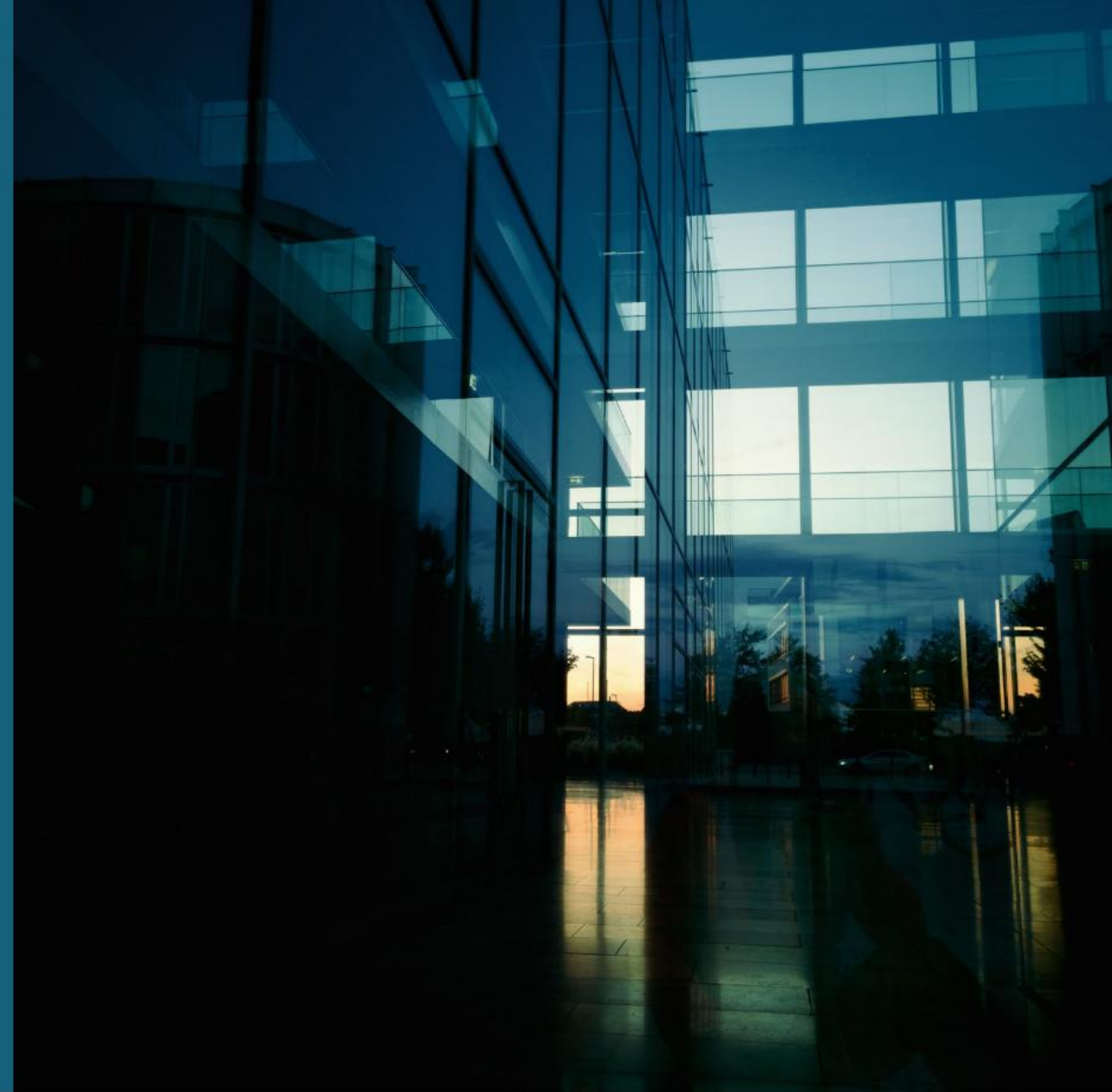


Appendix (ii)

Audit Completion Report

Tyne & Wear Fire & Rescue Authority –
Year ended 31 March 2021

November 2021



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Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person 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. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.



Members of the Governance Committee
Tyne and Wear Fire and Rescue Authority
Nissan Way
Washington
Tyne and Wear
SR5 3QY

29 November 2021

Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Dear Committee Members

Audit Completion Report – Year ended 31 March 2021

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. 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 in May 2021. 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 07813 752053.

Yours faithfully

Signed: {{_es_:signer1:signature }}

Cameron Waddell

Mazars LLP

Mazars LLP – The Corner, Bank Chambers, 26 Mosley Street, Newcastle upon Tyne, NE1 1DF

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: 839 8356 73

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 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, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Net defined benefit liability valuation; and
- Valuation of property, plant and equipment.

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements. Section 7 outlines our work on the Authority's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021.

At the time of preparing this report, there are significant matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion, with emphasis of matter paragraph in respect of the material valuation uncertainty with regards to property and land, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Authority's WGA submission. We are unable to commence our work in this area until such instructions have been received.



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 to consider any objection made to the accounts. We have not received any questions or objections from electors relating to 2020/21.

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02




Section 02:

Status of the audit

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Expenditure Testing		We are awaiting responses in respect of a number of items selected in respect of our expenditure sample.
Inventory		Inventory is above our performance materiality threshold and therefore we are completing testing of this balance. Our work is ongoing in this area.
Property, Plant and Equipment - valuations		Our work is ongoing in this area, following a number of queries with the valuer.
Pensions		We have received our assurance letter from the Pension Fund Auditor which has indicated a material misstatement in the asset values submitted to the actuary leading to a material misstatement. The Authority has obtained a revised IAS19 report and work is ongoing to review the financial statements for the impact of this error.
Other areas		Our work is ongoing in a number of areas, including the Firefighter Pension Fund Statements and some disclosure notes, including the Members' allowances and expenses disclosure.
Audit closure procedures		Review and closure processes, including review of final amended accounts and consideration of post balance sheet events

-  Likely to result in material adjustment or significant change to disclosures within the financial statements.
-  Potential to result in material adjustment or significant change to disclosures within the financial statements.
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements.



03

Section 03: **Audit approach**

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in May 2021. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £0.990m using a benchmark of 2% of gross expenditure at the surplus/deficit at net cost of services level. Our updated assessment of materiality, based on the draft financial statements, is £0.928m using the same benchmark.

We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that adjustments of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We set specific materiality for Senior Officers' remuneration and Members' allowances and expenses.

Use of experts

As detailed in our Audit Strategy Memorandum, management makes use of experts in specific areas when preparing the financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account. There are no changes to our or management's use of experts

Item of account	Management's expert	Our expert
Pensions <ul style="list-style-type: none">– Defined benefit pension assets and liabilities– Firefighters' pension scheme: defined benefit liability	<ul style="list-style-type: none">– Aon Hewitt (Actuary)– Government Actuaries Department (GAD)	PWC, consulting actuary, on behalf of the National Audit Office (NAO)
Property, plant and equipment valuation	External valuer – provided by Sunderland City Council	Gerald Eve, consulting valuer, on behalf of the NAO



3. Audit approach

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

There are no changes to the service organisations identified and reported in our Audit Strategy Memorandum.

Items of account	Service organisation	Audit approach
All financial services, provision of key financial systems and IT services. Systems provided for the Authority include: <ul style="list-style-type: none"> – general ledger; – payroll; – accounts payable and accounts receivable; and – treasury management. 	Sunderland City Council	We have sufficient access to officers and systems, along with all of the relevant financial information, to conduct our audit of Tyne and Wear Fire and Rescue Authority.
Firefighters' Pension Fund Account – benefits payable (including calculation of any lump sums)	West Yorkshire Pension Fund (WYPF)	We have sufficient access to WYPF in order to conduct our audit.



04

Section 04: **Significant findings**

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other 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 14 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks

Management	Description of the risk
override of controls	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	How we addressed this risk
	We addressed this risk through performing audit work over: <ul style="list-style-type: none"> • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	Audit conclusion
	Subject to the completion of outstanding work, we have obtained sufficient and appropriate audit evidence, with no other significant issues arising we are required to highlight to you.



4. Significant findings

Net defined benefit liability valuation	<p>Description of the risk</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 includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>
<p>How we addressed this risk</p> <ul style="list-style-type: none"> • we challenged the reasonableness of the actuarial assumptions that underpin the relevant entries made in the financial statements, through the use of an expert commissioned by the National Audit Office. • we critically evaluated the Authority's arrangements (including relevant controls) for making estimates in relation to pension entries within the financial statements; • we assessed the competency, objectivity and independence of the Actuaries; being AON Hewitt for the Local Government Pension Scheme (LGPS) and the Government Actuarial Department for the Firefighters' Pension Scheme; • we liaised with the auditors of the LGPS Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively; and • we agreed data in the valuation reports for accounting purposes to the relevant accounting entries and disclosures in the Authority's financial statements. 	
<p>Audit conclusion</p> <p>Work is ongoing in this area following a material error reported by the Pension Fund Auditor. The Authority has obtained a revised IAS19 report which has resulted in the financial statements being amended. We are still in the process of completing our review of the financial statements for the impact of this error and will provide an update via a follow-up letter following completion of our review.</p>	

Valuation of property, plant and equipment	<p>Description of the risk</p> <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 property, plant and equipment.</p> <p>The Authority uses a valuation expert to provide information on valuations, however there remains a high degree of estimation uncertainty associated with the (re)valuations of property, plant and equipment due to the significant judgements and number of variables involved.</p>
<p>How we addressed this risk</p> <ul style="list-style-type: none"> • we critically assessed the Authority's arrangements for ensuring that property, plant and equipment valuations are reasonable; • we critically assessed the data provided by Gerald Eve (an expert commissioned by the NAO), as part of our challenge of the reasonableness of the valuations provided by the Authority's Valuer; • we considered the competence, skills and experience of the Valuer and the instructions issued to the Valuer; and; • where necessary, performed further audit procedures on individual assets to ensure the basis of valuations was appropriate. 	
<p>Audit conclusion</p> <p>Subject to the completion of outstanding work, we have obtained sufficient and appropriate audit evidence, with no significant issues arising we are required to highlight to you.</p> <p>We note that the Authority's valuer has included a material valuation uncertainty statement in their valuation report, which the Authority in turn has drawn attention per Note 4 of the financial statements. In turn, we have included an 'emphasis of matter' paragraph in our auditors report. See Appendix B.</p>	

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4. Significant findings

Qualitative aspects of the Authority’s accounting practices

We have reviewed the Authority’s accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Authority’s circumstances.

Draft accounts were received from the Authority on 30 July 2021 and were of a good quality.

Significant matters discussed with management

Property – Material Valuation Uncertainty statement

The Authority’s Valuers have again included a material uncertainty statement in their valuation reports. The Authority has, in turn, drawn attention to this in its disclosure of key assumptions (Note 4). Last year, we included an ‘emphasis of matter’ paragraph in our formal auditor’s report as a result. We have critically reviewed this for 2020/21, in light of the guidance issued by the valuation body The Royal Institute of Chartered Surveyors (RICS). The Authority and its Valuers are of the view that a material uncertainty statement is appropriate. Whilst the RICS latest guidance does indicate there is less need now for a material uncertainty statement, it does remain the Valuer’s judgement, and therefore we consider that it is not unreasonable for the Authority to draw attention to their Valuers material uncertainty statement in the accounts. We have included an ‘emphasis of matter’ paragraph in our formal auditor’s report as a result.

LGPS – Revised IAS19 Report

We have received the required assurance from the Pension Fund Auditor and identified one matter to bring to your attention in relation to the asset values submitted to the actuary by the Pension Fund.

Due to the significant difference between the assets estimated by the Actuary and used in the draft accounts, compared to the actual assets at the year-end per the Pension Fund accounts, the Fire Authority has obtained a revised pensions report from the Actuary. As a result the financial statements have been revised, due to the material difference between the estimate and the actual, which is more pronounced than in prior years, due to the volatility of assets in the final quarter of 2020/21.

We will provide an update on outstanding matters to the Committee via our formal follow-up letter, which will include an updated summary of misstatements.

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.

Given the ongoing impact of COVID-19 the whole audit was completed remotely.



4. Significant findings

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 2020/21 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. No such objections have been raised.



05

Section 05:

Internal control recommendations

5. Internal control recommendations

The purpose of our audit was 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 in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

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 have not identified any significant deficient as a result of our work this year.

Follow up of previous internal control recommendations

We raised three internal control recommendations as part of our audit in the prior year. We set out below an update on each of the internal control points raised:



5. Internal control recommendations

Follow up on previous internal control points

Description of deficiency - Members' allowances and expenses (Note 24)

Our work is on-going at the time of issuing this report; however it appears that Special Responsibility Allowances (SRAs) have been incorrectly claimed by the constituent Authorities for several Members, for both 2019/20 and 2018/19. There also appears to be inconsistency in respect of Employer's National Insurance contributions paid for Members' allowances; some of the constituent Authorities claim for this from Tyne and Wear Fire Authority (the Authority), others do not.

Disclosure note 24 in the draft financial statements sets out Members' allowances and expenses totalling £101k for 2019/20 and £102k for 2018/19, as compared to the approved budget of £87k. The revised disclosure, at the time of issuing this report, is £86k for 2019/20 and £92k for 2018/19, being a decrease of £15k and 10k respectively.

Members' allowances are approved by the Tyne and Fire Wear Authority, however they are not paid directly by the Authority to Members. Instead, the constituent Authorities invoice the Authority as they make payments to their own Members directly. At this stage, it is not known if any Members were paid the overclaimed allowances.

The error appears to have arisen due to:

- errors in the invoices issued by the constituent Authorities;
- billing methods and invoice details by the constituent Authorities varying, e.g. some being quarterly, others less frequent or after the year-end and also with varying degrees of detail on the invoices (some covering more than one Member), resulting in there being less clarity over the completeness and accuracy of Special Responsibility Allowances than if there was, for example, one single invoice;
- lack of challenge by the Authority over the completeness and accuracy of the invoices prior to their authorisation; and
- budget monitoring controls within the Authority not identifying the overspend on the Members' allowances and expenses code and / or following it up appropriately.

Potential effects

Risk of fraud and / or error.

Recommendation

The Authority should check the amounts being claimed for Members' allowances when authorising for payment invoices from the constituent Authorities.

The Authority should also consider prior years, to establish whether allowances have been under or overpaid in other recent years.

2020/21 update

This recommendation has been actioned. Work is ongoing in our testing of 2020/21, and any issues identified will be reported in our follow up letter.



5. Internal control recommendations

Follow up on previous internal control points

Description of deficiency - Impairment of drs allowance and write-offs

The Authority has not provided an allowance for the impairment of debtors which are past due. Whilst the estimated impairment of debtors allowance for the year ended 31 March 2020 is clearly trivial at circa £6k (PY c17k), an allowance should be made and, importantly, formally reviewed each year.

Review of the aged debtor analysis highlighted that there were some very old debtor balances which probably should be written off by now, unless there is a realistic prospect of recovery; again, this was a clearly trivial amount of circa 3k.

Potential effects

Outstanding debtor balances are not appropriately reviewed at the year-end in terms of their recoverability.

Recommendation

The Authority should ensure it reviews its debtor balances at the year-end and provides an appropriate amount, if required, for the impairment of debtors.

The Authority should also review old outstanding debtors and consider if any require formally writing-off.

2020/21 update

This recommendation has been actioned by the Authority, although we note that following review of the debtors balance as at 31 March 2021, the Authority is satisfied that the estimated impairment is not material and therefore no impairment has been included. We have reviewed the judgement made and are satisfied that this is reasonable.



5. Internal control recommendations

Follow up on previous internal control points

Description of deficiency - budget and outturn reporting: consistency of format

The format of the budget and the outturn report is not fully consistent:

- the budget for the year is done primarily on a subjective basis (i.e. firefighting, community safety basis), with detail on an objective basis (i.e. employees, supplies and services) shown in the detailed budget book;
- the in-year budget monitoring reporting is done on an objective basis; and
- the outturn report is done on an objective basis.

The statutory accounts headings used in the Income and Expenditure Statement should be derived from the in-year budget monitoring format used by the Authority. Currently they use the subjective basis from the original budget, rather than the objective basis of in-year budget monitoring and the outturn.

We note also that the outturn reported in the Narrative Statement is a hybrid of the original budget (on a subjective basis), as well as, for the 'actuals', the statutory accounting adjustments, meaning some of the actuals will always differ significantly to the reported budget, as they are not being reported on a like-for-like basis. Whilst this is explained in the Narrative Statement, this inconsistency could be addressed.

Potential effects

Different formats of budget reporting between the budget and the actuals may make it more difficult for stakeholders to understand what is being reported.

Recommendation

The Authority should consider the format of budget monitoring, in particular whether the year-end outturn reporting should mirror the subjective basis of the budget and consider again the outturn reported in the Narrative Statement, so that it more clearly mirrors the outturn reporting to the Authority. Any changes to the format of reporting need to be considered for the statutory accounts also.

2020/21 update

This recommendation has been actioned.



06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £37k. The table below outlines the misstatements that have been adjusted by management during the course of the audit.

There are no misstatements that were identified during the course of our audit which management has not adjusted for.

Adjusted misstatements

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1			117	
	Dr: PFI Lease Liability			
	Dr: Financing & Investment I&E	385		
	Cr: Cost of Services			-502
	To appropriately reallocate NEFRA PFI scheme costs.			
2			1,748	
	Dr: Short Term Debtor – other local authorities			
	Cr: Short Term Creditor – other local authorities			-1,748
	On our review of credit entries, we identified an issue with the balance an account relating to the Collection Fund - NNDR Payers A/C. The balance on this code relates to the debtor with Billing Authority with share of surplus/deficit created by difference between NNDR 1 and NNDR 3 figures. In previous years, the surplus on the Collection Fund meant that it was appropriate to include the overall balance as a debtor, however this year there is a significant deficit on the Collection Fund due to the impact of Covid-19. The credit relating to the deficit has been included in the debtors balance (meaning the debtors balance is understated as it nets off). Correction made to transfer credit entry from the debtors balance to the creditors line in the accounts.			
	Total adjusted misstatements	385	-502	1,865
				-1,748

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6. Summary of misstatements

Disclosure amendments

Note 13 – Capital Commitments – following review, the balance disclosed in the capital commitments note has reduced by £2.74m due to inclusion of balances in the draft version which were not commitments at the year end as the commitment had already been fulfilled.

Note 14 – Financial Instruments - a number of amendments have been made to the financial instruments note, including:

- o amendment of table showing the impact of a 1% change in interest rates. The disclosure has been amended to update the figure disclosed for borrowings and investments for both 2019/20 and 2020/21, as well as the year-on-year variance following 20/21 figure being recalculated at £2,654k
- o amendment of the current and fair values of PWLB and non PWLB borrowings

Note 27 - Grant Income – an error on the credited to services table of Note 27 was identified and amended by Fire Authority officers prior to review by audit. The balance has reduced by 505k, however this is purely restricted to the disclosure note due to error on supporting schedule splitting out grants to disclose. Confirmed that there are no issues with the balance included elsewhere in the accounts.

Note 28 - Related Party Transactions – note is to be updated to include reference to the £225k loan to ensure consistency with the financial instruments note.



07

Section 07:

Value for Money

7. Value for Money

Approach to Value for Money

We are required to consider 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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Authority plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Authority ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Authority has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Authority's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report in [insert date].

Status of our work

We are yet to complete our work in respect of the Authority's arrangements for the year ended 31 March 2021. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Authority's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Authority's arrangements. As noted above, our commentary on the Authority's arrangements will be provided in the Auditor's Annual Report which we will issue no more than three months after the date of the opinion on the financial statements.



Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

To be provided to us on client headed note paper

[Client address]

[Date]

Dear Cameron

Tyne and Wear Fire and Rescue Authority - audit for year ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of Tyne and Wear Fire and Rescue Authority ('the Authority') for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and applicable law.

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 myself that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

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 financial statements 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.



Appendix A: Draft management representation letter

I confirm as Strategic Finance Manager 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 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 current or 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 has 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 undisclosed contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Authority have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.



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 Strategic Finance Manager for the design, implementation and maintenance of internal controls to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements 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 financial statements 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 and applicable law.

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.

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.



Appendix A: Draft management representation letter

Service concession arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2020/21 in relation to the Authority's Private Finance Initiative 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 and applicable law, 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

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Authority, including the impact of mitigation measures and uncertainties and am satisfied the going concern assumption remains appropriate and that no material uncertainty has been identified. To the best of my knowledge there is nothing to indicate the Authority will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. All uncorrected misstatements are included as an appendix to this letter [\[TO BE ADDED BY THE AUTHORITY BEFORE SIGNING\]](#).

Yours faithfully

Dennis Napier
Strategic Finance Manager



Appendix B: Draft audit report

Independent auditor’s report to the members of Tyne and Wear Fire and Rescue Authority

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Tyne and Wear Fire and Rescue Authority (“the Authority”) for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Firefighters’ Pension Fund Statement, the Firefighters’ Pensions Net Assets Statement, and notes to the financial statements, including a 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31st March 2021 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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.

Emphasis of Matter - material uncertainty relating to valuations of land and property

We draw attention to note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority’s land and buildings. As disclosed in note 4 of the financial statements, the Authority’s Valuers included a ‘material valuation uncertainty’ statement within their reports as a result of the Covid-19 pandemic. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Finance Director’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Finance Director with respect to going concern are described in the relevant sections of this report.



Appendix B: Draft audit report

Other information

The Finance Director 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.

Responsibilities of the Finance Director for the financial statements

As explained more fully in the Statement of the Responsibilities, the Finance Director 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 2020/21, and for being satisfied that they give a true and fair view. The Finance Director is also responsible for such internal control as the Finance Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Finance Director is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. The Finance Director 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.



Appendix B: Draft audit report

We evaluated the Finance Director’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Governance Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Authority which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Governance Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Governance Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Finance Director’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

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. This description forms part of our auditor’s report.

Report on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of Resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the [Council] has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.



Appendix B: Draft audit report

We have not completed our work on the Authority's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Authority's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

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 for the 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. 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.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

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 and 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 44 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.



Appendix B: Draft audit report

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

[Signature]

Cameron Waddell
Key Audit Partner
For and on behalf of Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF
29 November 2021



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.



Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	<p>We have not identified any evidence to cause us to disagree with the Finance Director that Tyne and Wear Fire and Rescue Authority will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

Appendix D: Other communications

Other communication	Response
<p>Subsequent events</p>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
<p>Matters related to fraud</p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Those Charged With Governance, confirming that</p> <ul style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.



Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

