



# Audit Completion Report

Tyne and Wear Fire and Rescue Authority  
Year ended 31 March 2019

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15 July 2019

Dear Members

### **Audit Completion Report – year ended 31 March 2019**

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. 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 on 11 March 2019. We have reviewed our Audit Strategy Memorandum and concluded the original significant audit risks and other areas of management judgement remain appropriate.

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

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 383 6300 or 0781 375 2053.

Yours faithfully



Cameron Waddell  
For and on behalf of Mazars LLP

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# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

This Audit Completion Report sets out the findings from our audit of Tyne and Wear Fire and Rescue Authority ('the Authority') for the year ended 31 March 2019, and forms the basis for discussion at the Governance Committee meeting on 29 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 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 of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Authority's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- management override of control;
- property, plant and equipment valuations; and
- defined benefit liability valuation (pensions).

## Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

### Opinion on the financial statements

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

### Value for money conclusion

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

### Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 13 September 2019. As the Authority's activity is below the threshold set by the NAO, we are not required to review the WGA return.

### 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. There have been no objections or questions from local electors during the audit.

# 1. EXECUTIVE SUMMARY

## Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2019. Given the timescales between the publication of the draft financial statements (on 31 May 2019) and the final date for issuing our audit report in compliance with the statutory timetable (31 July 2019), our work will continue up to the point of signing off. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Pensions	Amber	Work to be finalised; consideration of the revised pension liabilities arising as a result of the McCloud judgement and guaranteed minimum pension equalisation (GMP) which have already been reflected in the revised financial statements. The assurance from the Pension Fund auditor has not yet been received and considered.
Property, plant and equipment	Green	Work to be finalised, including consideration of capital accounting.
Other areas	Green	Our work is ongoing in a number of areas, including some disclosure notes, the treatment of capital grants and our review of financial instrument disclosures and PFI disclosures. We are also completing cut-off testing.
Closing procedures	Green	Review and closure processes, including consideration of post balance sheet events and checking the revised financial statements.

## Status key

R = likely to result in material adjustment or significant change to disclosures within the financial statements

A = potential to result in material adjustment or significant change to disclosures within the financial statements

G = not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

## Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations. Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Governance Committee in a follow-up letter.

## Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum (ASM) in March 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

We set materiality at the planning stage of the audit at £1.194m using a benchmark of 2% of gross expenditure at the surplus/deficit at net cost of services level. Our final assessment of materiality, based on the latest financial statements and qualitative factors is £1.134m, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Governance Committee), at £0.034m based on 3% of overall materiality.

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.

## 2. SIGNIFICANT FINDINGS

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

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 7 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

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

### Significant audit risks

**Defined benefit liability valuation (pensions)**

**Description of the risk**

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.

**How we addressed this risk:**

- we critically evaluated the Authority's arrangements (including relevant controls) for making estimates in relation to pension entries within the financial statements; and
- we challenged the reasonableness of the Actuary's assumptions that underpin the relevant entries made in the financial statements, through the use of an expert commissioned by the National Audit Office.

**Observations and conclusions**

The Authority has amended its financial statements for additional liabilities arising from Guaranteed Minimum Pension equalisation and the McCloud judgement; these are detailed further in Section 4, Misstatements and, due to their materiality, are presented as exceptional items in the Comprehensive Income and Expenditure Statement.

We have also considered the prior period adjustments set out in the statements in respect of the pensions prepayment and the fire injury cost over claim and subject to the amendments highlighted, have obtained the assurance sought.

Subject to completion of outstanding work, including our receipt and consideration of assurance from the Pension Fund auditor, we have obtained the assurance required, with no other significant issues arising we are required to highlight to you.



### 3. SIGNIFICANT FINDINGS (CONTINUED)

**Property, plant and equipment valuations**

**Description of the risk**

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 (PPE).

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 PPE due to the significant judgements and number of variables involved.

**How we addressed this risk:**

- we critically assessed the Authority's arrangements for ensuring that PPE 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.

**Observations and conclusions**

Subject to the completion of our testing, there are no significant issues arising from our work to date that we are required to report to you.

**Significant risk: management override of controls**

**Description of the risk**

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

**How we addressed this risk**

We addressed the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

**Audit conclusion**

Subject to the completion of our testing, there are no significant issues arising from our work that we are required to report to you.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Qualitative aspects of the Authority’s accounting practices

The Authority is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting (the Code). We have considered the appropriateness of the use of the going concern assumption and have reviewed the Authority’s accounting policies and disclosures and concluded they comply with the requirements of the Code, appropriately tailored to the Authority’s circumstances.

The Authority has disclosed the changes in respect of financial instruments in its accounting policies following implementation of IFRS 9. Draft accounts were received from the Authority by the deadline of 31 May 2019 and were again of a good quality.

### Significant matters discussed with management

Over and above our challenge of management’s judgements and assertions made in producing the financial statements, the following significant matters were discussed with management:

- the Authority’s estimation of the pension liabilities arising in respect of Guaranteed Minimum Pension equalisation and also following on from the McCloud judgement; and
- the assumptions in valuing property, plant and equipment and ensuring that assets not valued in the year were not materially misstated.

### 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.

### 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 2018/19 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. There have been no objections or questions from local electors during the audit.



### 3. INTERNAL CONTROL RECOMMENDATIONS

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

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal controls we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact to 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.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal controls or enhance business efficiency. The recommendations should be actioned in the near future.	1
3 (low)	In our view, internal controls should be strengthened in these additional areas when practicable.	0

### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

#### Other internal control recommendations – Level 2

##### Description of deficiency – pension payment calculations

As from April 2018, the Authority has outsourced calculation of firefighter pensions (including lump sums) to West Yorkshire Pension Fund (WYPF). A contract is in place.

The Authority carries out a 'high level' reasonableness check on the schedule received from WYPF on a monthly basis. In our view, the Authority should consider how to strengthen the assurance it has that the data processed by WYPF is accurate; it may also wish to build this into the contract terms and conditions.

##### Potential effects

Risk of fraud and / or error.

##### Recommendation

The Authority should consider how to strengthen the assurance it has that the data processed by WYPF is accurate.

##### Management response

We will consider this recommendation against the existing provisions in the contract and the assurance we receive to see if there is scope for strengthening arrangements.

# 4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £0.034m. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

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

## Unadjusted misstatements 2018/19

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Other long-term liabilities Cr: Other short-term liabilities			107	107
Being the correction of the NEFRA PFI short term lease liability.					
Total unadjusted misstatements				107	107

# 4. SUMMARY OF MISSTATEMENTS

## Adjusted misstatements 2018/19

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Cost of Services Cr: Pensions reserve	37,240			37,240

Being the omission of employer pension contributions in respect of Guaranteed Minimum Pension (GMP) liabilities and following the McCloud judgement.  
No net impact on the Authority's General Fund, with pension costs under IAS 19 being reversed out in the Movement in Reserves Statement and replaced by actual employer pension contributions.

The McCloud judgement is a ruling which found that transitional protection arrangements put in place when pension schemes were reformed were age discriminatory.  
Guaranteed Minimum Pension (GMP) is a portion of pension accrued by individuals who contracted out of the State Second Pension prior to 6 April 1997. Various rulings have found that equalisation for the effect of unequal GMP is required, thus increasing pension liabilities.

# 4. SUMMARY OF MISSTATEMENTS (CONTINUED)

## Disclosure amendments

The Authority has amended the disclosures for various minor points and presentational issues. The most significant disclosure amendments are summarised below.

- **Note 3 critical judgements:** amendment to include the judgements in respect of pensions liabilities (GMP and McCloud judgement).
- **Note 14 financial instruments:** inclusion of narrative to clarify the changes as a result of implementing IFRS 9 as well as amendments to the table included. In addition, further disclosures have been added in order to demonstrate the nature and extent of risks arising from financial instruments, including required fair value disclosures.
- **Note 32 Contingent Liabilities:** amendment to the disclosure to remove the two contingent liabilities disclosed in respect of the McCloud judgement and also Guaranteed Minimum Pensions (GMP) following accrual of the estimated costs as set out earlier in this section.
- **Note 33 pensions:** amendments for the impact of the additional liabilities accrued in respect of GMP and the McCloud judgement, as shown on the preceding page.

# 5. VALUE FOR MONEY CONCLUSION

## Our audit approach

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

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

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

## Significant audit risks

The NAO’s guidance requires us to carry out work to identify whether or not a significant risk to our value for money conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Authority being inadequate. In our Audit Strategy Memorandum, we reported that we had not identified any significant risks, but that our risk assessment was continuous. Based on our work to date, there are no new significant risks arising relevant to our responsibilities.

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below, followed by our overall conclusion (as set out in Appendix B).

Sub-criteria	Commentary	Arrangements in place?
Informed decision-making	<p>The Authority has continued to report regularly on its financial performance to the Policy and Performance Committee and the full Authority. The 2018/19 outturn was an overall net underspend of £1.681m (2017/18 £1.273m), with the Authority having a good track record of effective budget management.</p> <p>The Authority’s General Fund unearmarked balance is £3.943m (£3.943mm as at 31 March 2018). As financial pressures continue, the Authority should keep under consideration the adequacy of this balance.</p> <p><i>Managing risks effectively and maintaining a sound system of internal control</i></p> <p>The governance framework is set out in its Annual Governance Statement (AGS), published as part of its Annual Report including financial statements, along with how the effectiveness of that framework is reviewed throughout the year.</p> <p>The AGS also sets out the governance issues the Authority has identified for monitoring and action in the coming year which include:</p> <ul style="list-style-type: none"><li>• implementation of the Emergency Services Mobile Communication Programme</li><li>• developing the corporate performance report;</li><li>• acting upon the HMICFRS inspection;</li><li>• ensuring project management approach applied to all projects;</li><li>• developing succession planning; and</li><li>• replacement HR system.</li></ul> <p>The Authority received an overall internal audit opinion for 2018/19 which concluded there continues to be a good internal control environment. A comprehensive internal audit plan is in place which takes into account the strategic priorities of the Authority. There is challenge by the Governance Committee over coverage and risk areas.</p>	Yes



# 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>The Authority has continued to make good progress in addressing the financial challenges from public sector austerity and has a proven track record of delivering planned budget reductions.</p> <p><i>Financial resilience</i></p> <p>The Authority's usable reserves (excluding its general fund balance) were £25.432 million as at 31 March 2019 (£21.040 million at 31 March 2018). Although these are earmarked for specific purposes, they do provide flexibility to manage the medium-term financial position.</p> <p>The Authority continues to face a funding gap to address in coming years, therefore further savings and / or sources of additional income continue to be required, which the Authority is well aware of and actively exploring options.</p> <p><i>Performance management</i></p> <p>A comprehensive performance report is produced and reported to the Policy and Performance Committee on a policy basis and includes service actions. The results of the recent pilot on incident response standards highlighted that performance against the draft response standards was generally good. Detailed monitoring and analysis is continuing throughout the pilot.</p>	Yes
Working with partners and other third parties	<p>The Authority continues to work 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. The Police and Crime Commissioner is a Member of the Fire Authority. The Authority is already co-located with the police service at some stations.</p> <p>The recent HMICFRS inspection report highlighted that whilst it had seen some good examples of the service working more closely with partner agencies, it believed the Authority has yet to realise the full potential benefits of collaboration.</p> <p>The Authority's trading company TWFRS Limited again reported a small net profit in 2018/19. Developing a more commercial approach is common to many local authorities and trading companies present both opportunities and challenges; this is an area where oversight needs to be maintained, to ensure appropriate governance arrangements are maintained.</p>	Yes

# 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

## Reality check

Having completed our VfM conclusion work, we carried out a final ‘reality check’, which included consideration of our cumulative knowledge of the Authority and, in particular:

- reports by statutory inspectorates, other regulators and external advisors;
- achievement of performance and other targets; and
- performance against budgets and other financial targets.

We do this to identify anything that would make us reconsider our conclusion. We did not identify any such matters.

Area	Auditor assessment
Outputs by statutory inspectorates or other regulators	HMICFRS published its inspection report in June 2019. This concluded that overall the Authority was ‘good’ and commended it for its performance and also highlighted areas for continued improvement.
Achievement of performance and other targets	<p>The Authority’s year-end performance report was presented to the Policy and Performance Committee in July 2019. The summary of performance included benchmarking for other metropolitan FRSs for 2018/19 and showed that the Authority had:</p> <ul style="list-style-type: none"><li>- the third lowest number of fatalities from accidental dwelling fires per 100,000 population;</li><li>- the second lowest number of injuries from accidental dwelling fires excluding precautionary checks per 100,000 population;</li><li>- the third lowest accidental dwelling fires per 10,000 dwellings;</li><li>- the second highest number of injuries from all fires per 100,000 population;</li><li>- the highest number of deliberate fires per 10,000 population; and</li><li>- the highest number of false alarm calls to domestic premises per 1,000 domestic premises.</li></ul>
Performance against budgets and other financial targets	The Authority achieved an underspend of £1.681m for 2018/19, as reported in its Narrative Statement. Planned savings have been achieved, although the savings yet to delivered remain undoubtedly challenging.

## Our overall conclusion

On the basis of our work, we are satisfied that in all significant respects Tyne and Wear Fire and Rescue Authority has put in place proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The wording of the conclusion is set out in our draft audit report in Appendix B.

# 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 2019**

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 2019 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 2018/19 (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.

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.

[continued]

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### (CONTINUED)

**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.

**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.

[continued]



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### (CONTINUED)

**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 2018/19 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 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**

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 at least twelve months from the date when the financial statements are authorised for issue.

**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.

Yours faithfully

Dennis Napier  
Strategic Finance Manager

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

## Report on the financial statements

### Opinion

We have audited the financial statements of Tyne and Wear Fire and Rescue Authority ('the Authority') for the year ended 31 March 2019, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Firefighters' Pensions 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 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 2018/19.

### 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 as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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

### Other information

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

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

We have nothing to report in this regard.





# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

### Responsibilities of the Strategic Finance Manager for the financial statements

As explained more fully in the Statement of Responsibilities, the Strategic Finance Manager 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 2018/19, and for being satisfied that they give a true and fair view. The Strategic Finance Manager is also responsible for such internal control as the Strategic Finance Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Strategic Finance Manager is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Authority is informed of the intention for dissolution without transfer of services or function to another entity. The Strategic Finance Manager is responsible for assessing each year whether or not it is appropriate for the Authority to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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

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

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

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

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

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

We have nothing to report in these respects.

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

#### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Tyne and Wear Fire and Rescue Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

#### Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.



# APPENDIX B

## DRAFT AUDITOR’S REPORT (CONTINUED)

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### Auditor’s responsibilities 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. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### 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.

### Certificate

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

Cameron Waddell  
For and on behalf of Mazars LLP  
Salvus House  
Aykley Heads  
Durham  
DH1 5TS

Date:

# 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.