

Audit Completion Report

Tyne & Wear Fire and Rescue Authority



For the year ended 31 March 2017



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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Authority 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.

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1. Executive summary

Purpose of this report

The Audit Completion Report sets out the findings of our audit of Tyne & Wear Fire and Rescue Authority (the Authority) for the year ended 31 March 2017, and forms the basis for discussion at the Audit and Governance Committee meeting on 31 July 2017.

The scope of our work and overall summary

The detailed scope of our work as your appointed auditor for 2016/17 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 and include the matters outlined in the following table.

Financial statements	<p>In our Audit Strategy Memorandum we reported that materiality for the financial statements as a whole was set at £731k. We have updated our assessment as part of our continuous planning processes and have set materiality at £757k. Our clearly trivial threshold for reporting matters to you has been set at £23k.</p> <p>We communicated identified significant risks to you as part of our Audit Strategy Memorandum in March 2017. Section 2 of this report outlines the work we have undertaken, and the conclusions we have reached, for each significant risk.</p> <p>At the time of issuing this report, and subject to the satisfactory conclusion of the remaining audit work, we anticipate issuing an unqualified opinion, without modification, on the financial statements. Our draft auditor's report is provided in Appendix C.</p>
Identified misstatements	<p>Our work identified a number of misstatements that have been discussed with management. A summary of the identified misstatements is provided in Appendix A.</p>
Value for Money	<p>At the time of issuing this report, and subject to the satisfactory conclusion of the remaining audit work, we anticipate having no matters to report in respect of the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report is provided in Appendix C.</p>
Whole of Government Accounts (WGA)	<p>We anticipate reporting on your WGA submission, in line with the group instructions issued by the NAO, 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.</p>

The status of our work

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2017.

At the time of preparing this report, the following significant matters remain outstanding:

- We are awaiting a response from the external auditor of Tyne & Wear Pension Fund. They have acknowledged our request for information and have promised to reply by 31 July 2017

If any matters arise from this issue, we will provide an update to you in a follow up letter prior to giving our opinion.

2. Significant findings

This section sets out the significant findings from our audit and provides information on a number of matters that we are required to report to you by ISA 260 'Communication with those charged with governance'.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in your 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 will mitigate these risks. One new risk has been identified since we issued our Audit Strategy Memorandum in relation to fire injury pensions. The significant risks identified, and our conclusions against each are outlined below.

Significant risk	How we addressed the risk	Audit conclusion
Management override of control 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 overrides could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.	We address this risk through performing audit work on: <ul style="list-style-type: none">• consideration and review of accounting estimates impacting on 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.	Our work on the financial statements did not identify any manipulation of the financial position, and we did not identify any evidence of management override of controls.

Significant risk	How we addressed the risk	Audit conclusion
<p>Pension Entries</p> <p>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 include estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>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 also:</p> <ul style="list-style-type: none"> evaluated the management controls 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 is commissioned annually by the National Audit Office. 	<p>Our work confirmed that reasonable assumptions had been used by the actuary. The pension entries have been correctly reflected in the financial statements.</p>

Additional significant risk identified since the Audit Strategy Memorandum was issued

Significant risk	How we addressed the risk	Audit conclusion
<p>Fire Injury Pensions</p> <p>Following the demand from the Home Office for the Authority to repay overpaid historic fire injury pensions of £10.5m, it was important to ensure that the Authority adopted the correct accounting treatment in the 2016/17 financial statements. If an inappropriate accounting treatment was adopted, there was a risk of material misstatement.</p>	<p>We discussed the demand from the Home Office with the Chief Fire Officer and the Finance Officer. Officers indicated that whilst the Authority still intended to challenge aspects of the £10.5m liability, that the evidence suggested that the Authority would need to fully provide for the £10.5m liability in its 2016/17 accounts. Previously, £1.8m had been provided for and a contingent liability note had referred to the potential for a further £8.7m liability.</p> <p>We agreed that based on the information at hand this was the most appropriate treatment and the Finance Officer subsequently followed this approach.</p>	<p>Our work confirmed that the Authority has accounted for the fire injury pensions liability appropriately in the 2016/17 financial statements.</p> <p>We note that this represents a significant financial challenge to the Authority, and the Authority still intends to make representations to the Home Office.</p>

Qualitative aspects of the Authority's accounting practices

We are required to communicate to you our views on the significant qualitative aspects of your accounting practices, including the accounting policies used and the quality of disclosures.

Qualitative aspect	Our views
Accounting policies and disclosures	<p>We have reviewed the Authority's accounting policies and disclosures and found these to be in line with the requirements of the Code of Practice on Local Authority Accounting (the Code).</p> <p>In line with our expectations, there have been no significant changes to accounting policies for the year ended 31 March 2017.</p>
Quality of the draft financial statements	<p>We received draft financial statements from management on 31 May 2017. The draft financial statements were produced a month earlier than previously, ahead of the statutory requirement to do so for next year's 2017/18 financial statements. This was a considerable achievement by officers. The draft financial statements we received were comprehensive and of a high standard.</p>
Quality of supporting working papers	<p>Producing high-quality working papers is as crucial part of compiling financial statements that are complete and materially accurate. They also support the delivery of an efficient audit.</p> <p>The working papers supporting the financial statements were of a high standard. We are grateful to officers for their assistance in responding to requests for information and in dealing with our queries in a timely and efficient manner.</p>

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 which was discussed earlier in this report and the need for the Authority to charge an additional provision of £8.7m to the Comprehensive Income and Expenditure Statement in 2016/17.

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.

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 that are relevant to the preparation of the financial statements. We do this to design audit procedures that allow us to express an opinion on the financial statements; this does not extend to expressing an opinion on the effectiveness of internal control or 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. Value for Money Conclusion

Our approach to Value for Money

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	Commentary	Arrangements in place?
Informed decision making Acting in the public interest, through demonstrating and applying the principles and values of sound governance. Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management. Reliable and timely financial reporting that supports the delivery of strategic priorities. Managing risks effectively and maintaining a sound system of internal control.	<p>The Authority has a traditional structure, and is governed by a Constitution including all of the normal features of an effective governance framework in local government and related bodies.</p> <p>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. During 2016/17, the Authority has delivered further IRMP measures, notably a management and organisation review, which will deliver savings that will help to balance the budget in the medium term.</p> <p>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.</p>	Yes

Sub-criteria	Commentary	Arrangements in place?
<p>Informed decision making (continued)</p> <p>Acting in the public interest, through demonstrating and applying the principles and values of sound governance.</p> <p>Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.</p> <p>Reliable and timely financial reporting that supports the delivery of strategic priorities.</p> <p>Managing risks effectively and maintaining a sound system of internal control.</p>	<p>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.</p> <p>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.</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 system of internal control is subject to Internal Audit and for 2016/17, the Authority's internal auditors, have given an opinion of substantial 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 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>A significant issue was reported in the Annual Governance Statement related to the Home Office's intention to recover a historic overpayment of fire injury pensions. This issue is discussed later in this report as a separate significant risk.</p>	<p>Yes</p>

Sub-criteria	Commentary	Arrangements in place?
<p>Sustainable resource deployment</p> <p>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.</p> <p>Managing and utilising assets effectively to support the delivery of strategic priorities.</p> <p>Planning, organising and developing the workforce effectively to deliver strategic priorities.</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 budget, the Authority identified that over the medium-term of 2017/18 to 2020/21 it faced a budget gap of £2.8m, and it would use the IRMP process to bridge that gap.</p> <p>A significant issue with financial consequences for the budget gap is the Home Office's intention to recover a historic overpayment of fire injury pensions. This issue is discussed later in this report as a separate significant risk, but could have far reaching consequences for the Authority's plans for fire and rescue services.</p> <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.</p> <p>More recently, the Authority has sought to replace other stations, for example, building a new fire station at Marley Park to replace Fulwell Station, and is now exploring options for the replacement of Hebburn Fire Station.</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>	<p>Yes</p>

Sub-criteria	Commentary	Arrangements in place?
<p>Working with partners and other third parties</p> <p>Working with third parties effectively to deliver strategic priorities.</p> <p>Commissioning services effectively to support the delivery of strategic priorities.</p> <p>Procuring supplies and services effectively to support the delivery of strategic priorities.</p>	<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. Recently, the Police and Crime Commissioner has become a member of the Fire Authority.</p> <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.</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>Yes</p>

Significant Value for Money 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 for 2016/17, we did not identify any significant risks for our VFM conclusion.

We subsequently identified an additional significant risk in relation to fire injury pensions, following the demand from the Home Office for the repayment in full of £10.5m of historic fire injury pensions which had been over-claimed in error by the Authority.

The work we carried out in relation to this significant risk is outlined below.

Value for Money conclusion risk	Work undertaken	Conclusion
Fire Injury Pensions The additional £8.7m provision which the Authority was required to charge in its 2016/17 financial statements provides a significant challenge to the Authority's overall financial health. We needed to assess whether this issue constituted a qualification to the VFM conclusion in terms of the adequacy of the Authority's arrangements.	<p>We considered the background to this issue and how it had been managed by the Authority. We noted that the provision of £1.8m prior to 2016/17 had been based on the discussions that had taken place in January 2015 with central government, that responsibilities had transferred from the Department for Communities and Local Government to the Home Office, and there had been a considerable delay in a decision being made.</p> <p>We noted that officers had accounted appropriately for the additional provision, and although it has significant financial consequences, officers are seeking to make representations to the Home Office about the level of the liability, and are also exploring a range of options whereby repayment of this liability can be managed.</p>	<p>We concluded that the Authority has arrangements in place to manage this significant challenge to its financial health. The Authority is managing a historic issue in difficult circumstances, and consequently a qualification of the VFM conclusion was not considered appropriate.</p>

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix C states that we intend to issue an unqualified Value for Money conclusion for the 2016/17 financial year.

Appendix A – Summary of misstatements

The misstatements identified for adjustment during the course of the audit that are above the trivial level of £22k, are set out below.

There are no unadjusted misstatements. Management has adjusted all misstatements that have been identified during the audit.

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

Adjusted misstatements 2016/17					
		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Gross Expenditure - Management and Support Services	1,891			
	Cr: Taxation and Non-Specific Grant Income – Fire Capital Grant		1,891		
	Explanation: Fire capital grant was originally offset against Management and Support Services Costs rather than shown as Taxation and Non-Specific Grant Income. This does not impact on the bottom line of the CIES. Note – there is also a prior period adjustment for the corresponding figures in the 2015/16 accounts – see item 4 in this adjustments table.				
2	Dr: Gross Income – Community Safety	98			
	Dr. Gross Income – Fire Fighting and Rescue Operations	574			
	Cr: Gross Income - Exceptional Items: Rates Refund		672		
Explanation: A business rates refund was initially credited to service lines, but was subsequently shown as an Exceptional Item of Gross Income given its value. This does not impact on the bottom line of the CIES.					

Adjusted misstatements 2016/17 (continued)

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Dr: Long Term Debtors			55	
Dr: Long Term Assets – Investments			20	
Cr: Gross Expenditure - Management and Support Services		75		
Dr: General Fund Balance			75	
Cr: Earmarked Revenue Reserves – Development Reserve				75
3	<p>Explanation: Loans made in the year of £55k to Impeller Assurance and Resilience Ltd (via TWFRS Ltd) were initially treated as revenue expenditure. Similarly, the purchase of share capital of £20k in TWFRS Ltd was also initially treated as revenue expenditure. These amounts have now been correctly reflected on the Balance Sheet, with the £55k loan shown as a Long Term Debtor that will be repaid in future, and the £20k shown as a Long Term Investment. This did impact on the bottom line of the CIES showing a reduced Deficit on the Provision of Services of £75k. This initially increased the General Fund Balance by £75k. However, the £75k was subsequently transferred to the Development Reserve through the Movement in Reserves Statement (MIRS).</p> <p>Note – there is also a prior period adjustment for the corresponding figure in relation to loans in the 2015/16 accounts – see item 5 in this adjustments table.</p>			
Dr: 2015/16: Gross Expenditure - Management and Support Services	3,447			
Cr: 2015/16: Taxation and Non-Specific Grant Income – Fire Capital Grant		3,447		
4	<p>Explanation: This is a prior period adjustment to the 2015/16 comparative figures in the statements. Fire capital grant was originally offset against Management and Support Services Costs rather than shown as Taxation and Non-Specific Grant Income. This does not impact on the bottom line of the CIES.</p>			

Adjusted misstatements 2016/17 (continued)					
		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
5	Dr: 2015/16: Long Term Debtors			170	
	Cr: 2015/16: Gross Expenditure - Management and Support Services		170		
	Dr: 2015/16: General Fund Balance			170	
	Cr: 2015/16: Earmarked Revenue Reserves – Development Reserve				170
	Explanation: This is a prior period adjustment to the 2015/16 comparative figures in the statements. Loans made in the year of £170k to Impeller Assurance and Resilience Ltd (via TWFRS Ltd) were initially treated as revenue expenditure. This amount has now been correctly reflected on the Balance Sheet as a Long Term Debtor that will be repaid in future. This did impact on the bottom line of the CIES showing a reduced Deficit on the Provision of Services of £170k. This initially increased the General Fund Balance by £170k. However, the £170k was subsequently transferred to the Development Reserve through the MIRS.				

Disclosure amendments

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

The main amendments included:

- changes to the narrative statement to reflect the amendments in the adjusted misstatements table;
- changes to the expenditure and funding analysis to reflect the amendments in the adjusted misstatements table;
- changes to the cash flow statement to reflect the amendments in the adjusted misstatements table;
- changes to note 7, movements in earmarked reserves to reflect the set aside of the £245k additional resources (£170k in 2015/16 and £75k in 2016/17) to the development reserve;

- changes to note 10, taxation and non-specific grant income, to reflect the fire capital grant received in each year; this was also reflected in note 29 on grant income;
- an adjustment to depreciation written out in property, plant and equipment (note 11) to split the £1,732k between depreciation written out to the revaluation reserve of £1,168k and the depreciation recognised on the provision of services of £564k;
- a further amendment to the final table in note 11, property, plant and equipment, clarifying the valuations in each year;
- the reflection of the long term debtors arising from the amendments in the adjusted misstatements table in note 15, financial instruments;
- the update to note 30, related parties, to disclose the transactions with Impeller Assurance and Resilience Ltd and TWFRS Ltd;
- note 37, contingent assets, was removed from the financial statements and the text included instead in the provisions note (note 20) as the contingent asset related to fire injury pensions for which a provision has also been made; and
- a new note 37, sets out the detailed disclosures required where prior period adjustments have been made.

Appendix B – Draft management representation letter

To be on Tyne & Wear Fire and Rescue Authority letter headed paper and addressed to the external auditor:

31 July 2017

Tyne & Wear Fire and Rescue Authority - audit for year ended 31 March 2017

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 2017 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 2016/17 (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 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 Code.

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.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2016/17 in relation to the Authority's PFI schemes that you have not been made aware of.

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: 31 July 2017

Appendix C – Draft audit report

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

Opinion on the Authority financial statements

We have audited the financial statements of Tyne & Wear Fire and Rescue Authority for the year ended 31 March 2017 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 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 2016/17.

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 as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Tyne & Wear Fire and Rescue Authority, 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 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 2016/17, 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 Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 & Wear Fire and Rescue Authority as at 31 March 2017 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 2016/17.

Opinion on other matters

In our opinion, the information given in the Narrative Statement 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 comply with Delivering Good Governance in Local Government: Framework (2016);
- 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 the Local Audit and Accountability Act 2014.

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 20 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. 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 are required to conclude whether the Authority has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the Comptroller and Auditor General, and had regard to relevant guidance. 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 criterion issued by the Comptroller and Auditor General, 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 ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements 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.

[To be signed]

Mark Kirkham

For and on behalf of Mazars LLP

*Salvus House
Aykley Heads
Durham DH1 5TS*

31 July 2017

Appendix D – 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.