



# Audit Completion Report

Tyne & Wear Fire and Rescue Authority  
Year ending 31 March 2018

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18 July 2018

Dear Members

**Audit Completion Report – Year ended 31 March 2018**

We are pleased to present our Audit Completion Report for the year ended 31 March 2018. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented to this committee on 26 March 2018. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 383 6300.

Yours faithfully



Mark Kirkham  
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# 1. EXECUTIVE SUMMARY

## Purpose of this report and principle conclusions

The Audit Completion Report sets out the findings from our audit of Tyne & Wear Fire and Rescue Authority ('the Authority') for the year ended 31 March 2018, and forms the basis for discussion at the Governance Committee meeting on 30 July 2018.

The detailed scope of our work as your appointed auditor for 2017/18 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Authority's arrangements to achieve economy, efficiency and effectiveness in its use of resources. As we outline on the following page, our work is substantially complete and, subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

### Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

### Value for money conclusion

We anticipate concluding that the Authority had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including our proposed conclusion, is provided in Appendix B.

### Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 31 August 2018. Our report on your WGA submission, in line with the group instructions issued by the NAO, will record that your activity was below the threshold set by the NAO meaning that we were not required to review the WGA return in detail this year.

### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Authority and consider any objection made to the accounts. We did not receive any questions or objections during the 2017/18 audit.

## Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Governance Committee in a follow-up letter.

# 1. EXECUTIVE SUMMARY

### Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2018. At the time of preparing this report the following matters remain outstanding:

Audit area	Description of outstanding matters
Property, Plant and Equipment valuations	Our testing of valuations is still in process.
Pensions work	We are still awaiting a response for our request for information from the auditor of the Tyne & Wear Pension Fund.
Journals testing	Our work on journals testing is still in progress.
Other areas	Our work is still continuing in a number of areas.

We will provide the Governance Committee with an update in relation to these outstanding matters in a follow-up letter before the auditor's report is signed.

### Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2018. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

### Materiality

We set materiality at the planning stage of the audit at £758,000 using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £708,000, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit and Governance Committee) at £21,000 based on 3% of overall materiality.



# 2. FINANCIAL STATEMENTS

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

- our audit conclusions regarding significant risks and key areas of management judgement 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 7 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 and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Authority's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk	Description of the risk
Management override of controls	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. Because of the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.
<b>How we addressed this risk</b>	
We addressed the management override of controls risk by performing audit work on accounting estimates, journal entries and significant transactions outside the normal course of business.	
<b>Audit conclusion</b>	
There are no significant issues arising from our work to date. At the point of issuing this report, our work is still ongoing.	



## 2. FINANCIAL STATEMENTS (CONTINUED)

Significant risk	Description of the risk
Property, plant and equipment valuations	<p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Authority's holding of PPE.</p> <p>Although the Authority employs a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of PPE to be an area of risk.</p>
	<p><b>How we addressed this risk</b></p> <p>We considered the Authority's arrangements for ensuring that PPE values are reasonable and engaged our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the Authority's valuer. We also assessed the competence, skills and experience of the valuer.</p> <p>We also performed further audit procedures on individual assets to ensure that the basis and level of revaluation was appropriate.</p>
	<p><b>Audit conclusion</b></p> <p>There are no significant issues arising from our work to date. At the point of issuing this report, our work is still ongoing.</p>

Significant risk	Description of the risk
Defined benefit pension liability valuation	<p>The financial statements contain material pension entries in respect of the 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.</p>
	<p><b>How we addressed this risk</b></p> <p>In addition to our standard programme of work in this area, we have evaluated the management controls in place to assess the reasonableness of the figures provided by the Actuary and we have considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by National Audit Office.</p>
	<p><b>Audit conclusion</b></p> <p>We have not identified any significant issues in relation to the valuation of the defined benefit pension liability.</p>

# 2. FINANCIAL STATEMENTS (CONTINUED)

## Qualitative aspects of the entity’s accounting practices

We have reviewed the Authority’s accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Authority’s circumstances.

## Significant matters discussed with management

There was one significant matter arising from the audit that required discussion with management. This related to the fire injury pensions issue where the Authority has reached a settlement with the Home Office in relation to the additional £8.7m provided for in the 2016/17 financial statements. The Authority will repay this amount over 17 years. An amendment was agreed to the draft financial statements to ensure that the accounting adjustments reflect the substance of the agreement whilst complying with the technical requirements of the Code.

The adjustments made by management are included in the table on page 9.

## 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 received a full set of financial statements which were also published on the Authority website on 31 May 2018 which met the statutory deadline. We place on record our acknowledgment of this achievement by the accountancy and finance team.

We were provided with a comprehensive set of working papers and our queries have been responded to in a timely fashion.

## Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2017/18 audit. The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have not received any questions or objections during the 2017/18 audit.



### 3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures 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. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

We are pleased to report that we have not identified any deficiencies in internal control that require reporting.



# 4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the trivial threshold of £24,000.

All misstatements have been adjusted by management.

## Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: CIES income (exceptional item)	8,639			
	Cr: CIES expenditure (exceptional item)		8,639		
	Dr: Usable reserves – Injury Pension Reserve			8,639	
	Cr: Unusable reserves – Injury Pension Reserve				8,639

Adjustment to CIES to ensure that the charges relating to pensions in 2016/17 are not reversed in this year's accounts. It was correct to treat these as a charge to the General Fund in 2016/17.

The over claimed injury pension grant has been recognised as a long term liability on the Balance Sheet. A corresponding entry has been created in the Authority's equity to absorb the effect on the General Fund Balance. This will be adjusted as annual repayments are made. Initially this was shown as an unusable reserve, but has been adjusted as an offset against usable reserves.

2	Dr: Capital adjustment account			480	
	Cr: PFI lease liability				480

To correct the treatment of lifestyle maintenance costs on the NEFRA PFI scheme (£449k) and to correct an imbalance between the NEFRA PFI model and the PFI lease liability (£31k).

3	Dr: Fire fighting income	80			
	Dr: Fire fighting expenditure	226			
	Cr: Community safety income		80		
	Cr: Community safety expenditure		226		

Adjustment to correct PFI entries in the financial statements.

## Disclosure amendments

A number of corrections and clarifications were made to the disclosures in the notes to the financial statements.

# 5. VALUE FOR MONEY CONCLUSION

## Our approach

We are required to form a conclusion as to whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, ‘in all significant respects, the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.’ To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria and commentary on arrangements in place at Tyne & Wear Fire and Rescue Authority	Arrangements in place?
<b>Informed decision making</b>	Yes
The Authority is governed by a Constitution including all of the normal features of an effective governance framework in local government and related bodies.	
The Authority uses its Integrated Risk Management Plan (IRMP) to deliver significant changes to the service. In recent years, this has helped the Authority manage the challenges of public sector austerity, where significant savings have had to be delivered in light of reduced government funding.	
In January 2018 the Authority considered an IRMP Action Plan Update for 2017/20. This reported on progress against the current priorities including the actions agreed to review response relative to risk, collaborative measures with emergency services and other partners, and opportunities for further efficiency and effectiveness.	
We review Authority and Committee papers on an ongoing basis. We find that decisions taken that are supported by reports that outline appropriate options and relevant considerations.	
Financial issues are set out in reports related to individual decisions. In addition, regular financial reporting takes place, with formal reporting quarterly to the Authority, including an Annual Outturn Report for both revenue and capital expenditure.	
There is evidence of financial reporting being used effectively to deliver strategic objectives, for example, through the Medium Term Financial Strategy and in allocating resources to priority areas and addressing issues such as those identified in the IRMP.	
Performance issues are included in reports where appropriate, and overall performance outcomes are monitored quarterly by the Policy and Performance Committee, including an Annual End of Year Performance Report every July.	

# 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria and commentary on arrangements in place at Tyne & Wear Fire and Rescue Authority	Arrangements in place?
<p><b>Informed decision making (continued)</b></p> <p>Risk management sits at the heart of the Authority's arrangements, through for example, the IRMP, the Strategic Community Safety Plan (SCSP) and Community Risk Profile (CRP). These are concerned with identifying the fire and rescue risks in the area and how best to address them through the Authority's services.</p> <p>The Authority also has its own corporate risk register.</p> <p>The Authority's system of internal control is subject to Internal Audit and for 2017/18, the Authority's internal auditors, have given an opinion of reasonable assurance.</p> <p>A Governance Committee is in place to oversee the governance framework including approval of the Authority's financial statements. We attend all committee meetings, and have seen good examples of challenge and oversight.</p> <p>The Authority's Annual Governance Statement includes a balanced assessment of the effectiveness of the Authority's governance arrangements and identifies appropriate areas for further improvement.</p> <p>This year's Annual Governance Statement provides an update on the issue reported last year in relation to overpaid fire injury pensions from 2006/07 to 2011/12 of £10.5m. The Authority has now agreed to repay this amount over a period of 17 years to the Home Office. £1.8m was paid in 2017/18.</p>	Yes
<p><b>Sustainable resource deployment</b></p> <p>The Authority has made good progress in addressing the financial challenges from public sector austerity and has a proven track record of strong budget management and delivering planned budget reductions.</p> <p>In the 2017/18 outturn, the Authority delivered a £1.273m underspend against budget. This reflected a range of predominantly one-off savings and reflects an increased focus on financial management and effective budgetary control.</p> <p>In the 2018/19 budget, the Authority identified that over the medium-term of 2018/19 to 2021/22 it faced a cumulative budget gap of £3.6m. The Authority has prudently established an earmarked reserve to match the budget gap of £3.6m so that it can be funded over this period. In the meantime, various work streams linked to the IRMP are in place seeking to deliver further savings and improvement. It is important to identify measures that deliver an annual reduction in the base budget and this is the focus of the efforts that are being undertaken.</p> <p>Subsequent to the setting of the 2018/19 budget, the Authority also concluded its negotiations with the Home Office over the repayment of the £10.5m historic overpayment of fire injury pensions. £1.8m was paid in 2017/18 utilising the reserve that had been established for this purpose. The remaining £8.7m is to be repaid over a period of 17 years at the rate of £500k per annum.</p> <p>Whilst this settlement has enabled the Authority to replenish its reserves which were initially utilised to provide for repayment in full, the settlement creates an additional annual budget pressure of £500k against which further annual savings will need to be delivered.</p>	Yes

# 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria and commentary on arrangements in place at Tyne & Wear Fire and Rescue Authority	Arrangements in place?
<b>Sustainable resource deployment (continued)</b>	Yes
<p>The Authority has an Estate Management Plan. Estate management is essential for the Authority as the location of fire stations and appliances is critical to the delivery of a quality service.</p> <p>The Authority made use of the Private Finance Initiative (PFI) to make considerable improvements in its estate and streamline the number of stations. The Authority has looked at ways of extracting increased value from this relatively costly form of finance, but PFI was used as there were a lack of alternative options when the investment was made. During 2017/18 the Authority was impacted by the collapse of Carillion in relation to its PFI schemes, but the position has been managed effectively so that another provider has been put in place.</p> <p>The 2017/18 capital outturn was £1.564m compared to an initial budget of £7.301m. This was mainly due to slippage of spend on Hebburn Fire Station (£4.5m) as further options for the delivery of the scheme were explored and slippage in planned IT investment.</p> <p>There are good examples of the Authority seeking to make best use of its assets, for example, through co-location with Northumbria Police and the North East Ambulance Service.</p> <p>The Authority has a Human Resource Plan, and has taken steps to downsize in the face of austerity, with an emphasis on managing turnover, and looking for opportunities from voluntary early retirement and voluntary redundancy.</p> <p>In addition, a Workforce Development Plan is in place, which considers the training and development needs of the service and also includes a Personal Development Planning process.</p>	
<b>Working with partners and other third parties</b>	Yes
<p>The Authority works with a range of partners and third parties.</p> <p>The Government's Policing and Crime Act includes a statutory duty on all three emergency services to collaborate with each other to improve efficiency and effectiveness. It also seeks to enable Police and Crime Commissioners to take on fire and rescue responsibilities in their area where a local case is made.</p> <p>There are already good examples of the Authority working with the other emergency services, seeking to make best use of its assets, for example, through co-location with Northumbria Police and the North East Ambulance Service.</p> <p>The Authority has entered into a formal non-binding Statement of Intent with Northumbria Police which signals the intent to work together in a range of areas including sharing information, service delivery, estate and asset integration, control room, back office functions, training and development, risk assessment, public engagement and accountability and finance and procurement. The Police and Crime Commissioner is also now a member of the Fire Authority.</p>	

# 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria and commentary on arrangements in place at Tyne & Wear Fire and Rescue Authority	Arrangements in place?
Working with partners and other third parties (continued)	Yes
<p>The Authority has also participated in the Emergency Medical Response (EMR) regional pilot scheme at West Denton Fire Station, with fire and ambulance services co-responding to medical emergencies. The evaluation of this pilot was reported to the Authority in October 2017, and indicated that it had been an efficient and effective arrangement. It remains to be seen whether the pilot is rolled out more widely.</p> <p>In terms of commissioning, given the nature of fire and rescue services, the Authority provides services directly through its own trained firefighting workforce. As noted previously, some of the estate is provided under PFI contracts. In addition, some support services are commissioned from the lead local authority, Sunderland City Council.</p> <p>The Authority has procurement procedures in place and maintains a contracts register. The Authority seeks to achieve best value from the procurement process, driving savings where possible, but also aiming to deliver sustainable services.</p> <p>Procurement performance indicators are in place, including assessment of cashable financial savings identified through effective procurement.</p> <p>The Authority is also part of the national fire procurement group and an associate member of the North East Purchasing Organisation (NEPO).</p> <p>The Authority is developing a more commercial approach to income generation. One area which the Authority is reviewing is its partnership arrangements with Impeller Services. This is an area which needs to be closely monitored by the Authority.</p>	

# 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

## Significant audit risks

The NAO’s guidance requires us to carry out work to identify whether or not a risk to the value for money conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Authority being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant value for money audit risk. The work we carried out in relation to the significant risk is outlined below.

Risk	Work undertaken	Conclusion
<p><b>Responding to financial pressures</b></p> <p>Our audit work in previous years has concluded that the Authority has arrangements in place for managing its financial position. The Authority, however, continues to face financial pressure in the coming years.</p> <p>In addition, £10.5m of overpaid fire injury pensions are being recovered from the Authority by the Home Office.</p> <p>We need to ensure our knowledge of the Authority’s MTFS arrangements and its monitoring of the planned delivery of savings, remains up to date in order to ensure we give the correct VFM conclusion.</p>	<p>Building on our work in previous years, we have reviewed the Authority’s updated MTFS to ensure it reflects the latest funding position and reviewed and updated our knowledge of the arrangements the Authority has in place to monitor progress against its savings plans and income projections that underpin the MTFS.</p> <p>In addition, we have assessed the impact of the final position for repayment of fire injury pensions on financial sustainability.</p>	<p>In the 2018/19 budget, the Authority identified that over the medium-term of 2018/19 to 2021/22 it faced a cumulative budget gap of £3.6m. The Authority has prudently established an earmarked reserve to match the budget gap of £3.6m so that it can be funded over this period. In the meantime, various work streams linked to the IRMP are in place seeking to deliver further savings and improvement.</p> <p>It is important to identify measures that deliver an annual reduction in the base budget and this is the focus of the efforts that are being undertaken.</p> <p>Subsequent to the setting of the 2018/19 budget, the Authority also concluded its negotiations with the Home Office over the repayment of the £10.5m historic overpayment of fire injury pensions. £1.8m was paid in 2017/18 utilising the reserve that had been established for this purpose. The remaining £8.7m is to be repaid over a period of 17 years at the rate of £500k per annum.</p> <p>Whilst this settlement has enabled the Authority to replenish its reserves which were initially utilised to provide for repayment in full, the settlement creates an additional annual budget pressure of £500k against which further annual savings will need to be delivered.</p> <p>The Authority has managed a difficult financial position well, but now needs to deliver further savings in the base budget to balance the budget over the medium to long term and secure the financial sustainability of the service. It is clear that this is an important priority for the Authority.</p>

## Our overall Value for Money conclusion

Our draft auditor’s report included in Appendix B states that we intend to issue an unqualified value for money conclusion for the 2017/18 financial year.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

To be on Tyne & Wear Fire and Rescue Authority letter headed paper and addressed to the external auditor:  
To date as 30 July 2018

**Tyne & Wear Fire and Rescue Authority - audit for year ended 31 March 2018**

This representation letter is provided in connection with your audit of the statement of accounts for Tyne & Wear Fire and Rescue Authority ('the Authority') for the year ended 31 March 2018 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 2017/18 (the Code).

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 Code.

**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 the 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 Code 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 un-asserted 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 Code.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### 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.

The Authority has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

### Fraud and error

I acknowledge my responsibility as the 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 Code.

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. An 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 Code 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 sincerely  
Mr D Napier  
Finance Officer

Date: 30 July 2018

# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Independent auditor's report to the Members of Tyne & Wear Fire and Rescue Authority

#### Opinion on the financial statements

We have audited the financial statements of Tyne & Wear Fire and Rescue Authority ('the Authority') for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. 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 notes to the financial statements, including the summary of significant accounting policies. 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 2017/18.

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 2018 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 2017/18.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Responsibilities of the Finance Officer for the financial statements

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 2017/18, and for being satisfied that they give a true and fair view. The Finance Officer is also responsible for such internal control as the Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and prepare the financial statements on a going concern basis, unless the Authority is informed of the intention for dissolution without transfer of services or function to another entity. The Finance Officer is responsible for assessing each year whether or not it is appropriate for the Authority to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Conclusion on Tyne & Wear Fire and Rescue Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Tyne & Wear Fire and Rescue Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

#### Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider 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 2018.

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.

### Responsibilities of the Authority

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.

### Auditor's responsibilities in relation to review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 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 Comptroller and Auditor General requires us to report to you our conclusion relating to proper arrangements. 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.



# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### Use of the audit report

This report is made solely to the members of Tyne & Wear Fire and Rescue Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

### Certificate

We certify that we have completed the audit of Tyne & Wear Fire and Rescue Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

[Signature]

Mark Kirkham  
For and on behalf of Mazars LLP

Salvus House  
Aykley Heads  
Durham  
DH1 5TS

[Date] Planned for 30 July 2018, subject to satisfactory resolution of outstanding issues.

# 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.

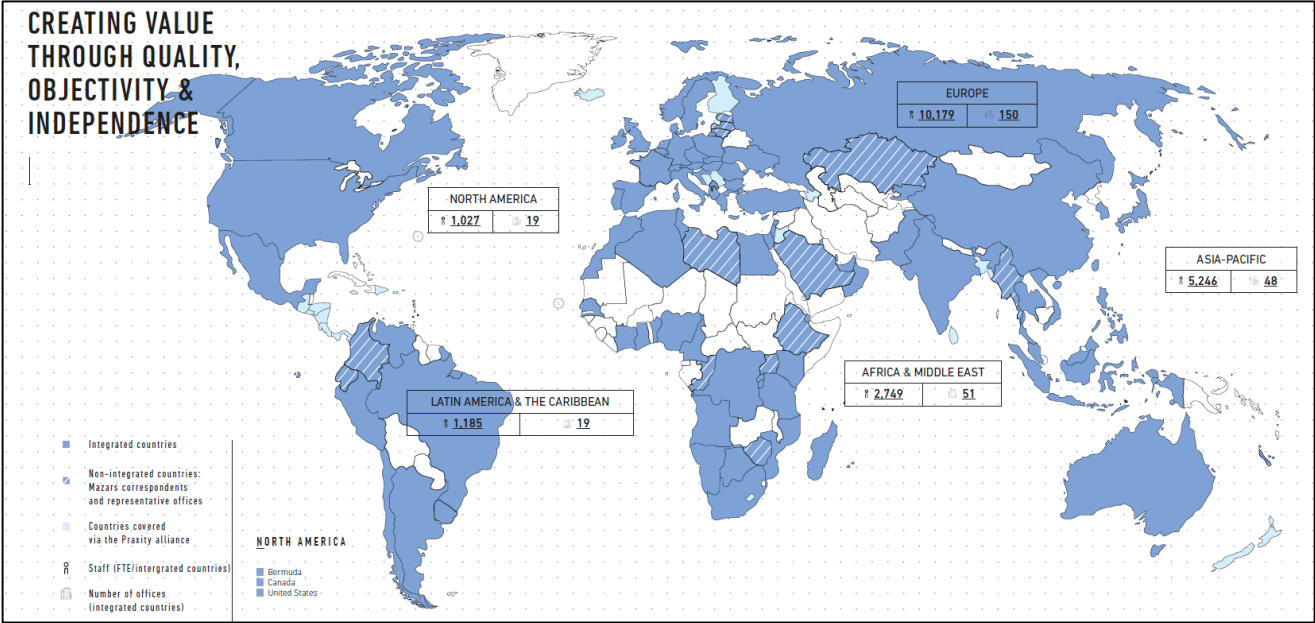
We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

# MAZARS AT A GLANCE

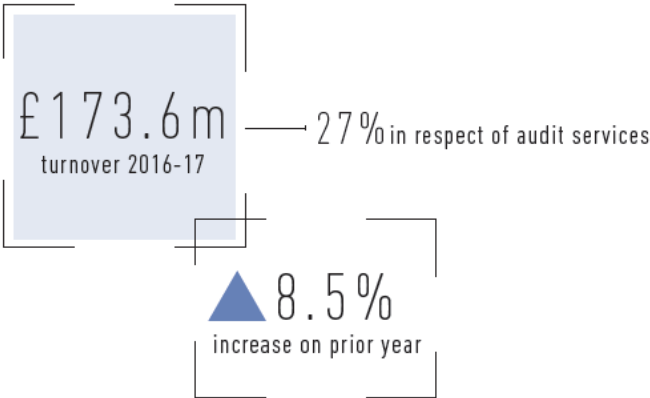
## Mazars LLP

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## Mazars in the UK



As at 31 August 2017



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