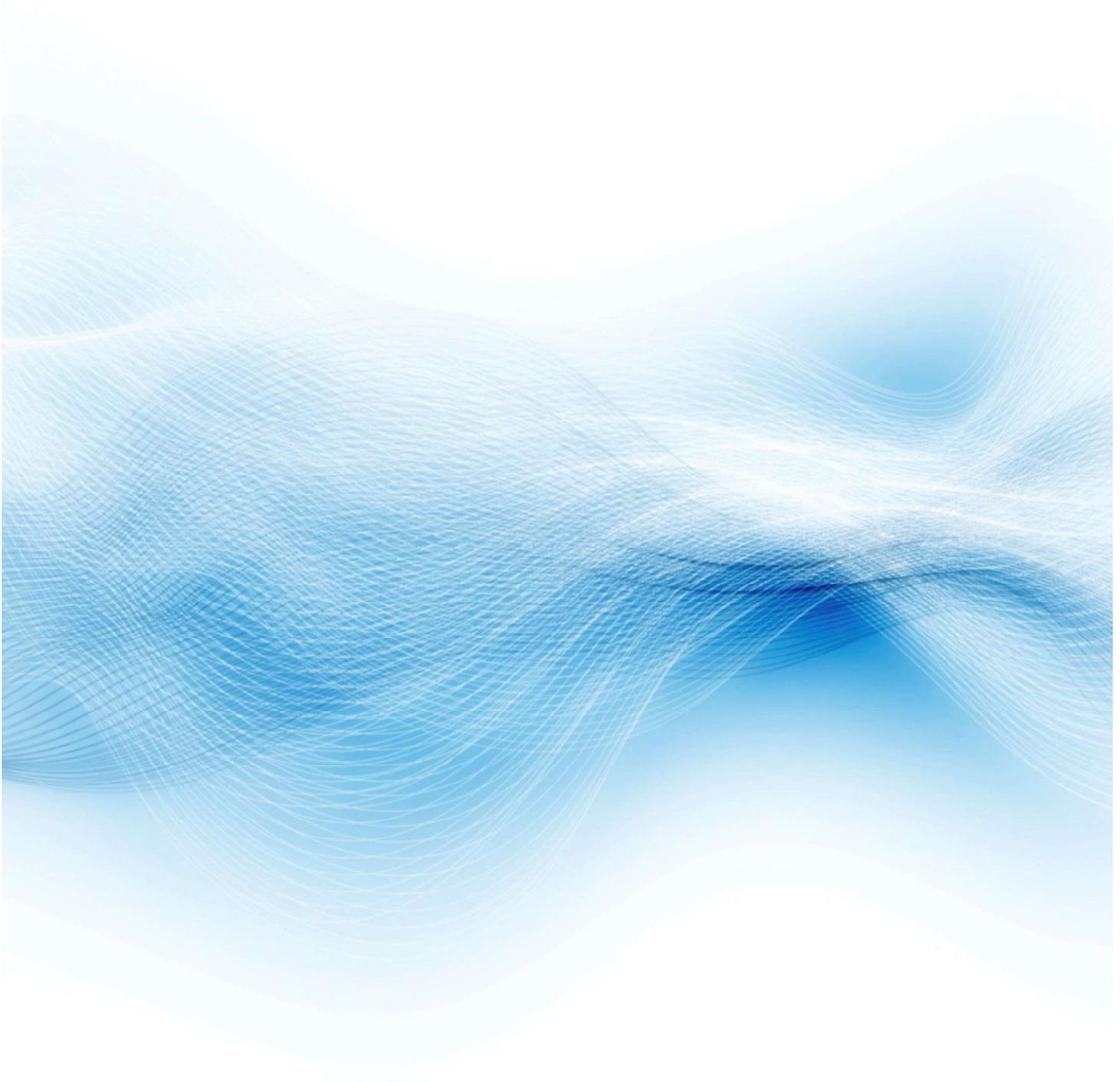
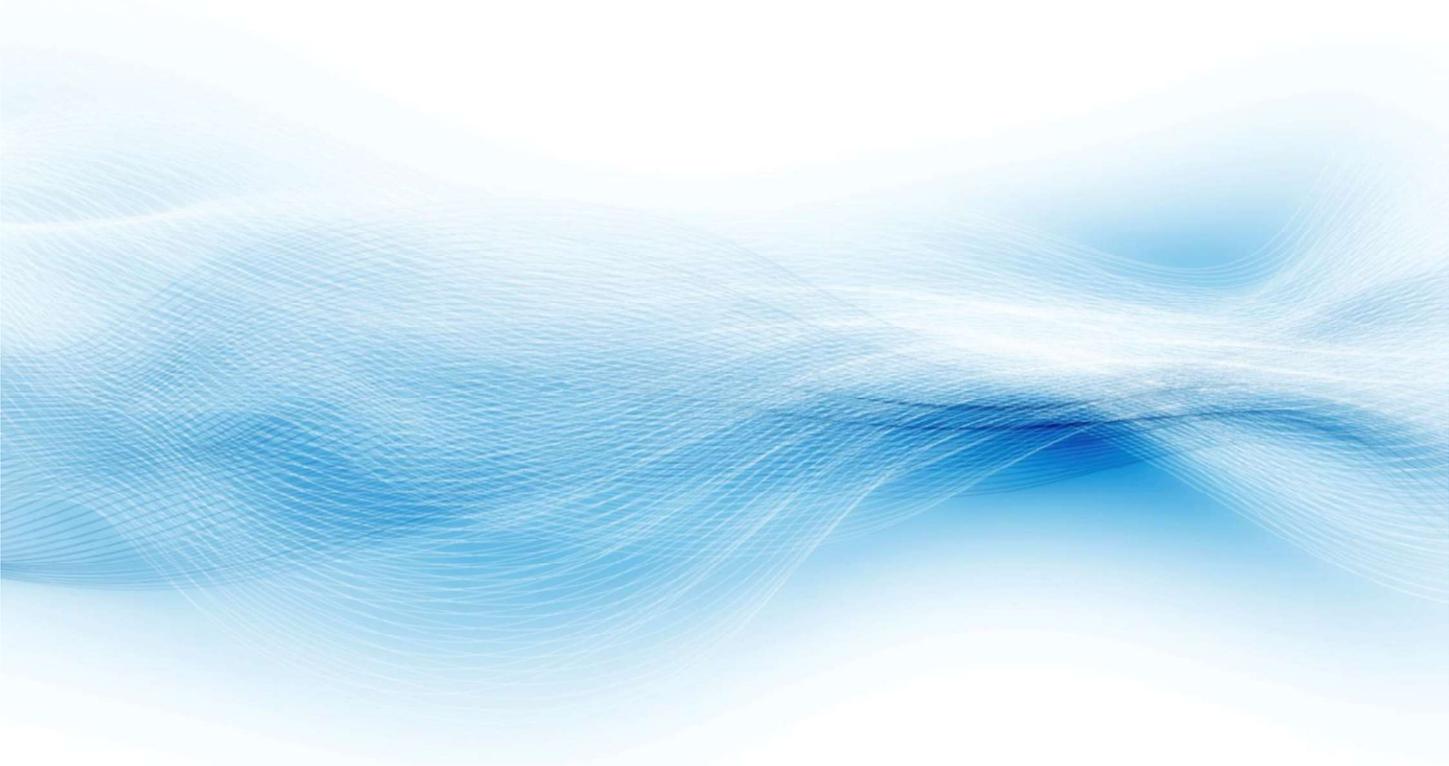




# Audit Completion Report

Cleveland Fire Authority  
Year ending 31 March 2020





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Our reports are prepared in the context of the ‘Statement of Responsibilities of auditors and audited bodies’ and the ‘Appointing Person Terms of Appointment’ issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Authority are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

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29 September 2020

Dear Members

**Audit Completion Report – Year ended 31 March 2020**

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. 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 to the Audit and Governance Committee on 21 February 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for the Authority was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. We would like to express our thanks for the assistance of your team in preparing accounts and enabling us to substantially complete our audit well in advance of this new timetable.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07896 684771.

Yours faithfully

Signed:   
Gavin Barker (Sep 29, 2020 12:58 GMT+1)

Gavin Barker  
Mazars LLP

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VAT number: 839 8356 73

# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Cleveland Fire Authority and Group ('the Authority') for the year ended 31 March 2020, and forms the basis for discussion at the full Authority meeting on 16 October 2020.

The detailed scope of our work as your appointed auditor for 2019/20 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
- Valuation of land and buildings; and
- Defined benefit liability valuation.

## 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)

The NAO have not yet issued group instructions so the timing of our review of your WGA submission is to be confirmed. We will report the results in our Annual Audit Letter.

### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Authority and to consider any objection made to the accounts. Further details on the exercise of our wider powers are provided in section 2.

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# 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 2020. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Pensions	●	We are awaiting assurance from the pension fund auditor. We will not be able to issue our audit opinion and VFM conclusion until the pension fund auditor assurance has been received. We are expecting to receive this shortly.
WGA	●	We are awaiting group instructions from the National Audit Office. This may impact on the timing of issuing our audit certificate to formally conclude and close the audit.
Closing Procedures	●	Review and closure processes, including final consideration of post balance sheet events.

### 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 with an update in relation to these outstanding matters in a follow-up letter, 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 2020. 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 £962K using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £903K, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Authority) at £27K based on 3% of overall materiality. We set group materiality at £986K and the trivial threshold for the group at £30K.

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## 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'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.
	<hr/> <b>How we addressed this risk</b> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"><li>• Accounting estimates impacting on amounts included in the financial statements;</li><li>• Consideration of identified significant transactions outside the normal course of business; and</li><li>• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</li></ul> <hr/> <b>Audit conclusion</b> <p>Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. There is no indication of management override of controls.</p> <hr/>

## 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.

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### How we addressed this risk

We addressed this risk by considering the Authority's arrangements for ensuring that PPE values are reasonable and engaged our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the Hartlepool Borough Council valuer. We also assessed the competence, skills and experience of the valuer.

We discussed methods used with the valuer and examined supporting information. We used indices provided by our own expert to confirm the assets not revalued are unlikely to have materially changed in value. We tested all revaluations in year to valuation reports and supporting calculation sheets and re-performed the calculations to ensure that they were correct and source data agreed with floor plans and relevant indices.

We also considered the impact of COVID-19 on the valuations to gain additional assurance on their reasonableness.

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### Audit conclusion

We have not identified any material issues to bring to your attention.

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## 2. SIGNIFICANT FINDINGS (CONTINUED)

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. Moreover, in 2019/20 the local government pension fund assets and liabilities were subject to triennial revaluation. This resulted 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 pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls that 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 our expert's report on all actuaries nationally.

We reviewed the appropriateness of the key assumptions included within the valuations, compared them to expected ranges and reviewed the methodology applied in the valuation. We also considered the adequacy of disclosures in the financial statements.

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### Audit conclusion

Subject to the completion of outstanding work, our work has provided the assurance sought. At this stage we have not identified any material issues in respect of the Authority's valuation of pensions. Further context to the national issues relating to pensions accounting that have arisen this year are described on page 8.

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## 2. SIGNIFICANT FINDINGS (CONTINUED)

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

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

Draft accounts were received from the Authority on 15 June 2020 and were of a good quality and working papers were provided with a revised version of the accounts on 22 June 2020 and were likewise of 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, but are national issues impacting on all local government, police and fire bodies, to varying degrees. The audit of pension funds has been significantly delayed by COVID-19 and this in turn has delayed the assurance we require from their auditors. In addition, there have been two issues raised this year with respect to pension accounting, these relate to the ongoing implications of the McCloud Judgement which was also an issue last year and a new case, the Goodwin case, and each are discussed separately below.

#### McCloud Judgement

The McCloud judgement relates to potential age discrimination arising from transitional protections offered to some existing members of public service pension schemes that were not made available to younger members. In July 2019, Treasury confirmed that the difference in treatment between older and younger members of public service pension schemes would need to be removed in order to remove the discrimination. For the financial year 2018-19 Aon Hewitt provided revised actuarial reports which included an estimate of the impact of the case on the Authority's pension liability, for both the Fire Fighters Pension Scheme and Local Government Pension Scheme respectively. At the time of making this estimate actuaries were required to estimate what the proposed remedy would be. In 2019/20 the respective actuarial reports made an adjustment to the initial estimates based on further information received.

In July 2020 Treasury initiated a consultation on the proposed remedy for public service pensions and MHCLG released a consultation into the proposed remedy for the LGPS, which set out the estimation basis for the impact of the judgement.

Management enquired of Aon, the actuary, in relation to the expected outcome of this change on the LGPS and FFPS. Aon confirmed that the estimate made in the 2019/20 IAS 19 report included a methodology not dissimilar to that in the consultation and as such your actuary does not expect there to be a material difference in the LGPS or FFPS meaning that a recalculation based on the consultation remedies was not required.

#### Goodwin Case

A case was made against the Teachers Pensions Scheme in relation to sexual orientation discrimination. The discrimination occurs because there is a difference in survivor benefits payable depending upon whether the member was in a same-sex marriage or civil partnership or an opposite-sex marriage or civil partnership. The Government concluded that changes are required to the Teachers' Pension Scheme to address the discrimination. The Government believes that this difference in treatment will also need to be remedied in those other public service pension schemes, where the husband or male civil partner of a female scheme member is in similar circumstances.

We understand that the Goodwin case will not have an impact on the liabilities for the fire pension scheme and your actuary has indicated that, although there will be an additional liability arising from the Goodwin judgement in relation to the LGPS it is likely to be immaterial. Full information is not yet available to accurately calculate the impact, however, based on an estimation, your actuary has indicated that the impact is likely to be in the region of 0.2% of the LGPS Fund's total liability. For the Authority this would amount to an increased liability of £79k. As the impact of this is below materiality, no adjustment to the financial statements has been made. As these issues relate to the refinement of an estimate rather than an error, they have not been reported as unadjusted misstatements on page 11.

## 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. Officers have been very helpful and responsive in addressing our audit queries, and we are grateful for the assistance provided.

Given the Government's COVID-19 instruction for the public to work from home if possible, our audit was completed remotely but this did not cause significant difficulties during the audit because:

- we used technology, such as video conferencing, to ensure the audit was completed to the required standards;
- all working papers provided were electronic and of a good standard;
- we used a team of public sector audit specialists with the same engagement lead, manager and team leader as in 2018/19; and
- Officers were responsive which meant we were able to conclude our fieldwork in line with the agreed timetable.

### 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 2019/20 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.

We have not identified any significant deficiencies in internal control or made any recommendations to improve controls as a result of our work this year.

#### **Follow-up of previous internal control deficiencies and recommendations**

Our 2018/19 audit work did not make any recommendations to improve internal control or identify any outstanding recommendations from earlier years.



## 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 £27k.

The table below 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.

In 2019/20 our audit did not identify any misstatements to the primary statements above the trivial threshold that management decided to amend.

### Unadjusted misstatements 2019/20

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Creditors: Receipts in advance Cr: Taxation and Non-Specific Grant Income	162	162	
<p>The first tranche COVID-19 funding received in March was without conditions and there is no indication of potential clawback if any is unspent. Accordingly, it should have been fully recognised upon approval, whereas the unspent element of the grant was credited to receipts in advance in the accounts. It has been fully spent in 2020/21 so whilst if adjusted it would have increased the Authority's reserves at 31 March 2020 the decision to adjust or not adjust does not impact on the Authority's current financial position.</p>				
2	Dr. Financing and Investment Income and Expenditure Cr. Cash and Cash Equivalents	39		39
<p>The loan interest payable for the second half of 2019/20 was debited to the Authority's bank account in March 2020 but was entered in the cash book and ledger in 2020/21 due to delays accessing records during the COVID-19 lockdown. The Authority showed the interest as a reconciling item on the bank reconciliation. Again, whilst if adjusted it would have reduced the Authority's reserves at 31 March 2020 the decision to adjust or not adjust does not impact on the Authority's current financial position.</p>				
<b>Total unadjusted misstatements</b>		<b>39</b>	<b>162</b>	<b>162</b>
				<b>39</b>

## 4. SUMMARY OF MISSTATEMENTS (CONTINUED)

### Disclosure amendments

During our review of the financial statements we have identified amendments that were required to disclosures. The Authority has made these amendments, the most significant being:

- Note 1 (accounting policies) did not disclose the new implementation date for IFRS16 (leases);
- Note 9 (grant income and taxation) misclassified £28K of income from a local authority as grant income;
- Note 25 (related party transactions) was not cross-referenced to where intra-group transactions were disclosed;
- Note 35 (pensions) does not explain the unusually high past service costs in 2018/19 relating to the McCloud judgement;
- Note 37 (Post Balance Sheet Events) did not disclose the significance of the COVID-19 pandemic on the Authority's costs and revenues in 2020/21; and
- Notes to Group Accounts has a brief narrative on financial performance but did not disclose the impact of COVID-19 on the subsidiary's income and arrangements to ensure that it remains a going concern.

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## 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

It is important to clarify that the arrangements we consider in reaching this year's conclusion are those in place for the 2019/20 financial year.

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 and attended meetings of the Audit and Governance Committee. We did not identify any concerns regarding data quality or the decision-making process. The Authority reviewed management accounts through the year and consistently forecast a small underspend, as reported in the year-end accounts.</p> <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) Acting in the public interest, through demonstrating and applying the principles and values of sound governance;</p> <p>b) Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management;</p> <p>c) Reliable and timely financial reporting that supports the delivery of strategic priorities; and</p> <p>d) Managing risks effectively and maintaining a sound system of internal control.</p>	Yes

## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>Financial and performance reports demonstrate a history of achieving cost reductions without adversely affecting services to date and the Authority has balanced the 2020/21 budget through identified savings of £0.2M, which have already been secured through procurement. General reserves of £1.5m are maintained and the £4.5M budget support fund is available to allow time for further savings to be implemented once the scale of funding reduction from 2021/22 is known. The February 2020 Medium Term Financial Strategy 2018/19 to 2022/23 modelled two alternative scenarios that forecast a deficit of between £0.5M and £2.7M built up between 2021/22 and 2022/23. The Strategy shows that each deficit will be funded from the budget support fund until savings from ongoing projects are identified and delivered; the call on this reserve varying depending on the scenario.</p> <p>The Authority received a HMICFRS inspection in December 2019 and was rated 'good' in every category, one of only 34% of fire authorities to achieve this.</p> <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> <ol style="list-style-type: none"> <li>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions;</li> <li>Managing and utilising assets effectively to support the delivery of strategic priorities; and</li> <li>Planning, organising and developing the workforce effectively to deliver strategic priorities.</li> </ol>	Yes
Working with partners and other third parties	<p>Memoranda of understanding with other emergency services illustrate the Authority's commitment to increase collaboration and build on long-established partnership arrangements to improve community safety. The Community Integrated Risk Management Plan (CIRMP) includes proposals for further collaboration that are currently subject to due diligence.</p> <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> <ol style="list-style-type: none"> <li>Working with third parties effectively to deliver strategic priorities;</li> <li>Commissioning services effectively to support the delivery of strategic priorities; and</li> <li>Procuring supplies and services effectively to support the delivery of strategic priorities.</li> </ol>	Yes

## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

### 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 being inadequate. In our Audit Strategy Memorandum, we reported that we had identified a significant Value for Money risk in respect of sustainable resource deployment. The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken	Conclusion
<p><b>Sustainable resource deployment</b></p> <p>The Government is reviewing the approach it will take to funding fire and rescue from 2021/22, but has indicated that it will not release the results of the review until late 2020. There is also considerable uncertainty about pay and pension pressures.</p> <p>The Authority has prudently built up a budget support fund to bridge the time between the extent of the funding gap being known and the implementation date for additional savings schemes required. This reached £4.5M by 31 March 2020. The February 2020 Medium Term Financial Strategy shows the savings required from 2020/21 to 2022/23 after utilising these reserves for a range of possible income and cost scenarios. The £0.2M savings required for 2020/21 have already been secured through recent procurement exercises but the worst case planning scenario requires the Authority to find a further £2.7M savings to continue to balance the budget once the budget support fund is exhausted.</p> <p>Accordingly, there is a risk that the Authority will be unable to sustain delivery of strategic priorities in the Community Integrated Risk Management Plan (CIRMP), and maintain statutory functions beyond 31 March 2021 unless the arrangements to identify and implement additional savings are strong.</p>	<p>We reviewed the Authority's arrangements to ensure that it delivers its new CIRMP, focusing especially on progress identifying additional savings from 2021/22 onwards.</p> <p>We also reviewed the 2019/20 financial and performance outturn and the updated VFM Profile produced by the National Audit Office to identify any emerging risks to the VFM Conclusion. This review considered the latest forecasts for the level of reserves available at 31 March 2021 as stated in the new Medium Term Financial Strategy reported to the Executive in September 2020.</p>	<p>The Authority increased its usable reserves more than budgeted in 2019/20 whilst sustaining strong performance in priority areas. The Authority has maintained the fastest response times to primary fires in the country. HMICFRS rated the Authority 'good' in all 3 inspection pillars and the Authority has recently launched an arson reduction strategy with partners to tackle the area with greatest scope for improvement.</p> <p>The implementation of the remaining proposals in the CIRMP is developing in line with project milestones. These include developing a plan to offset the worst case planning scenario in the Medium Term Financial Plan. The £4.5M budget support fund provides a longer lead time to deliver the savings once the uncertainty over funding, pay and pensions is resolved.</p> <p>The financial outlook remains challenging, with the added complexity of managing in the context of the COVID-19 pandemic and the continued uncertainty over future funding settlements. The Authority used the planned underspend to create a new earmarked reserve of £400,000 to help address the expected impact of the recession on revenue. A similar underspend is forecast in 2020/21 as ring-fenced government grant is anticipated to cover the costs of the pandemic in the current year.</p> <p>The September 2020 Medium Term Financial Plan forecasts that between £1.1M and £1.6M of earmarked reserves will now be needed to support the budget position in 2021/22, whilst proposals to provide savings from 2022/23 are developed.</p>

## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

During March 2020, the significant impact of the COVID-19 pandemic began to have far reaching implications for us all, including an impact on the Authority. In particular, following the lockdown from 26 March 2020, the service needed to respond to the impact of the pandemic on its communities and also needed to adapt to new ways of working.

Our 2019/20 value for money conclusion is focused on the arrangements in place during the 2019/20 financial year. Given the timing of the major impact of the pandemic one week before the end of the financial year, the Authority did not have time to review its arrangements for informed decision making, sustainable resource deployment or working with partners and other third parties during the financial year under review. Consequently, we did not identify an additional significant risk relating to the COVID-19 pandemic in our 2019/20 value for money conclusion work.

The Authority's response to the pandemic will be a major focus of our 2020/21 audit. With this in mind, we have continued to liaise with officers and gain an understanding of the arrangements that have been put in place in the new financial year.

### **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 2019/20 financial year.

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# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

From: Cleveland Fire Authority  
Queens Meadow  
Stockton Road  
Hartlepool TS25 5TB

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

Date: October 2020

### **Cleveland Fire Authority (and Group) - audit for year ended 31 March 2020**

This representation letter is provided in connection with your audit of the financial statements of Cleveland Fire Authority (the Authority and Group) for the year ended 31 March 2020 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 2019/20 (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 myself 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 I am 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 me 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 Treasurer 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 have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Authority and Committee meetings, have been made available to you.

#### **Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider them appropriate for the year.

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

I confirm that any significant assumptions used in making accounting estimates, including those measured at 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.

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## DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

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 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 Treasurer 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 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's 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 (including sales, purchases, loans, transfers, leasing arrangements and guarantees) 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 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's and Group's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

### Future commitments

We have no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

### 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.

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## DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

### Going concern

I confirm that I have carried out an assessment of the potential impact of the COVID-19 Virus pandemic on the Authority and Group, including the impact of mitigation measures and uncertainties and I am satisfied that the going concern assumption remains appropriate and that no material uncertainty has been identified.

To the best of my knowledge there is nothing to indicate that the Authority and Group will cease to 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 sincerely

Treasurer

Date.....

PLEASE ADD THE APPENDIX OF UNADJUSTED MISSTATEMENTS TO THIS LETTER

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# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Independent auditor's report to the members of Cleveland Fire Authority

#### Report on the financial statements

##### Opinion

We have audited the financial statements of Cleveland Fire Authority and its subsidiary ('the Group') for the year ended 31 March 2020, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Firefighter Pension Fund Account Statements, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies.. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Cleveland Fire Authority and the Group as at 31<sup>st</sup> March 2020 and of the Authority's 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 2019/20.

##### 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 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, 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 2019/20, 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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## 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 2019/20 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 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 Cleveland Fire 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 April 2020, we are satisfied that, in all significant respects, Cleveland Fire Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

#### **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 April 2020, 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 2020.

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.

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## 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 Cleveland Fire Authority as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

### **THE FOLLOWING SECTION WILL DEPEND ON WHETHER WE HAVE BEEN ABLE TO REPORT ON WGA BEFORE WE ISSUE OUR REPORT EITHER:**

#### **Certificate**

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

**OR:**

#### **Delay in certification of completion of the audit**

We can not formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

**IF THERE IS A DELAY IN ISSUING A CERTIFICATE, A CERTIFICATE WILL BE ISSUED AT A LATER DATE WHEN THE WGA REPORT HAS BEEN COMPLETED.**

[Signature]

Gavin Barker  
Director  
For and on behalf of Mazars LLP  
Salvus House  
Aykley Heads  
Durham DH1 5TS

[Insert date]

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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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