



# Audit Completion Report

County Durham and Darlington Fire and Rescue  
Authority

Year ending 31 March 2018



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

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Members of the Audit and Risk Committee  
County Durham & Darlington Fire and Rescue Authority  
Service Headquarters  
Belmont Business Centre  
Durham DH1 1TW

18 July 2018

Dear Members

**Audit Completion Report – year ended 31 March 2018**

We are pleased to present our Audit Completion Report for the year ended 31 March 2018. 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 22<sup>nd</sup> February 2018. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

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

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0113 387 8850.

Yours faithfully

**Signature:**   
MJ Kirkham (Jul 18, 2018)

**Email:** mark.kirkham@mazars.co.uk

Mark Kirkham  
Partner  
For and on behalf of Mazars LLP

Mazars LLP – Mazars House – Gelderd Road – Gildersome - Leeds – LS27 7JN  
Telephone: +44 (0) 113 204 9797 Fax: +44 (0) 113 387 8760 – [www.mazars.co.uk](http://www.mazars.co.uk)

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# 1. EXECUTIVE SUMMARY

## Purpose of this report and principle conclusions

The Audit Completion Report sets out the findings from our audit of County Durham and Darlington Fire and Rescue Authority (the Authority) for the year ended 31 March 2018, and forms the basis for discussion at the Audit and Risk Committee meeting on the 26<sup>th</sup> July.

The detailed scope of our work as your appointed auditor for 2017/18 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.

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. As we outline on the following page, our work is substantially complete and, 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 our 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 31 August 2018. We anticipate reporting that the WGA submission is consistent with the audited financial statements.

### 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 consider any objection made to the accounts. There have been no objections or questions from local electors.

## 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 Members in a follow-up letter.

# 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 2018. At the time of preparing this report the following matters remain outstanding.

Audit area	Description of outstanding matters
Pensions	Testing on Firefighters pensions to be completed.
Closure procedures	Review and closure processes, including final consideration of post balance sheet events and checking the revised financial statements.
Whole of Government Accounts	Work to be completed.

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

## Our audit approach

There have been no changes in our audit approach as set out in our Audit Strategy Memorandum presented in February 2018.

## Materiality

We set materiality at the planning stage of the audit at £0.693 million for the Authority using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £0.670 million for the Authority using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Members), at £0.0210 million for the Authority based on 3% of overall materiality.

We set a lower materiality for exit packages of £9k, members allowances of £1k and remuneration of senior employees of £150k.



## 2. OPINION AUDIT

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

- our audit conclusions regarding significant risks 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 9 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; and
- any significant difficulties we experienced during the audit.

### Significant risks and key areas of management judgement

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 risk

#### Description of the risk

Management override of controls

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

#### How we addressed this risk

We addressed this risk by performing audit work in the following areas:

- accounting estimates impacting on amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business;
- journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

#### Audit conclusion

Subject to the completion of outstanding work, our work has provided the assurance sought, with no significant matters arising.

## 2. OPINION AUDIT (CONTINUED)

### Valuation of buildings

#### 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 buildings.

Although the Authority employs an internal valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of buildings because significant judgements and a number of variables are involved in providing revaluations.

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#### How we addressed this risk

We:

- considered the Authority's arrangements for ensuring that buildings values are reasonable and engaged our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the Authority's valuer. We also assessed the competence, skills and experience of the valuer; and
- we also performed further audit procedures on individual assets to ensure that the basis and level of valuation is appropriate.

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#### Audit conclusion

Subject to the completion of outstanding work, our work has provided the assurance sought, with no significant matters arising.

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### Significant risk

#### Description of the risk

### Defined benefit liability valuation

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.

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#### How we addressed this risk

We:

- discussed with key contacts any significant changes to the pensions estimates prior to the preparation of the final accounts;
- evaluated the management controls you have in place to assess the reasonableness of the figures provided by the actuaries; and
- considered the reasonableness of the actuaries outputs, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office.

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#### Audit conclusion

Subject to the completion of outstanding work, our work has provided the assurance sought, with no significant matters arising.

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## 2. OPINION AUDIT (CONTINUED)

### Qualitative aspects of the entity's accounting practices

We have reviewed the Authority's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Authority's circumstances.

### 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. Draft accounts as well as supporting working papers were received from the Authority on the 28<sup>th</sup> May, ahead of the deadline of 31<sup>st</sup> May 2018 and were of a good quality.

### 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 2017/18 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 questions or objections.

Our draft audit report, in full, is set out in Appendix B.



### 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 statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters that would be reported here would be limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

**In summary, our work did not identify any significant deficiencies in internal control for 2017/18.**



## 4. SUMMARY OF MISSTATEMENTS

We did not identify any misstatements for adjustment during the course of the audit above the level of the trivial threshold of £0.021 million. There were no unadjusted misstatements that were identified during the course of our audit which management has assessed as being material either individually or in aggregate to the financial statements.

Amendments made to disclosure notes are detailed below

### Disclosure and other amendments

We identified a number of arithmetic, rounding and other minor errors in the financial statements. A small number of these were non trivial. There have been a number of other amendments to disclosures, as summarised below. There are no material unadjusted disclosure errors.

- Property, plant and equipment valuations: We identified three errors where professional fees had been incorrectly applied in valuations. The actual error is trivial but the estimated extrapolated error across all assets is £44k which is non-trivial. Given the actual error is trivial and the extrapolated error is not material, no further work has been undertaken and no amendment has been made in the financial statements;
- Members allowances (Note 7.3): We identified £545 of conference fees that was misclassified as this related to officers rather than members;
- Financial instruments: Within the 'financial liabilities at amortised cost' table, the balance for 'Other Creditors' was shown as £1.546 million but this should be £1.446 million; This has been amended.
- Financial instruments: The PWLB fair value disclosure is based on PWLB early redemption rate. As we reported in 2016/17, we think that this is open to challenge and are of the view that calculating fair values based on the new borrowing rates remains a more valid estimation basis under IFRS 13. However, we are satisfied that the difference is not material and so no amendment has been made in the financial statements but this should be considered for 2018/19. This has no impact on the balance sheet as it only affects the financial instruments disclosure note; and
- Creditors: We identified a duplicate invoice for circa £14k which is trivial. However, the estimated extrapolated error would be £135k across the population of all creditors. Given the actual error is trivial and the extrapolated error is not material, no further work has been undertaken and no amendment has been made in the financial statements.

# 5. VALUE FOR MONEY CONCLUSION

## Our 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 risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money 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 value for money audit risks for 2017/18. There have been no changes since then.

## Work carried out

The following section of the report sets out our commentary against each of the sub-criteria, and an indication of whether arrangements are in place.

## Our overall value for money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified value for money conclusion for the 2017/18 financial year.



# 5. VALUE FOR MONEY CONCLUSION

## Commentary against the sub-criteria

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>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”.</p> <p>The Constitution sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution also includes a Code of Conduct for employees and Members including the key roles for decision making. Other schemes and policies are reviewed annually.</p> <p>The Authority’s Annual Governance Statement includes a balanced assessment of the effectiveness of the Authority’ governance arrangements and identified areas for further improvement where appropriate. The Service Leadership Team and Audit and Risk Committee review the governance issues contained within the Annual Governance Statement.</p> <p>Strategic priorities are revisited on a regular basis but formally through the annual budget process and annual revision to the Medium Term Financial Plan which brings together considerations of operational needs over the medium term and funding prospects.</p> <p>The Fire and Rescue Service National Framework document places a responsibility on all fire and rescue authorities to produce and consult on their Integrated Risk Management Plan (IRMP) which is incorporated into the Three Year Strategic Plan. The Authority has been proactive in seeking local people’s views on a range of issues such as service priorities and expected levels of local station coverage as part of the Plan.</p> <p>Performance reporting is embedded within the Authority’s culture and Members are regularly updated on KPIs and other performance information as part of the overall performance management framework. Continuous consideration of financial and non-financial risks (and mitigations) ensure that an integrated approach to risk management is taken, as represented by the Integrated Risk Management Plan. The Corporate Risk Register is reported during the year.</p> <p>The Authority will be subject to the HMICFRS Fire and Rescue Services Inspection Programme and Framework for England from 2018/19 which will provide feedback on the Authority’s performance and further inform decision-making.</p>	Yes

## 5. VALUE FOR MONEY CONCLUSION

### Commentary against the sub-criteria (continued)

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>Financial planning is linked with all other elements of corporate and service planning through the Medium Term Financial Plan which is reviewed and updated annually as part of the detailed budget process. This sets out the expected resources available up to 2021/22 and the level of savings required.</p> <p>The Authority has been successful in achieving savings through its Service Transformation Programme which has enabled it to balance the budget whilst at the same time protecting front line services. The majority of the savings outlined in the Efficiency Plan for implementation during the period 2016/17 to 2019/20, have been achieved and the service is on track to deliver efficiency savings totalling £1.245 million which is £0.215 million more than anticipated when the Efficiency Plan was published in October 2016.</p> <p>The leadership team provides scrutiny and challenge on financial matters through review and comment on monthly and quarterly budget and outturn positions. Decisive action has been taken over the last few years to deliver on budget savings through reductions in staffing levels, back-office efficiencies and changes to shift patterns</p> <p>The Authority achieved a £0.589 million underspend in 2017/18 which is in line with performance in previous years. A balanced budget has set for 2018/19 and although there are some gaps over the medium term financial plan, the Authority has a good track record of achieving savings as noted above and has sufficient reserves in place to manage any shortfall over the medium term.</p> <p>There is a detailed capital programme in place and the revenue costs associated with the capital programme have been incorporated into the MTFP.</p> <p>The Authority operates two trading organisations; Vital Fire Solutions Limited and County Durham and Darlington Fire and Rescue Community Interest Company, to enable it to trade with the private sector. Both organisations are now trading profitably and are forecast to make a financial contribution to the Authority's MTFP by 2019/20.</p> <p>Operational and corporate performance is monitored and managed internally via the monthly Performance &amp; Programme Board and Service Leadership Team forums. Members of the Combined Fire Authority consider performance on a quarterly basis at meetings of the Policy, Performance and Review Committee and the full Combined Fire Authority.</p> <p>A comprehensive suite of performance indicators are employed to measure both operational and corporate performance. Targets are set on an annual basis against SMART criteria and take account of longer term trends.</p>	Yes

## 5. VALUE FOR MONEY CONCLUSION

### Commentary against the sub-criteria (continued)

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Working with partners and other third parties	<p>The Authority is committed to collaboration through innovation to improve services and performance and continues to explore possibilities of partnership working with the police, ambulance and other fire authorities as well as the private and voluntary sectors. The Authority has a strong track record of collaboration with partners and secured Government funding to progress a number of high profile collaborative projects including:</p> <ul style="list-style-type: none"> <li>• the first quad station in the country at Barnard Castle which opened on 1 April 2017 - providing a joint facility for the Fire, Police, Ambulance and Mountain Rescue services;</li> <li>• a joint training facility with the Police for incident command training; and</li> <li>• community Safety Tri-Responders at Stanhope where staff work for the Fire, Police and Ambulance services according to demand. This is only the second project of its kind in the country</li> </ul> <p>A number of fire stations are shared with either the Police and/or the Ambulance Service.</p> <p>The Authority has recently invested in and introduced a joint drone unit with Durham Constabulary which is more efficient than helicopter coverage. There are also positive ongoing negotiations at a senior level with North East Ambulance Service to extend EMR response.</p> <p>The Authority has procurement procedures in place and maintains a contract register which is published on the website. The Authority aims to deliver best value from the procurement process, driving savings where possible whilst delivering sustainable services. They endeavour to ensure that a collaborative approach is taken on a national and regional basis for the purchase of major items of fire service specific items, such as vehicles, equipment and key services. Procurement of uniform and firefighting PPE has been undertaken as part of a regional collaboration for over 5 years.</p> <p>The Authority is part of the County Durham and Darlington LRF which is a multi-agency partnership formed to meet the requirements of the Civil Contingencies Act 2004.</p> <p>A Communications Strategy is in place providing access to a range of consultation methods, particularly to those groups which are harder to reach. The Authority has undertaken on-going consultation with a wide range of stakeholders on the Integrated Risk Management Plan and the budget.</p> <p>The Authority has launched the Safer Homes project, working closely with Durham Constabulary and Durham County Council. This project involves working with social housing providers to fit properties with domestic sprinklers and home security equipment.</p>	Yes

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

To be provided to us on headed paper

Date:

Dear Mark

### County Durham and Darlington Fire and Rescue Authority - audit for year ended 31 March 2018

This representation letter is provided in connection with your audit of the statement of accounts for the Authority for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

#### My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

#### My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Authority you determined it was necessary to contact in order to obtain audit evidence.

I confirm as s151 officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

#### Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all the Authority and Committee meetings, have been made available to you.

#### Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Authority's financial position, financial performance and cash flows.

#### Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

Executive summary

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Appendices

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### (CONTINUED)

#### Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

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

#### Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

the Authority has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

#### Fraud and error

I acknowledge my responsibility as s151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Authority involving:
- management and those charged with governance;
- employees who have significant roles in internal control; and
- others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Authority's statement of accounts communicated by employees, former employees, analysts, regulators or others.

#### Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code. I have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which I am aware.

#### Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

#### Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

### Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed. Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

### Going concern

To the best of my knowledge there is nothing to indicate that the Authority will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

### Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements as included in the auditor's draft Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Yours sincerely

Tony Hope  
Treasurer

# APPENDIX B

## DRAFT AUDITOR'S REPORT

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE AUTHORITY

#### Opinion on the financial statements

We have audited the financial statements of the Authority for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Authority's Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and notes to the financial statements, including the 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 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 Treasurer use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer 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 Treasurer is responsible for the other information. The other information comprises the Annual Governance Statement and 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 Treasurer for the financial statements

As explained more fully in the Statement of Responsibilities, the Treasurer 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 2017/18, and for being satisfied that they give a true and fair view. The Treasurer is also responsible for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Treasurer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 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 Treasurer 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 the Authority's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Conclusion on the Authority arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Respective responsibilities of the Authority and the auditor

#### 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, the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

#### 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 2018.

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.

# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

### 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 in relation to 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 issued by the Comptroller and Auditor General 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' arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

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

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

We have nothing to report in these respects.

### Use of the audit report

This report is made solely to the members of the Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 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 County Durham and Darlington Fire and Rescue Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Mark Kirkham, Partner  
For and on behalf of Mazars LLP

Mazars LLP  
Salvus House  
Aykley Heads  
Durham

XX July 2018

Executive summary

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for Money  
conclusion

Appendices

# 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.

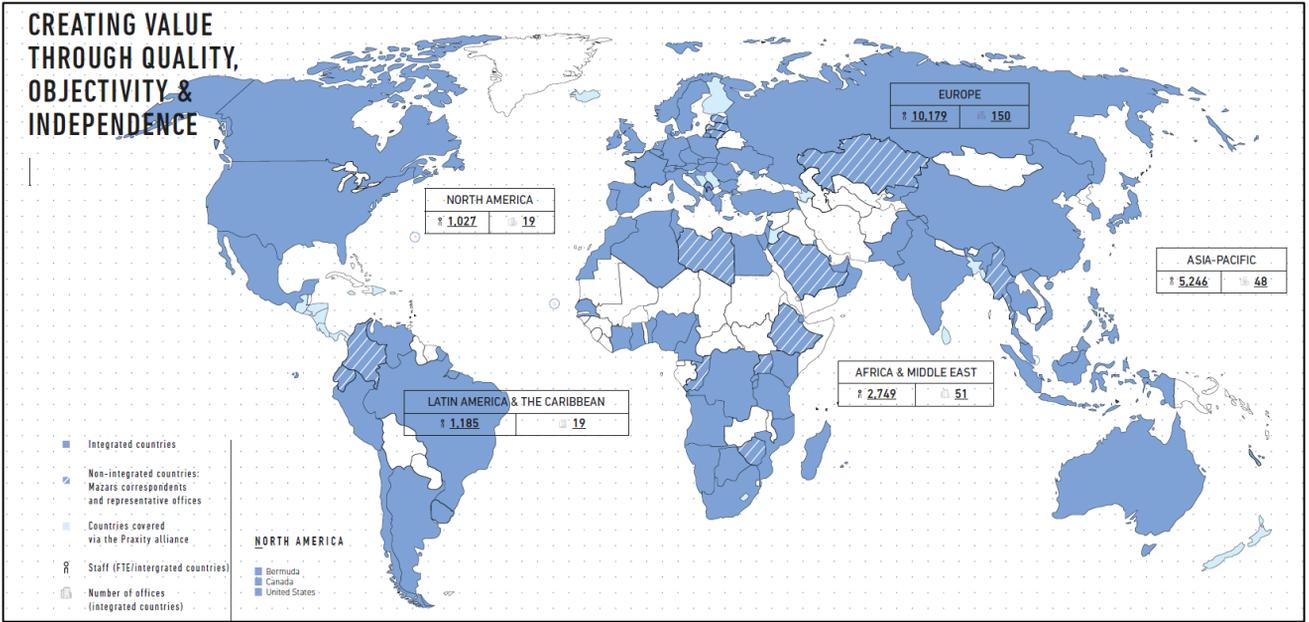


# MAZARS AT A GLANCE

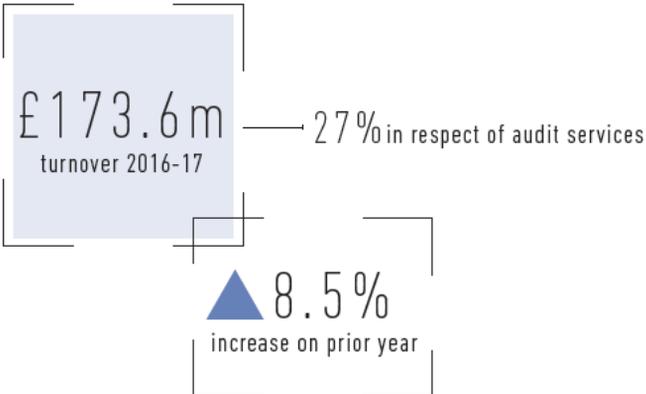
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## Mazars in the UK



As at 31 August 2017

## CONTACT

### **Mark Kirkham**

Partner

Phone: 0191 383 6300

Mobile: 0113 387 8850

Email: [mark.kirkham@mazars.co.uk](mailto:mark.kirkham@mazars.co.uk)

### **Campbell Dearden**

Manager

Phone: 0191 383 6304

Mobile: 0788 128 3348

Email: [campbell.dearden@mazars.co.uk](mailto:campbell.dearden@mazars.co.uk)