

Annual Audit Letter to:  
**Tyne & Wear Fire and Rescue Authority**



Audit 2012/13

October 2013



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# Key messages

The 2012/13 audit for Tyne & Wear Fire and Rescue Authority was completed by the statutory deadline of 30 September 2013.

**The Accounts for 2012/13 gave a true and fair view of Tyne & Wear Fire and Rescue Authority's financial position.**

**There were no issues arising from the audit work on the whole of government accounts return.**

**Tyne & Wear Fire and Rescue Authority had proper arrangements in place to secure value for money.**

**There were no objections to the Authority's accounts and we have certified closure of the 2012/13 Audit.**

This letter represents the completion of our first year as your appointed auditor. We are grateful for the cooperation and assistance provided by officers and Members in completing our work.

## **Looking to the future**

In our view Tyne & Wear Fire and Rescue Authority will have to respond to some key challenges over the next few years. In particular, it will need to continue to respond positively in the face of the bleak economic outlook for the public sector, facing up to and addressing further cuts in funding. The Authority faces the challenge of maintaining and improving service quality with fewer resources. This will become increasingly difficult as the cuts dig deeper.

Our 2013/14 audit will focus on the risks that these challenges present to the Authority's financial position and its ability to maintain proper arrangements for securing value for money.

We will also share relevant insights that we have as a national and international accounting and advisory firm with experience of working with other public sector and commercial service providers.

# Financial statements

The financial statements are an important tool for Tyne & Wear Fire and Rescue Authority to communicate how it has used public money. We issued an audit report including an unqualified opinion on the financial statements on 30 September 2013.

The draft financial statements were of a very good quality overall, as were the supporting working papers. Sunderland City Council's accountancy team, which supports the Authority with the production of its accounts, was very helpful and cooperative, enabling us to complete our audit work efficiently and effectively. We were also grateful for the assistance of the Brigade's finance team.

## **Audit findings**

Our detailed findings were reported in our Audit Completion Report to the Governance Committee on 23 September 2013.

We did not identify any significant deficiencies in the accounting and internal controls systems during the course of the audit.

Our audit identified a small number of misstatements, presentational and disclosure issues and management amended the Accounts for all of the issues identified.

# Securing economy, efficiency and effectiveness

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 issued an unqualified conclusion on 30 September 2013 stating that the Authority had proper arrangements to secure economy, efficiency and effectiveness in the use of its resources.

We assessed your arrangements against the two criteria specified by the Audit Commission and set out below our conclusion against each of them.

## **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 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.

## **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.

# Fees and closing remarks

Our audit fees for the year are in line with those communicated in our Audit Strategy Memorandum dated 19 February 2013, being £40,848 (plus VAT). We did not undertake any non-audit services for the Authority in 2012/13.

We have discussed and agreed this letter with officers and copies will be provided to all Members. Further detailed findings and conclusions in the areas covered by our audit are included in the reports issued to the Authority during the year.

Report	Date issued
2012/13 Audit Fee Letter	November 2012
Audit Strategy Memorandum	February 2013
Audit Completion Report	September 2013
Audit Opinion on the Financial Statements	September 2013
Audit Certificate	September 2013

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**October 2013**

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