# Auditor’s Annual Report

**Tyne & Wear Fire and Rescue Authority – year ended 31 March 2024**

27 February 2025

# Contents






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# 01

# Introduction

# Introduction

## Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for Tyne and Wear Fire and Rescue Service (‘the Authority’) for the year ended 31 March 2024. Although this report is addressed to the Authority, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.

**Opinion on the financial statements**
We issued our audit report on 27 February 2025. Our opinion on the financial statements was unqualified.

**Wider reporting responsibilities**
The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We are awaiting group instructions from the National Audit Office to enable us to complete this work.

As in previous years, we anticipate a significant delay before we will be able to issue our 2023/24 audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.

**Value for Money arrangements**
We did not identify any significant weaknesses in the Authority’s arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Authority’s arrangements.

# 02

## Audit of the financial statements

# Audit of the financial statements

## Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Authority and whether they give a true and fair view of the Authority's financial position as at 31 March 2024 and of its financial performance for the year then ended. Our audit report, issued on 27 February 2025 gave an unqualified opinion on the financial statements for the year ended 31 March 2024.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

## Qualitative aspects of the Authority's accounting practices

We have reviewed the Authority's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, appropriately tailored to the Authority's circumstances. There were no significant changes in accounting policies this year.

## Significant difficulties during the audit

There were no significant difficulties noted during the audit. We received the full co-operation of management during the audit.

## Other reporting responsibilities

| Reporting responsibility | Outcome |
|---|---|
| **Narrative Report** | We did not identify significant inconsistencies between the content of the Narrative Report report and our knowledge of the Authority. |
| **Annual Governance Statement** | We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting. |

# 03

## Our work on Value for Money arrangements

# VFM arrangements

## Overall Summary

# VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

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.

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Authority has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding or arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources, including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with officers

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 there are further risks of significant weaknesses.

### Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 10.

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report.  We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Authority.  We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements -** we make these recommendations for improvement where we have identified a significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.  Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations -** we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.



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# VFM arrangements – Overall summary

## Overall summary by reporting criteria

| Reporting criteria | Commentary page reference | Identified risks of significant weakness? | Actual significant weaknesses identified? | Other recommendations made? |
|---|---|---|---|---|
| **Financial sustainability** | 11 | No | No | No |
| **Governance** | 14 | No | No | No |
| **Improving economy, efficiency and effectiveness** | 17 | No | No | No |

# VFM arrangements

## Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

# VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### How the Authority identifies significant financial pressures that are relevant to its short and medium-term plans

The Authority approved its Medium Term Financial Strategy (MTFS) in February 2023 covering a four year period from 2023/24 to 2027/28.

The MTFS considered income and funding assumptions as well as service investments and pressures. It also incorporated efficiency savings and recognised the key risks and uncertainties facing the Authority. Our review of the MTFS and associated assumptions identified no evidence of significant weaknesses in arrangements.

We confirmed through review that the arrangements for approving and reporting the budget and MTFS remained in place during 2023/24 and continued to be based on established arrangements. We confirmed the Authority reports regularly on its financial performance to the Policy and Performance Committee, Governance Committee, and the full Authority. This was evidenced through our review of minutes of those meetings, as well as our attendance at the Governance Committee throughout the financial period.

At the end of the 2023/24 financial year, the Authority reported an underspend of £1.842 million, largely due to a reduction in employee costs and release of employee related contingencies. As at the 31 March 2024, the level of general fund balances was £4.1 million and earmarked reserves were £26.85 million which is a reduction of £6.5 million on the balance for 31 March 2023. The majority of this was planned for financing of the capital programme. The level of general fund balances is in line with the Authority's reserves policy and represents 7.15% of the Authority's net budget provision.

The original Capital Programme, approved by Members, included planned capital expenditure of £14.183 million and the outturn was £9.8 million. The main reason for the lower outturn was due to the delay in Hebburn Station which is now being delivered in 2024/25.

Our work did not identify any evidence to indicate a significant weakness in arrangements for 2023/24.

### How the Authority plans to bridge funding gaps and identifies achievable savings

The 2023/24 MTFS recognised the risks and uncertainties facing the Authority in terms of cost pressures, future funding arrangements, volatile income levels and costs of the delivery of services.

There is a large degree of uncertainty within the MTFS, particularly with regards to the future levels of funding to be received from the Government. As part of our work, we have considered the key assumptions and are satisfied that they are based on the most up to date information available and are not unreasonable. Our review of minutes, attendance at meetings and discussions with management demonstrate the financial position is continuously monitored and updated. As reported to full Authority in January 2025, the Authority is forecasting an underspend of £0.641 million for 2024/25.

The Authority submitted its 'Efficiency and Productivity Plan' for 2024/25 on 31 March 2024 to the Home Office which specified estimated saving initiatives of £2m for 2024/25. This is significantly above the 2% minimum efficiency savings target required. This is now an annual requirement that the Authority must comply with. There are no issues regarding the achievement of these savings at this stage in the financial year.

The Authority retains an appropriate level of earmarked reserves as determined by the Authority's MTFS and Risk Analysis. The reserves are reviewed by senior management of the Authority, including the Finance Director, to ensure they are robust, appropriate and will meet the assessed financial risks of the Authority. Our review of minutes has confirmed there is challenge on the use of reserves by Members.

The Authority has a history of underspends but is now forecasting an underlying deficit across the MTFS of £3.9 million based on the 2024/25 MTFS which was approved in February 2024. The deficit will require contributions from earmarked reserves. The Authority has plans to use the majority of earmarked reserves over the MTFS, mainly for capital development and the PFI scheme. Based on the 2024/25 MTFS, the balance of earmarked reserves is projected to fall to £1.95 million by 2027/28 but most of this is planned to avoid the need to take out additional borrowing to finance the capital programme. The majority of the reserves are not being used to fund significant underlying deficits in the revenue budget. We are satisfied therefore that this is not a significant weakness in arrangements in 2023/24 but the Authority should continue to review the level of reserves to ensure that they do not fall to a level which threatens the financial sustainability of the Authority or expose them to unnecessary risk.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

### How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Resources follow priorities through the MTFS, which is sustainable over the four-year period whilst maintaining what the Authority consider a prudent general minimum reserve which is risk assessed annually and reported to the Authority.

Our review of outturn and the MTFS has not identified a reliance on short-term fixes other than the planned use of reserves which have been specifically built up in recent years to support the phasing of savings measures and to finance the capital programme. It is important to remember that the MTFS is based on a number of key assumptions which are still uncertain but are monitored closely by officers and, where necessary, the MTFS is updated accordingly. We are satisfied through our work that regular monitoring and reporting of the financial position means that this is not unsustainable and does not indicate a significant weakness in arrangements. The Authority is reasonably placed to support the sustainable delivery of services and recent reports indicate that operational performance is not being compromised.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

# VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria - continued

**How the Authority ensures that its financial plan is consistent with other plans**

The MTFS is underpinned by workforce planning and the asset management plan and takes account of risks and planning assumptions within the Integrated Risk Management Plan (IRMP). We have not identified any inconsistency between the various plans in prior years or from our review of the IRMP.

The Authority work closely with Sunderland City Council, who are responsible for the Treasury Management function on behalf of the Fire Authority. Treasury Management, including the Borrowing Strategy and Risk Management Reviews, are reported on a regular basis to the Governance Committee and Authority, with the Treasury Management Policy and Strategy for 2023/24 being approved by the Full Authority at the meeting in March 2023. We confirmed that these plans and strategies are considered and approved by the Authority alongside the MTFS and budget decisions each year.

Risk management is also considered in terms of financial plans and we observed that risk-registers are regularly updated and reported to the Full Authority throughout the year.

The Authority consider the updated financial position at various stages throughout the year and this allows for Member scrutiny and challenge. The MTFS for 2023/24 and 2024/25 were considered in February 2023 and February 2024 respectively.

The annual budget process includes reviewing the Authority’s reserves. We confirmed a review was completed in 2023/24 and 2024/25 to ensure funding set aside remains in line with strategic and statutory priorities.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

**How the Authority identifies and manages risks to financial resilience**

The MTFS outlines the key uncertainties, challenges, and risks facing the Authority over the life of the plan. It includes a financial risk analysis considering the potential risks and impact of those risks on the MTFS. The Authority’s medium term budget projections consider budget pressures such as pay and price increases, as well as the revenue implications of the capital programme and other pressures. The Authority also holds general fund balances of £4.1 million which reflects the Section 151 Officer’s financial risk assessment. This represented 7.15% of the net revenue budget for 2023/24 (8% in 2022/23). There have been no significant overspends or unplanned use of reserves in recent years.

We confirmed through observation that there is regular monitoring of the risk register by the Governance Committee, along with overview and scrutiny by the full Authority. The most recent review of the 2023/24 risk register was at the March 2024 Governance Committee.

We confirmed through review of minutes that there was regular reporting of the Authority’s 2023/24 financial position to the full Authority throughout the year. The outturn report presented to the June 2024 Authority meeting was consistent with the financial position reported during the year. There were some significant variances reported in quarter four which increased the underspend from the quarter three position. This was largely due to unused employee related contingency budgets and further underspends on employee costs. This was clearly highlighted and explained in the report. We are satisfied that this does not indicate a weakness in the Authority's budget monitoring and reporting arrangements.

**Based on the above considerations we are satisfied there is not a significant weakness in the Authority’s arrangements in relation to financial sustainability.**

# VFM arrangements

## Governance

How the body ensures that it makes informed decisions and properly manages its risks

# VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### How the Authority monitors and assesses risk and how the Authority gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Authority has approved a Code of Corporate Governance, which is consistent with the seven principles of good governance as identified in the CIPFA/SOLACE 2016 Framework – "Delivering Good Governance in Local Government". Furthermore, a Corporate Governance Action plan is also in place which is updated on a regular basis. Our review of the Code of Governance has not identified any significant weaknesses in arrangements. The Annual Governance Statement (AGS) 2023/24 was presented at the Governance Committee in June 2024 which we attended and then to the full Fire Authority. The AGS concluded:

*"The Authority is satisfied that appropriate governance arrangements are in operation and remains committed to enhancing these via the delivery of the improvement action plan during 2024/2025. No review can provide absolute assurance; this statement is intended to provide reasonable assurance that there is an ongoing process for reviewing the Authority's governance framework and its operation in practice.*

*Based on the evidence examined, the Authority's governance framework has continued to be in place for the year ending 31 March 2024 and up to the date of approval of the 2023/2024 Statement of Accounts."*

We have reviewed the Annual Governance Statement and based on the audit work carried out, along with our cumulative audit knowledge, we have not identified any significant weaknesses in arrangements.

The Authority has a Governance Committee in place to provide:

"*independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it effects the Authority's exposure to risk and weakens the control environment, oversees the financial reporting process and promotes and maintains high standards of conduct by Members of the Authority.*"

Our attendance at Governance Committee meetings during the year, as well as review of minutes, has not highlighted any weaknesses in arrangements. We are satisfied there is a sufficient level of scrutiny and challenge by Members.

The Authority's internal audit function is provided by Sunderland City Council. Review of minutes and attendance at Governance Committee has confirmed internal audit is active and uses a risk-based Internal Audit Plan to determine the priorities of the internal audit activity, consistent with the organisation's goals. The 2023/24 Internal Audit Plan was taken to the Governance Committee and approved in March 2023. We confirmed through attendance at meetings there was regular reporting of progress against the internal audit plan.

The Annual Internal Audit Report 2023/24 was presented to Governance Committee in May 2024 and the Head of Internal Audit Opinion concluded:

*"This report provides assurance that sufficient audit work was completed within the year to enable an opinion on the Authority's internal control environment, with no high or significant risk issues being identified.*

*Using the cumulative knowledge and experience of the systems and controls in place, including the results of previous audit work and the work undertaken within 2023/24, it is considered that overall, the Authority continues to have a good internal control environment."*

The report provides detail on the performance of Internal Audit for 2023/24, areas of work undertaken, and the internal audit opinion regarding the adequacy of the overall system of internal control within the Service. We have reviewed this report and identified no evidence to indicate a significant weakness in arrangements.

### How the Authority approaches and carries out its annual budget setting process

The Authority's Financial Regulations include guidelines for financial planning and annual estimates. We note that the Financial Regulations were refreshed in March 2023 for the 2023/24 financial period.

There is a clear plan and timetable in place for the annual budget setting process. In December 2022, the Budget Planning Framework 2023-2024 was presented to the Authority setting out high level considerations in drafting the Revenue Budget for 2023/24 and longer-term financial planning for the Authority. In December 2023 there was approval of the 2024/25 Framework. The 2023/24 MTFS was presented to the Fire Authority in February 2023 and the 2024/25 MTFS was presented in February 2024. Our review has not identified any significant weaknesses in the arrangements.

We have confirmed through our review that the Authority has budgetary monitoring systems in place and reports throughout the financial year. These reports include detailed descriptions of any variances to the Fire Authority's budget. Based on our review of minutes and discussions with officers we have identified no significant weakness in arrangements. Overall, the Authority is aware of the financial pressure it faces and reports these pressures to appropriate Committees.

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# VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

**How the Authority ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed**

Review of Authority minutes has confirmed there was regular reporting of the financial position during the 2023/24 financial year. Reporting included details of movements in the budget and forecast outturn between quarters. The reports detailed the in-year pressures as well as planned mitigations. As detailed in the previous section the Authority delivered a £1.842 million underspend against plan for 2023/24 financial year.

Our audit of the financial statements did not identify any matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts.

We did not identify any significant weaknesses in arrangements.

**How the Authority ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.**

The Standing Orders set out how the Authority operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent, and accountable to local people. Standing Orders are reviewed on an annual basis.

Those Charged With Governance (TCWG) are fully independent of the management of day-to-day operations, and the Terms of Reference of the committees are clearly set out in the Standing Orders which are available on the Authority's website. TCWG have relevant experience and knowledge to be able to perform their relevant functions. All members are provided training on their responsibilities and duties.

The Authority ensures that decision-makers receive objective analysis of a variety of options, indicating how intended outcomes would be achieved and highlighting associated risks, to secure best value regardless of the service delivery method. We have reviewed Authority minutes in the year and have not identified any evidence of significant weaknesses in arrangements. The reports we have reviewed support informed decision-making and were clear in the decisions or recommendations Members were asked to make.

Our attendance at Governance committee meetings also confirms challenge of the Authority's activities. The Authority publishes a range of information on its website to ensure transparency.

The Authority ensures that appropriate legal, financial, and other professional advice is considered as part of the decision-making process to help ensure that the specific requirements of legislation and general responsibility by Law are complied with.

We did not identify any significant weaknesses in arrangements.

**How the Authority monitors and ensures appropriate standards are maintained**

A Corporate Governance Framework is in place and there are Standing Orders which includes a specific section relating to Codes of Conduct (part 5). These are published on the Authority website and cover both Members and all personnel, as well as an anti-bribery policy and the policy relating to the register of gifts and interests. The transparency section of the Authority's website also provides other information, policies, and procedures which are available to Members, officers and the public. We have not identified any matters in relation to communication and enforcement, ethics and integrity or leadership and governance from past audits or current risk assessments.

The Authority expects the highest standards of conduct from both its Members and officers. The Governance Framework is reviewed and updated regularly by management. Management are committed to integrity and ethical behaviour and this is evident from our attendance of Committee's and meetings with management. The Authority has a separate Anti-Fraud and Corruption Policy which sets out detailed policies and procedures to prevent and detect fraud.

There are appropriate arrangements to capture declarations of interests, gifts and hospitality.

We have not identified any failure to comply with the relevant Codes and corporate governance guidance.

**Based on the above considerations we are satisfied there is not a significant weakness in the Authority's arrangements in relation to governance.**

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# VFM arrangements

## Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

# VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

### How financial and performance information has been used to assess performance to identify areas for improvement

We confirmed through review of minutes and attendance of meetings that the Governance Committee received progress reports on the management of corporate risks. This is intended to ensure independent scrutiny of the Authority's risk register. The Executive Leadership Team has overall responsibility for the management and monitoring of corporate risks.

Performance objectives of the Authority are set out in the TWFRS Strategy 2025. As detailed on the Authority website

*'This Strategy document aims to modernise our approach to strategic planning, having previously presented large and detailed documents combining strategy, corporate plan, Integrated Risk Management Plan, Community Risk Management Plan, Community Risk Profile, Service Annual Operating Plan and performance reporting.'*

As detailed in previous years the Authority has an Integrated Risk Management Plan (IRMP) covering the period 2021-24. The IRMP is intended to drive continuous improvement and innovation, aims to ensure that savings are achieved in a safe way, balancing risk and resources. The IRMP, including proposals, public consultation questionnaire and information, has been reported to the full Authority, as evidenced through our review of Authority minutes. The most recent update for 2023/24 was reported to the Authority in February 2023.

Our minutes review also showed that reports on financial and operational performance are considered by the Governance Committee and the Fire Authority. Performance information is available to members of the public via the website and can be drilled down to specific areas of the Authority.

### How the Authority evaluates the services it provides to assess performance and identify areas for improvement

The Authority evaluates services through reporting on both financial and operational performance via the Executive Leadership Team (ELT) and into the relevant committees. The TWFRS Strategy 2025 sets out the key objectives against which performance is assessed. Whilst performance is mixed, this is not unusual for a Authority of this size and complexity and there is no evidence to suggest a significant weakness in arrangements.

The Authority is also subject to review by His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). HMICFRS carry out inspections of fire and rescues services to assess and report on three key areas: effectiveness, efficiency, and people. The most recent report covers the period 2023-25 and is available on the HMICFRS website. This review considered the Service's 'effectiveness', 'efficiency' and how the 'service looks after people'.

In the HMICFRS Inspection Report for 2021/22, the Fire Authority received an overall rating of 'GOOD'. The more recent report removes the separate grades for effectiveness, efficiency and people. This is to encourage the service to consider the inspection findings as a whole and not focus on just one area.

The HMICFRS now assess services against the characteristics of good performance and more clearly link judgments to causes of concern and areas for improvement. They have also expanded the previous four-tier system of graded judgments to five which is designed to show where improvement is most needed and highlight good performance more effectively. As the HMICFRS highlight, these changes mean it isn't possible to make direct comparisons between grades awarded in this round of fire and rescue service inspections with those from previous years. It is also important to note that a reduction in grade, particularly from good to adequate, doesn't necessarily mean there has been a reduction in performance.

There are eleven scored areas under the new HMISFRC methodology. Two areas are shown as 'Good', Eight are shown as 'Adequate' and one is shown as 'Requires improvement' (relating to promoting fairness and diversity). No areas are shown as Inadequate.

We have considered the Report's findings and while there are some areas for improvement identified, we did not identify any issues in the inspection report which highlights any significant weaknesses in arrangements for our reporting.

### How the Authority ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

Review of performance management reports has not indicated a weakness in partnership arrangements. Partnerships are risk-assessed before being entered into and an established framework exists. The Authority uses various channels of communication and feedback mechanisms, including social media (Twitter, Facebook, Instagram and YouTube).

The Authority has a number of collaboration arrangements in place with partners, including the Local Resilience Forum (LRF), Local Authorities, Northumbria Police, and the Health Service with a focus on efficiency, and delivering better community outcomes.

The Authority also work closely with neighbouring fire and rescue services to help ensure they are resilient and prepared. Building on the co-location and collaboration arrangements with its blue light partners, the Authority are now moving to full integration of services, for example the tri-service station in Hebburn.

# VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

The Fire and Rescue Authority is made up of 16 elected members, nominated by the five constituent councils of Tyne and Wear in line with schedule 10 of the Local Government Act 1985. The Police and Crime Commissioner for Northumbria also sits on the Fire and Rescue Authority.

Joint Organisational Learning (JOL) and National Operational Learning (NOL) are two national systems that the Authority use to ensure lessons from incidents, ensure training and exercising are identified and acted upon to continually improve interoperability between services and firefighter/public safety. JOL provides a mechanism by which lessons identified and notable practice can be shared to all partner agencies to improve response to incidents and day-to-day operations, whilst external partners share their learning and best practice to promote knowledge, awareness and continual improvement.

The Authority are proposing other initiatives in future to improve operational and national responses, including:

- Increasing collaborative training with blue light partners at the Authority's dedicated training centre which houses the Urban Search and Rescue complex;
- Increasing collaboration with Northumberland FRS to enable an improved response to wildfire incidents; and
- Enhancing Marauding Terrorist Attack capability by working in partnership with National Resilience.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

**Where the Authority commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits**

The Authority has a Procurement Policy in place (available on the Authority website) which outlines the Authority's approach to achieving value for money through the 'effective procurement of goods and services'. The Policy per the website covers the period 2021-2024 and is subject to an annual review process undertaken by the Procurement Team in the Financial Services Department to ensure the content remains appropriate for the Authority.

Procurement activities are expected to be in line with the service's standing orders and financial regulations, national legislation and relevant European legislation as per Public Contract Regulations 2015 and procurement best practice. The Authority also note on their website that they have achieved 'CIPS Corporate Ethical Procurement and Supply' status. Based on our attendance at meetings, discussions with officers and review of minutes we have not identified any evidence of non-compliance indicating a weakness in the Authority's arrangements.

Internal Audit also include procurement and contract management as a key risk area, per the Internal Audit Annual Report. The overall opinion from the previous three years work in this area is noted as, being 'moderate'. Some weakness have been identified and recommendations regarding the PFI contract were identified. Management confirm they have acted on these recommendations. We are satisfied that the matters raised are not evidence of a significant weakness in arrangements for our reporting.

**Based on the above considerations we are satisfied there is not a significant weakness in the Authority's arrangements in relation to improving economy, efficiency and effectiveness.**

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# 04

## Other reporting responsibilities

# Other reporting responsibilities

## Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken.  Auditors have the power 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 the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

## Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We are awaiting group instructions from the National Audit Office to enable us to complete this work.

# 05

# Audit fees and other services

# Audit fees and other services

## Fees for our work as the Authority’s auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum dated 22 August 2024 which was presented to the Governance Committee on 16 September 2024. This reflected the scale fee set by Public Sector Audit Appointments (PSAA) as part of the latest national procurement exercise.

Having completed our work for the 2023/24 financial year, we can confirm that our fees are as follows:

| Area of work | 2023/24 fees | 2022/23 fees |
|---|---|---|
| Planned fee in respect of our work under the Code of Audit Practice | £94,665 | £32,575 |
| 2022/23 Additional fees in agreed fee variations | - | £14,460 |
| Additional audit work under revised ISA (UK) 315 (risks of material misstatement) and the related impact of ISA (UK) 240 (fraud)* | £7,058 * | - |
| **Total fees** | **£101,723** | **£47,035** |

*This is because PSAA did not consolidate additional fees for these aspects into the 2023/24 scale fees, because at the time the 2023/24 scale fees were set PSAA had not reached a conclusion on what would be the appropriate fee for this. An explanation for this including that there would therefore be a need to treat this as an additional fee variation is set out on the PSAA website: https://www.psaa.co.uk/appointing-auditors-and-fees/auditor-appointments-and-scale-fees-2023-24-2027-28/2023-24-auditor-appointments-and-audit-fee-scale/consultation-document-2023-24-audit-fee-scale/3/

PSAA have subsequently determined the appropriate fees for these aspects as part of its 2024/25 scale fee process https://www.psaa.co.uk/appointing-auditors-and-fees/auditor-appointments-and-scale-fees-2023-24-2027-28/2024-25-auditor-appointments-and-audit-fee-scale/2024-25-audit-fee-scale/3/

## Fees for other work

We confirm that we have not undertaken any non-audit related services for the Authority in 2023/24.



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# Appendices

Appendix A: Further information on our audit of the Authority's financial statements

# Appendix A: Further information on our audit of the financial statements

## Significant risks and audit findings

As part of our audit of the Authority we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

| | |
|---|---|
| **Management override of controls** | **Description of the risk**<br>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 there is a risk of material misstatement due to fraud on all audits. |
| | **How we addressed this risk**<br>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**<br>We did not identify any evidence of management override of controls. |

# Appendix A: Further information on our audit of the financial statements

**Valuation of property, plant and equipment**

**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 employs 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 will evaluate the design and implementation of any controls which mitigate the risk. This includes liaising with management to update our understanding on the approach taken by the Authority in its valuation of land and buildings. We have undertaken the following work:

- Assess the scope and terms of engagement with the Valuer;
- Assess the competence, skills and objectivity of the Valuer;
- Assess how management use the Valuer's report to value land and buildings included in the financial statements;
- Test the accuracy of the data used in valuations;
- Challenge the Authority's and Valuer's assumptions and judgements applied in the valuations;
- Review valuation methodology used, including the appropriateness of the valuation basis;
- Consider the reasonableness of the valuation by comparing the valuation output with market intelligence; and
- Ensure all required disclosures are reflected in the accounts and relevant notes.

**Audit conclusion**

We did not identify any reporting issues.

# Appendix A: Further information on our audit of the financial statements

**Net defined benefit liability / asset valuation**

**Description of the risk**

The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures 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**

In relation to the valuation of the Authority's defined benefit pension liability we have completed the following work:

- Critically assess the competency, objectivity and independence of the Tyne and Wear Pension Fund's Actuary, Aon Hewitt, and the Firefighters Pension Scheme Actuary, the Government Actuary Department (GAD);
- Liaise with the auditors of the Tyne and Wear Pension Fund to obtain confirmation that the controls are designed and implemented appropriately. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation was complete and accurate;
- Review the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuaries, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by the consulting actuary engaged by the National Audit Office;
- Agree the data in the IAS 19 valuation reports provided by the Funds' Actuaries for accounting purposes to the pension accounting entries and disclosures in the Authority's financial statements; and
- Ensure all required disclosures are reflected in the accounts and relevant notes.

**Audit conclusion**

We noted a number of adjusted and unadjusted misstatements. We did not identify any other reporting issues.

# Appendix A: Further information on our audit of the financial statements

## Summary of uncorrected misstatements

| | | Comprehensive Income and Expenditure Statement | | Balance Sheet | |
|---|---|---|---|---|---|
| | | Dr (£'000) | Cr (£'000) | Dr (£'000) | Cr (£'000) |
| 1 | DR Reserves | | | 130 | |
| | CR PFI Assets | | | | 130 |
| | Unreconciled difference between the Fixed Asset Register (FAR) shows Cost or valuation at 01 April 2023 of £40,525k and the Statement of Accounts (SoA) Cost or valuation at 01 April 2023 is showing £40,655, therefore a difference of £0.130m.This resulted in NBV as at 31 March of £41,205k in the FAR and £41,335k in Note 12 of the Accounts (therefore a difference of £0.130m). | | | | |
| 2 | DR Net Pension Asset | | | 254 | |
| | CR Remeasurement of Net Defined Benefit Asset | | 254 | | |
| | Being the estimated understatement of LGPS pension fund assets based on the work undertaken by pension fund auditor | | | | |
| 3 | DR Net Interest on the Net Defined Liability | | | 110 | |
| | CR Gross Expenditure (Cost of Services) | | 110 | | |
| | Being the reallocation of Past Service Costs of £110k (per Note 31 - Defined Benefit Pension Scheme) to Cost of Services, rather than Financing and Investment Income and Expenditure. | | | | |
| | **Aggregate effect of unadjusted misstatements** | **0** | **364** | **494** | **130** |

# Internal control observations

## Overview of engagement

As part of our audit, we obtained an understanding of Authority's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and determine the nature, timing, and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of Authority's internal controls, we are required to communicate to the Governance Committee any significant deficiencies in internal controls that we identified in during our audit.

## Deficiencies in internal control

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/ or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered Authority's internal controls relevant to the preparation of the financial statements 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 Authority's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which 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 report or concluded that some of the reported deficiencies need not in fact have been reported.

Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

## Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency is of sufficient importance to merit the attention of the Governance Committee.

We have not identified any significant deficiencies in the Authority's internal controls as at the date of this report.

## Other observations

We also record our observations on the Authority's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We reported three other internal control observations, and followed up a prior year matter arising. Appropriate actions were agreed with management.

# Contact

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