified relating to firefighter injury awards or any of the other interim work planned.*

The position described above in March 2015 in relation to this issue is unchanged at the time of writing this report. We did not identify a significant issue in relation to our audit, but as part of our normal audit procedures we considered the provision made in the accounts and the contingent liability disclosed in relation to these historic firefighter injury awards. We do not have any further issues to report to Members in this respect.

Accounting policies and disclosures

We have reviewed Tyne and Wear Fire and Rescue Authority's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting. There have been no significant changes to accounting policies from the previous year.

We have reviewed the overall neutrality, consistency and clarity of the disclosures in the statement of accounts relating to areas where judgements are made in formulating particularly sensitive financial statement disclosures (for example disclosures related to remuneration, going concern, subsequent events, and contingencies). With the exception of the issue highlighted in the paragraphs on the next page, there are no reporting issues arising from our review.

Significant matters discussed with management

There has been a significant matter discussed with management during the audit. This issue was not of the Authority's making, but it has taken significant officer resource to resolve.

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 and it was then for the Authority to calculate additional payments due to pensioners, the cost of which will be met by Government.

GAD provided a calculator to perform the revised calculations on 7 September and the Authority was advised that the Government anticipates calculations to be completed by 31 December 2015 and that pensioners will be paid the additional sums due to them by 31 March 2016 at the latest.

Over the summer, there has been considerable uncertainty over if and how the additional liabilities and the funding should be reflected in the 2014/15 financial statements.

The Authority identified that there were 221 retirements which were affected by the decision. Using the calculator for 211 cases and making an estimate for 10 other cases, the Authority has assessed the additional liability as £3.398m, which is well above our materiality level of £852k.

Our technical advice was that:

- the change in factors was an adjusting post balance sheet event, meaning that although the determination was made in May 2015, its impact needs to be reflected in the 2014/15 financial statements;
- the additional liability results from an error in the GAD commutation factors; consequently, it falls within the scope of IAS19 on employee benefits and should be treated as an actuarial loss;
- it would not be unreasonable for the Authority to use the additional liability of £3.398m as an estimate of the actuarial loss to be recognised; and
- because the error relates to historic issues dating back as far as 2001, it is a prior period error and needs to be reflected in the accounts as a prior period adjustment.

Consequently, to address this error in the 2014/15 financial statements, officers have made adjustments to the 2012/13 financial position, which is set out in a prior period adjustment note to the accounts, and the correct position has therefore been carried through into the 2013/14 comparative figures and the figures for the 2014/15 financial year. Officers also made equivalent accounting entries to show that the amount of the liability will be met in pension top up grant from Government.

The accounting entries required are summarised in section 5 of this report.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. We are particularly grateful to officers for their patience in dealing with the late adjustments arising from the revised pension commutation factors referred to above.

04 Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

We have not identified any matters to report. If we had performed more extensive procedures on internal control we might have identified deficiencies to be reported. Our comments should not be regarded as a comprehensive record that there are no deficiencies or that improvements could not be made.

05 Summary of misstatements

In our Audit Strategy Memorandum we reported that we had set materiality at the planning stage at £964k with a clearly trivial threshold of £29k below which identified errors would not usually be reported. We do not purely use a formula for our calculation of materiality and we look at any errors identified on their merits and can choose to report errors and uncertainties below our thresholds if we deem this to be appropriate.

Our final calculated materiality level for the 2014/15 audit, based on the final statement of accounts, is £852k, with a trivial threshold of £26k.

We set out below the misstatements identified during the course of the audit, above the trivial level, for adjustment.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2014/15

		CIES		Balance Sheet	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
1	Cr: Other Long-Term Liabilities				**292**
	Dr: Property, Plant and Equipment			**55**	
	Dr: Short-Term Debtors (Lifecycle costs prepayment)			**191**	
	Dr: Cost of Services Expenditure	**46**			
	Entries required to reconcile the Authority's balance sheet to the PFI models.				
2	Dr: Financing and Investment expenditure	**46**			
	Cr: Cost of Services expenditure		**46**		
	Estimated additional interest payable on the North East Fire and Rescue PFI scheme.				

Adjusted misstatements 2014/15

		CIES		Balance Sheet	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
1	Dr: Short-Term Debtors			**264**	
	Dr: Short-Term Creditors			**52**	
	Cr: Provisions				**316**
	NNDR appeals provisions had been allocated to short-term creditors and also netted off against short-term debtor balances.				

Adjusted misstatements 2014/15 (continued)

		CIES		Balance Sheet	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
2	Dr: Pension Reserve			**3,398**	
	Cr: Pension Liability				**3,398**
	Dr: Long term debtor (grant receivable)			**3,398**	
	Cr: Long term creditor (lump sum benefits payable)				**3,398**
	These are the accounting entries described on page 7 in relation to the issue of the change in GAD commutation factors. These are the prior period adjustments reflected in a restatement of the 2012/13 balance sheet at 1 April 2013. These adjustments are also then reflected in the balances in the 2013/14 and 2014/15 balance sheet. The only difference in 2014/15 is that because it is expected that these sums will be settled in 2015/16, the long term debtor and long term creditor are reflected in 2014/15 as a short term debtor and a short term creditor. These accounting entries have consequences throughout the revised statements prepared by officers. A post balance sheet event note and a prior period adjustment note explain the changes. There are also changes throughout the other notes, including long and short term debtors, long and short term creditors, the pensions note, and in the Firefighters' Pension Fund Account Net Asset Statement.				

Disclosure amendments

There were several changes required to the disclosure notes:

- capital commitments disclosed in Note 11 have been amended from £7.64m to £6.19m to reflect the correct committed position at 31 March 2015;
- downward revaluations of some assets were referred to as impairments in the CIES and supporting note. The description of exceptional items in the CIES has been amended and the value of impairment losses disclosed in Note 36 have been removed for both 2014/15 and the 2013/14 prior year disclosure;
- external audit costs (Note 30) have been amended to reflect the correct 2014/15 figure;
- the Reconciliation of Departmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Account, as disclosed in Note 26, has been removed as there were no reconciling items; and
- several minor typographical and grammatical errors within the statements have been corrected.

06 Value for money

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.

Criteria	Focus of each criterion
The Authority has proper arrangements in place for securing financial resilience.	The Authority has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
The Authority has proper arrangements for challenging how it secures economy, efficiency, and effectiveness.	The Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

As part of our work, we also:

- review your annual governance statement;
- review the work of other relevant regulatory bodies or inspectorates to the extent the results of the work have an impact on our responsibilities (where applicable); and
- carry out any risk-based work we determine to be appropriate.

We are not required to consider, nor have we considered, all aspects of the Authority's arrangements. We adopt a risk based approach, designed to identify any significant issues that might exist.

We report if significant matters come to our attention which prevent us from concluding that the Authority has put in place proper arrangements.

In the Audit Strategy Memorandum we identified a significant risk in relation to the value for money conclusion. We carried out work to address this risk area.

Our conclusion

On the basis of our work, 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 ending 31 March 2015.

We intend to issue an unqualified Value for Money conclusion as set out in Appendix B.

The basis for our assessment of the Authority's arrangements is set out in more detail on the following pages.

Significant Value for Money risk

VFM risk
Description of the risk 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.
How we addressed this risk We reviewed budget monitoring and reporting, focusing on areas where action plans are in place to make savings and seek to minimise any adverse impact on service delivery. We reviewed the plans developed to deliver savings. In particular, we reviewed the plans to implement the changes arising from the review of response.

Conclusion

The Authority has maintained its strong record in the delivery of its action plans and its budgets. The outturn for 2014/15 showed that the Authority achieved a small underspend against budget, delivering the savings required so far. The Authority maintains healthy financial reserves to help it manage the future cuts that are likely to be required. Performance is good overall and the Authority is still driving improvement despite the spending cuts.

The Authority continues to deliver savings arising from Integrated Risk Management Plan (IRMP) action plans and has recently set out the timescale for the remaining actions necessary for the implementation of the Review of the Operational Response IRMP plan.

The Authority is aware of the need to continue close monitoring of the progress of projects to ensure that its delivery record is maintained.

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.

The Authority has a strong track record of delivering savings and keeping within budget.

Tyne and Wear Fire and Rescue 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.

The Authority has consistently delivered its service within budget. However, 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.

However, the 2014/15 outturn report showed that the in-year £2m planned use of reserves was no longer required, arising from lower employee related costs linked to the continuing impact of changes arising from IRMP actions.

The 2015/16 budget included a precept increase of 1.99% to reduce the funding gap and the resultant cost pressures faced by the Authority.

Securing economy, efficiency and effectiveness

Like most fire and rescue authorities, the Authority is learning how to operate with significantly reduced resources, and with the prospect of even fewer resources in the future. The Authority identified a budget shortfall of £6.1m over the three years 2014/15 to 2016/17, and has in place a clear Integrated Risk Management Plan to address this. This includes the rollout of a fundamental review of operational response over the three years 2014-17; 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 and the Authority is still driving improvement despite the spending cuts. Further, difficult decisions lie ahead. Whilst Tyne and Wear is not alone in facing challenges to maintain services in the face of further funding cuts, the scale of the challenge is significant.

The net budget requirement for 2015/2016 was established at £49.8m following the decision to increase Council Tax by 1.99%. 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.

All actions arising from the 2010-2013 Integrated Risk Management Plan (IRMP) have been completed, with savings of £0.5m delivered in 2014/15 and reflected in the base budget for 2015/16.

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 anticipated to ultimately 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.

Appendix A – Draft management representation letter

Tyne and Wear Fire and Rescue Authority
28 September 2015

Dear Mr Kirkham

Tyne and Wear Fire and Rescue Authority - audit for year ended 31 March 2015
This representation letter is provided in connection with your audit of the statement of accounts for Tyne and Wear Fire and Rescue Authority for the year ended 31 March 2015 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 s151 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 affect 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 s151 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 property, plant and equipment below its 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.

Unadjusted misstatements
I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the statement of accounts as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours faithfully

Sonia Tognarelli
Finance Officer
s151 Officer

Appendix to letter of representation

Schedule of unadjusted misstatements

Unadjusted misstatements 2014/15					
		CIES		Balance Sheet	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
1	Cr: Other Long-Term Liabilities				**292**
	Dr: Property, Plant and Equipment			**55**	
	Dr: Short-Term Debtors (Lifecycle costs prepayment)			**191**	
	Dr: Cost of Services Expenditure	**46**			
	Entries required to reconcile the Authority's balance sheet to the PFI models.				
2	Dr: Financing and Investment expenditure	**46**			
	Cr: Cost of Services expenditure		**46**		
	Estimated additional interest payable on the North East Fire and Rescue PFI scheme.				

Appendix B – Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Opinion on the Authority financial statements

We have audited the financial statements of Tyne and Wear Fire and Rescue Authority for the year ended 31 March 2015 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 2014/15.

This report is made solely to the members of Tyne and 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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Finance Officer and auditor

As explained more fully in the Statement of the Finance Officer's Responsibilities, 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 and Wear Fire and Rescue Authority as at 31 March 2015 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 2014/15.

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, 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 2015.

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, we are satisfied that, in all significant respects, Tyne and 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 2015.

Certificate

We certify that we have completed the audit of the accounts of Tyne and Wear Fire and Rescue Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mark Kirkham

For and on behalf of Mazars LLP

The Rivergreen Centre
Aykley Heads
Durham, DH1 5TS

30 September 2015

Appendix C – Independence

As part of our ongoing 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.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.