

Tyne and Wear Fire and Rescue Authority

Audit Progress Report

June 2014



Contents

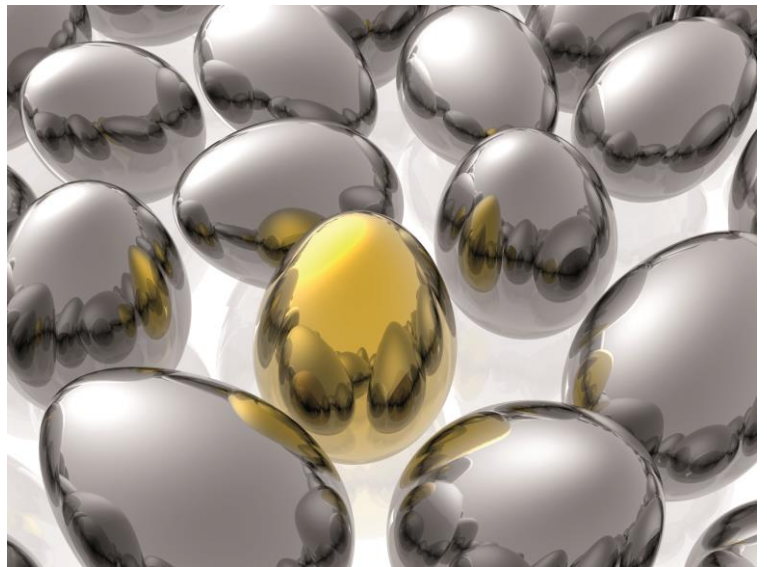
- 01 Purpose of this paper
- 02 Summary of audit progress
- 03 Emerging issues and developments
- 04 Contact details

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 Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, the international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England with registered number OC308299.

01

Purpose of this paper



This paper updates the Governance Committee on our progress in meeting our responsibilities as your external auditor. It also highlights key emerging national issues and developments which may be of interest to you.

If you require any further information please contact your Engagement Lead or Senior Manager using the contact details at the end of this update.

02

Summary of audit progress



Our audit work has continued to progress well.

Opinion audit

We have completed our interim work on financial systems.

We did not identify any significant issues that require reporting to members.

We have maintained a dialogue with officers working on the production of the Authority's accounts. This has once again been a positive process and we envisage that this will help the audit of the accounts run more smoothly.

VFM conclusion

We continue to review the Authority's arrangements to secure VFM in its use of resources. This has included reviewing the Authority's key plans and the delivery of those plans, and its financial arrangements, as well as considering the data in VFM profiles.

03

Emerging issues and developments



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

- Future of Local Audit: Consultation on Secondary Legislation, DCLG – Responses to the Consultation
- Proposed closure of the Audit Commission and the transfer of its functions
- Latest information on Value for Money (VFM) profiles
- Confirmation of 2014/15 work programme and scale of fees
- Audit fee rebates and future reductions

Emerging issues and developments

Issue / development	Implications
<p>Future of Local Audit: Consultation on Secondary Legislation, DCLG – Responses to the Consultation</p> <p>As discussed at our last meeting, this consultation included whether the local authority accounts production timetable should be brought forward.</p> <p>The results of the consultation have now been published and the responses in relation to the accounts timetable are reproduced below.</p>	<p>If the accounts timetable is brought forward this would impact on the Authority's accounts production processes.</p> <p>The responses to the consultation can be found at: https://www.gov.uk/government/consultations/future-of-local-audit-consultation-on-secondary-legislation</p>

5.12 Question 16 sought views on whether to bring forward the local government accounts timetable and what practical issues this change might raise. Many respondents provided detailed replies, and we are particularly grateful for the information on the practical implications of implementing such a change. A small

number of local authorities and accounting organisations either simply supported an advance of the timetable, or agreed in principle that it was desirable. But most respondents were opposed to a change, or argued that now was not an appropriate time. In many cases opposition was based on a view that the additional work involved in earlier publication could not be justified when public interest in the accounts was so limited and authorities were under financial pressure. Another concern raised was that earlier publication would be achieved at the expense of accuracy, unless additional resources could be devoted to the task.

5.13 A number of more specific practical issues were raised. Many respondents drew attention to the phasing of external audit work that is now possible, with NHS audits undertaken first and then local authority audits. An advance of the local government timetable would compress the auditors' work programme, resulting in extra costs that might be passed on in higher audit fees. Some respondents made a link with the issue of simplification of the accounts raised in responses to question 15 which might assist an advance in the timetable. Reference was also made to some significant accounting developments in prospect in the next few years, such as changes in the valuation of transport infrastructure assets, which would be difficult to achieve when an authority was adjusting to a tighter timetable. Respondents supported the proposal to give notice of a change at least 12 months before the beginning of the year, in some cases recommending a longer period.

Source: DCLG, Consultation on secondary legislation, summary of responses, 10 March 2014

Emerging issues and developments

Issue / development	Implications
<p>Proposed closure of the Audit Commission and the transfer of its functions</p> <p>Over recent months, the arrangements for the closure of the Audit Commission and transitional arrangements for the transfer of its functions have been clarified.</p> <p>The Audit Commission is expected to close at the end of March 2015.</p> <p>Transitional arrangements are needed to oversee the remaining life of audit contracts that have been let by the Commission. These contracts run to the end of the 2016/17 audit year, but there is an option to extend them by 3 years to the 2019/20 audit year.</p> <p>These functions are to transfer to an independent, private company established by the Local Government Association (LGA). The functions will include appointing auditors, regulating the work auditors do, setting the annual scale of audit fees and ensuring the quality of auditors work.</p> <p>It is envisaged that at the end of these contracts, authorities will be free to appoint their own auditors and other regulatory arrangements will be put in place.</p> <p>The Commission's counter fraud functions, including its annual survey on fraud, fraud briefings and annual report on detected fraud, are to be transferred to CIPFA, who are to establish a new public sector counter fraud centre.</p> <p>This is separate from the Commission's work on the National Fraud Initiative (NFI), which uses data matching to help public sector bodies to identify and address fraud. The NFI services are due to transfer to the Cabinet Office when the Commission closes.</p>	<p>These measures are designed to achieve a smooth transfer of functions when the Audit Commission closes, so that there is no adverse impact on authorities.</p> <p>More information on the transfer of management of audit contract functions can be found at: http://www.audit-commission.gov.uk/2014/03/dclg-opts-for-the-local-government-association-to-manage-the-audit-commissions-85-million-audit-contracts-when-it-closes/</p> <p>More information on the transfer of counter fraud work to CIPFA can be found at: http://www.audit-commission.gov.uk/2014/03/commissions-national-counter-fraud-function-will-go-to-safe-hands/</p>

Emerging issues and developments

Issue / development	Implications
<p>Latest information on Value for Money (VFM) profiles</p> <p>The Audit Commission has continued to promote the use of its VFM profiles.</p> <p>We have previously highlighted in these pages a number of reports produced by the Audit Commission which draw attention to aspects of the profiles. In recent months, the Commission has produced further reports in relation to using the profiles to examine the administration of benefits, central costs, waste management and most recently, the use of assets.</p> <p>As identified earlier in this report, we consider the VFM profiles as part of our work on the VFM conclusion.</p> <p>One question that has now been clarified is that arrangements have been made to continue the VFM profiles tool after the Commission closes in March 2015. Responsibility for the VFM profiles tool will transfer to the transitional body to be created by the LGA (mentioned in the previous item of this briefing).</p> <p>The Commission has said that the “profiles tool ... brings together data about the cost, performance and activity of local councils and fire authorities. Auditors use the tool to identify areas that need further examination, when working on the VFM conclusion in the annual audit. The Profiles are also widely used by the public, with over 135,000 visits this year to individual pages.”</p>	<p>The VFM profiles tool can be used by officers, members and the public to consider data on the cost, performance and activities of authorities and is available at the following web address: http://profiles.audit-commission.gov.uk/layout/s/acwebparts/NativeViewer.aspx?Report=/Profiles/VFM_Landing</p> <p>The reports on specific topic areas using the VFM profiles are available at the following link: http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/</p>

Emerging issues and developments

Issue / development	Implications
<p>Confirmation of 2014/15 work programme and scale of fees</p> <p>The Audit Commission has now confirmed the 2014/15 work programme and scale of fees, following a consultation exercise.</p>	<p>Tyne & Wear Fire and Rescue Authority's audit fee for the 2014/15 audit is confirmed as £40,848. This is the same fee as 2012/13 and 2013/14.</p> <p>The fees announcement can be found at: http://www.audit-commission.gov.uk/2014/03/201415-work-programme-and-scales-of-fees-confirmed/</p>
<p>Audit fee rebates and future reductions</p> <p>In March 2014, the Audit Commission distributed £8m in an audit fee rebate across all locally audited bodies.</p> <p>In addition, the Commission has now re-let a number of audit contracts, and expects that there will be further fee reductions spread across all locally audited bodies from the 2015/16 audit year.</p>	<p>There continues to be downward pressure on audit fees.</p> <p>These announcements can be found at: http://www.audit-commission.gov.uk/2014/03/commission-gives-back-8-million-to-audited-bodies/ and: http://www.audit-commission.gov.uk/2014/03/the-audit-commissions-legacy-includes-a-further-25-per-cent-reduction-in-annual-audit-fees/</p>

04

Contact details



Mark Kirkham

Director and Engagement Lead

mark.kirkham@mazars.co.uk

0191 383 6300

Gavin Barker

Senior Manager

gavin.barker@mazars.co.uk

0191 383 6300

Address:

Rivergreen Centre

Aykley Heads

Durham

DH1 5TS