



# Audit Completion Report

County Durham & Darlington Fire and Rescue  
Authority

Year ending 31 March 2019

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Members of the Audit and Risk Committee  
County Durham & Darlington Fire and Rescue Authority  
Service Headquarters  
Belmont Business Centre  
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23 July 2019

Dear Members

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

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum dated 15 February 2019 which we presented to the Audit and Risk Committee on 28 February 2019. 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 0191 383 6300.

Yours faithfully

*Gavin Barker*

Gavin Barker  
Mazars LLP

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# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of County Durham & Darlington Fire and Rescue Authority and Group ("the Authority and Group") for the year ended 31 March 2019, and forms the basis for discussion at the Audit and Risk Committee meeting on 31 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

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

- Management override of control
- Property, plant and equipment valuation
- Defined benefit liability valuations

## Status of our work

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

### Opinion on the financial statements

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

### Value for Money conclusion

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

### Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 13 September 2019. The Authority and Group is below the threshold requiring a detailed review of your WGA submission, and we expect to be able to provide the information required by NAO at the conclusion of our audit work, well ahead of the formal deadline

### 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 Group and to consider any objection made to the accounts. We have not received any questions or objections.

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# 1. EXECUTIVE SUMMARY (CONTINUED)

## Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2019. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Pensions		Following further developments in the McCloud case, the Authority has obtained an updated report from the Actuary and as such there are material amendments to pensions figures that require detailed checking.
Closing Procedures		Review and closure processes, including final consideration of post balance sheet events and checking the revised financial statements just received

### Status

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

We will provide the Authority and Group with an update in relation to these outstanding matters prior to signing the auditor's report.

## Our audit approach

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

## Materiality

We set materiality at the planning stage of the audit at £892,000 for the Authority and £900,000 for the Group, using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £919,000 for the Authority and £921,000 for the Group, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Authority) at £28,000 for the Authority and Group based on 3% of overall materiality.

## Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit and Risk Committee.



## 2. SIGNIFICANT FINDINGS

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

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 7 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- significant matters discussed with management; 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 and Group'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. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

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#### How we addressed this risk

We addressed this risk through performing audit work over:

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

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#### Audit conclusion

Subject to the completion of outstanding work, our audit work has not identified any material issues to bring to your attention.

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## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant risk

Property, plant and equipment valuation

### 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 PPE. Although the Authority uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We therefore identified the valuation of PPE to be an area of significant risk.

### How we addressed this risk

We addressed this risk through the following procedures:

- assessing the Authority's arrangements for ensuring that PPE valuations are reasonable;
- assessing the data provided by our consulting Valuer, Gerald Eve, as part of our challenge of the reasonableness of the valuations provided by the Authority's Valuer;
- considering the competence, skills and experience of the Valuer and the instructions issued to the Valuer; and
- Performing further audit procedures to ensure the basis of valuations is appropriate including substantive testing of individual asset valuations.

### Audit conclusion

Subject to the completion of outstanding work, our audit work has not identified any material issues to bring to your attention.

### Significant Risk

Defined benefit liability valuation

### Description of the management judgement

The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

### How our audit addressed this area of management judgement

We discussed with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally.

### Audit conclusion

Subject to the completion of outstanding work, our work has provided the assurance sought. The material amendments relating to the impact of the McCloud legal case on pension liabilities is a national issue and the Authority has agreed to adjust the accounts. Further context to the issues relating to pensions accounting that have arisen this year are described on page 7.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Qualitative aspects of the Authority and Group's accounting practices

We have reviewed the Authority and Group'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 and Group's circumstances.

Draft accounts were published for the Authority and Group by the statutory deadline of 31 May 2019. The draft accounts and the supporting working papers were of a good quality.

### Significant matters discussed with management

There have been significant issues this year relating to accounting for pensions. These issues are not specific to the Authority and Group, but are national issues impacting on all local government and related bodies, including police and fire. There have been three issues, but the most significant issue has been the impact of what is known as the McCloud judgement.

The nature and impact of the McCloud judgement relates to claims of discrimination in respect of protections offered to some, but not all, pension scheme members as part of reforms to public sector pensions. In December 2018, the Court of Appeal ruled in a test case that this did amount to unlawful discrimination. At the time the Authority and Group was producing its draft financial statements, the Government intended to appeal to the Supreme Court and the outcome was uncertain.

During the audit period, the Government has not been granted leave to appeal, meaning that some form of restitution across all public sector pension schemes seems more certain, requiring the estimated impact of this to be reflected in the pension disclosures in the financial statements, subject to materiality considerations.

The other two issues have been:

- Guaranteed Minimum Pension (GMP) indexation and equalisation, which relate to the move to a single-tier new State Pension and equalisation of the GMP benefits between males and females, which has been accounted for to varying degrees by each actuary; and
- Asset values – this issue relates only to the Local Government Pension Scheme (which is funded) and not to the firefighters' scheme (which is not funded). The issue is whether the estimation of assets by the actuary using asset values at the end of December 2018 / end of January 2019 was accurate, given higher than expected returns in the final quarter of 2018/19.

For each of these issues, our approach has been to suggest that the Authority and Group engages with the actuary of each scheme, to assess the potential impact of these issues, to see whether the impact is material, and if so, to make amendments to the financial statements.

The outcomes of this process were:

- The impact of McCloud, which is material, has been reflected in amendments for the firefighters' scheme. The amendments have resulted in an increase in fire service expenditure and the pension fund liability of £15.91m;
- The actuary for the firefighters' scheme has confirmed that they believe it is not appropriate to make a further amendment for GMP;
- An amendment has been made to the LGPS for the combined impact of McCloud and GMP, which was assessed by the actuary to be an increase in fire service expenditure and the pension fund liability of £573k; and
- The impact of the change in asset values with respect to LGPS was assessed as £48k; again, this has been amended for in the financial statements.

None of these issues impact on the Authority and Group in terms of a bottom-line impact on the General Fund balance, although in practice, both McCloud and GMP will place upward pressure on employers pension contributions reflecting an increased pension liability to recover over the life of the scheme.



## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

### Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2018/19 audit.

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

# 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 reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made

Our work has not identified any significant deficiencies in our 2018/19 audit to report, and there were none in 2017/18 to follow up.



## 4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £28,000 for the Authority and Group.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

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

### Unadjusted misstatements 2018/19

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Fixed Assets – Land & Building Cr: Revaluation reserve			175	175
<b>Total unadjusted misstatements</b>			<b>175</b>	<b>175</b>

We identified four errors where professional fees had been incorrectly applied in valuations. In three of the four cases the error was trivial, however in one case the error was non-trivial. The sum of the actual errors identified is £156k, and the estimated extrapolated error across the whole population is £175k. Given the actual and extrapolated errors are not material, no further work has been undertaken and management has decided not to adjust on this basis.

## 4. SUMMARY OF MISSTATEMENTS (CONTINUED)

### Adjusted misstatements 2018/19

	Comprehensive Income and Expenditure Statement and MIRS		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Pension reserve			16,435	
Cr: Pension liability				16,435
Dr: Fire services	16,435			
Cr: MIRS - Adjustment between accounting basis and funding basis		16,435		

The Supreme Court has rejected an appeal against the decision in the McCloud case that transitional protection should have applied to all members of the Firefighters' Pension Scheme and not just existing members. An adjustment has also been reflected for the LGPS. This materially increases the long-term pension liability. The amendment above is the net impact of McCloud judgement along with the following issues: GMP indexation and equalisation, and asset values. Further detail on each of the adjustments that make up this total is given in the 'Significant Findings' section of this report, see page 7.

### Disclosure amendments

We identified a small number of arithmetic, rounding and other minor errors in the financial statements. There are no material unadjusted disclosure errors.

- Accounting Policies, with particular regards to financial instruments, had not been updated to reflect the amendments in accounting standards such as IFRS 9 as per the Code. The financial statements were updated in this respect.

## 5. VALUE FOR MONEY CONCLUSION

### Our approach to Value for Money

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

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

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

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

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>We reviewed financial, performance and risk management reports throughout the year. We did not identify any concerns regarding the data quality or the decision making.</p> <p>We considered the aspects of proper arrangements specified by the National Audit Office as part of our risk assessment, and based on our risk-based approach, we did not identify any significant issues or exceptions in the Authority's arrangements.</p> <p>A governance framework is in place including: the Authority's Constitution which includes the Code of Conduct, Annual Governance Statement, and Code of Corporate Governance. The Code is consistent with the seven principles of good governance as identified in the CIPFA/SOLACE framework - 'Delivering Good Governance in Local Governance'.</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 includes the key roles for decision making.</p> <p>The Authority's Annual Governance Statement includes a balanced assessment of the effectiveness of the Authority's governance arrangements and identified areas for further improvement, where appropriate.</p> <p>Arrangements are in place for monitoring and managing performance at the Authority and members are regularly updated on KPIs and other performance information as part of the overall performance management framework. The Integrated Risk Management plan ensures that an integrated approach to risk management is taken through continuous consideration of financial and non-financial risks (and mitigations). The Corporate Risk Register is reported during the year.</p> <p>The Authority is now subject to the HMICFRS Fire and Rescue Services Inspection Programme and Framework for England, with the main inspection fieldwork taking place in July 2019. The inspection will provide feedback on the Authority's performance and further inform decision making. We are not aware of any indicative findings at this stage.</p>	Yes

## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>We considered the following aspects of proper arrangements specified by the National Audit Office as part of our risk assessment, and, based on our risk-based approach, we did not identify any significant issues or exceptions in the Authority's arrangements:</p> <ul style="list-style-type: none"> <li>a) Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions;</li> <li>b) Managing and utilising assets effectively to support the delivery of strategic priorities; and</li> <li>c) Planning, organising and developing the workforce effectively to deliver strategic priorities.</li> </ul> <p>Financial planning is linked with other elements of corporate and service planning through the Medium Term Financial Plan (MTFP), which is reviewed and updated annually as part of the detailed budget process. The MTFP sets out the expected resources available up to 2022/23 and the level of savings required. A balanced budget has been set for 2019/20, and although there is a total shortfall of £3 million identified in the following periods (2020/21 £0.5m, 2021/22 £1.0m and 2022/23 £1.5m), the Authority has a good track record of achieving savings and has sufficient reserves in place to manage any shortfall over the medium term.</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. The Authority has savings plans in place totalling between £2.18 million-£2.3 million from its 'Emergency Response review' and there are no plans to use reserves to balance the budget over the MTFP. Whilst the financial climate remains challenging, the Authority remains well placed to deal with this.</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 leadership team provides scrutiny and challenge on financial matters through review and comment on monthly and quarterly budget and outturn positions. 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>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>	Yes

## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria	Commentary	Arrangements in place?
Working with partners and other third parties	<p>We considered the following aspects of proper arrangements specified by the National Audit Office as part of our risk assessment, and, based on our risk-based approach, we did not identify any significant issues or exceptions in the Authority's arrangements:</p> <p>a) Working with third parties effectively to deliver strategic priorities;</p> <p>b) Commissioning services effectively to support the delivery of strategic priorities; and</p> <p>c) Procuring supplies and services effectively to support the delivery of strategic priorities.</p> <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 in particular, as well as the private and voluntary sectors. The Authority has a good track record of collaboration with partners.</p> <p>A number of fire stations are shared with either the Police and/or the Ambulance Service, and in recent years the Authority has invested in and introduced a joint drone unit with Durham Constabulary. There are also positive ongoing negotiations at a senior level with North East Ambulance Service to extend Emergency Medical Response (EMR) arrangements.</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>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>	Yes

### Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our 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 and Group being inadequate. In our Audit Strategy Memorandum, we reported that we had not identified any significant Value for Money risks and there has been no change in this assessment.

### 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 2018/19 financial year.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

From:  
Treasurer  
Co. Durham & Darlington Fire & Rescue Authority  
Belmont Business Park  
Durham DH1 5TW

To:  
Mr Gavin Barker  
Director  
Mazars LLP  
Salvus House  
Aykley Heads  
Durham DH1 5TS

Date: July 2019

Dear Gavin

### County Durham and Darlington Fire and Rescue Authority and Group - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of County Durham and Darlington Fire and Rescue Authority and Group for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

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

#### My responsibility for the financial statements and accounting information

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

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

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Authority and Group 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 Fire Authority and committee meetings, have been made available to you.

#### Accounting policies

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

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# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

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

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

### Contingencies

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

- information presently available indicates that it is probable that an asset has been impaired or a liability 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 and Group have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

### Laws and regulations

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

The Authority and Group 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 financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Authority and Group 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 and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

### Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Authority and Group'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.

### Charges on assets

All the Authority and Group's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

### 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 and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

### Going concern

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

### Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours faithfully

s151 officer / Treasurer

Date.....

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# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Independent auditor's report to the members of County Durham and Darlington Fire and Rescue Authority and Group Report on the financial statements

#### Opinion

We have audited the financial statements of County Durham and Darlington Fire and Rescue Authority ('the Authority') and its subsidiaries ('the Group') for the year ended 31 March 2019, which comprise the Authority and Group Movement in Reserves Statements, the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Cash Flow Statements, the Firefighters' Pension Fund Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of County Durham and Darlington Fire & Rescue Authority and the Group as at 31<sup>st</sup> March 2019 and of the Authority and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

#### Basis for opinion

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

#### Conclusions relating to going concern

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

- the Treasurer's 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 and Group'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.

#### Responsibilities of the Treasurer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, 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 2018/19, 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.

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# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

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

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

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

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

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

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

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

We have nothing to report in these respects.

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

#### Conclusion

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

#### Basis for conclusion

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

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

#### Responsibilities of the Authority

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

# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

### **Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Use of the audit report**

This report is made solely to the members of County Durham and Darlington Fire and Rescue Authority and Group, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Authority and Group 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 and Group, 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 and Group in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

[Signature]

Gavin Barker  
Director

For and on behalf of Mazars LLP  
Salvus House  
Aykley Heads  
Durham

31 July 2019

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# 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.

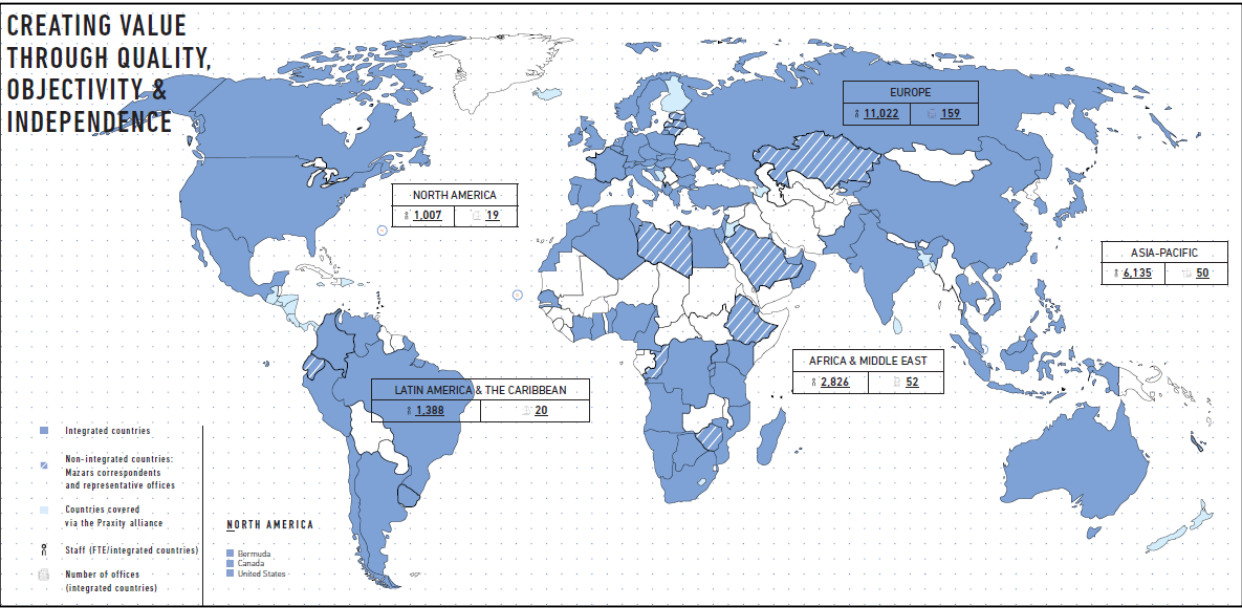


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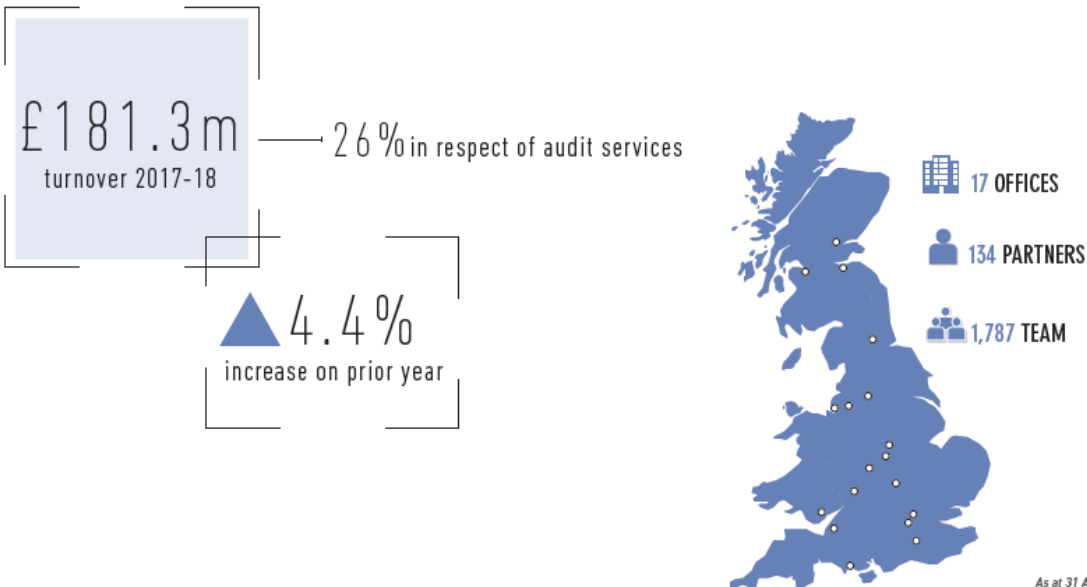
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