

# Audit Completion Report

Cleveland Fire Authority



For the year ended 31 March 2017





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

# 1. Executive summary

## Purpose of this report

The Audit Completion Report sets out the findings of our audit of Cleveland Fire Authority (the Authority) for the year ended 31 March 2017, and forms the basis for discussion at the Audit and Governance Committee meeting on 25 August 2017.

## The scope of our work and overall summary

The detailed scope of our work as your appointed auditor for 2016/17 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 include the matters outlined in the following table.

Financial statements	<p>In our Audit Strategy Memorandum we reported that materiality for the financial statements as a whole was set at £607,000. We have updated our assessment as part of our continuous planning processes and have set materiality at £760,000. Our clearly trivial threshold for reporting matters to you has been set at £23,000.</p> <p>We communicated the significant audit risks that we identified to you as part of our Audit Strategy Memorandum in February 2017. Section 2 of this report outlines the work we have undertaken, and the conclusions we have reached, for each significant risk.</p> <p>At the time of issuing this report, and subject to the satisfactory conclusion of the remaining audit work, we anticipate issuing an unqualified opinion, without modification, on the financial statements. Our draft auditor's report is provided in Appendix C.</p>
Identified misstatements	<p>Our work identified a few accounting misstatements that have been discussed with management. A summary of the identified accounting misstatements is provided in Appendix A. These issues do not impact on the level of the Authority's reserves.</p>
Value for Money	<p>At the time of issuing this report, and subject to the satisfactory conclusion of the remaining audit work, we anticipate having no matters to report in respect of the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report is provided in Appendix C.</p>
Whole of Government Accounts (WGA)	<p>We anticipate completing our work on your WGA submission, in line with the group instructions issued by the National Audit Office, by the deadline of 30 September 2017. We anticipate reporting that the WGA submission is consistent with the audited financial statements.</p>

**The status of our work**

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2017 with no areas of work outstanding as at 31 July 2017.

We will undertake a final review of information obtained between drafting this report and delivering our opinion to ensure there are no emerging issues to take into account, and if any arise we will report in a follow up letter prior to giving our opinion.

## 2. Significant findings

This section sets out the significant findings from our audit and provides information on a number of matters that we are required to report to you by ISA 260 'Communication with those charged with governance'.

### Significant risks

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 will mitigate these risks. No new risks have been identified since we issued our Audit Strategy Memorandum. The significant risks identified, and our conclusions against each are outlined below.

Significant risk	How we addressed the risk	Audit Conclusion
<p><b>Management override of control</b></p> <p>In all entities, management at various levels within an organization 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 overrides could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits</p>	<p>Our testing strategy included:</p> <ul style="list-style-type: none"> <li>• using a computer audit analytical technique (CAAT) to efficiently identify journals with risk characteristics and testing 100% of such adjustments to the financial ledger;</li> <li>• review of material accounting estimates, which may be subject to management bias, included in the financial statements; and</li> <li>• consideration and review of unusual or significant transactions outside the normal course of business.</li> </ul>	<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>

<p><b>Revenue recognition</b></p> <p>In accordance with ISA 240 we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted but, given the Authority's range of revenue sources we have concluded that there are insufficient grounds for rebuttal in 2016/17. This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.</p>	<p>We evaluated the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, we undertook a range of substantive procedures including:</p> <ul style="list-style-type: none"> <li>• testing receipts in March, April and May 2017 to ensure they have been recognised in the right year;</li> <li>• testing adjustment journals as above for management override with particular focus on journals moving revenue between years; and</li> <li>• obtaining direct confirmation of year-end bank balances and testing the bank reconciliation and other reconciliations to the ledger.</li> </ul>	<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 revenue being recognised in the wrong year.</p>
<p><b>Pension estimation (IAS19)</b></p> <p>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. In addition in 2016/17 a triennial revaluation of pensions took place. This results in an increased risk of material misstatement.</p>	<p>We discussed with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to agreeing pension information in the accounts to that supplied by management's expert and then placing reliance on that expert as set out in Appendix A, we:</p> <ul style="list-style-type: none"> <li>• evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary;</li> <li>• undertook predictive analytical review to gain assurance over benefits and contributions payable; and</li> <li>• compared the return on assets to the equivalent figures in the pension fund accounts and obtained assurance from the pension fund auditor regarding the triennial revaluation (outstanding at the time of drafting this report).</li> </ul>	<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 material estimation error in respect of pensions subject to the completion of the outstanding work set out on page 4.</p>

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

We are required to communicate to you our views on the significant qualitative aspects of the Authority's accounting practices, including the accounting policies used and the quality of disclosures.

Qualitative aspect	Our views
Accounting policies and disclosures	We have reviewed the Authority's accounting policies and disclosures and found these to be in line with the requirements of the Code of Practice on Local Authority Accounting (the Code). In line with our expectations, there have been no significant changes to accounting policies for the year ended 31 March 2017.
Quality of the draft financial statements	We received draft financial statements from management on 31 May 2017. These statements were of a good quality.
Quality of supporting working papers	Producing high-quality working papers is as crucial part of compiling financial statements that are complete and materially accurate. They also support the delivery of an efficient audit. As in prior years the quality of working papers was good and management responded quickly to requests for further information or clarification.

### 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.



# 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 that are relevant to the preparation of the financial statements. We do this to design audit procedures that allow us to express an opinion on the financial statements; this does not extend to expressing an opinion on the effectiveness of internal control or 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 2015/16 audit work did not make any recommendations to improve internal control or identify any outstanding recommendations from earlier years.

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

- **Priority 1 (high)**

There is potential for financial loss, damage to reputation or loss of information. Weaknesses may have implications for the achievement of strategic objectives and our recommendations should be considered immediately by management.

- **Priority 2 (medium)**

There is a need to strengthen internal controls or enhance efficiency. Our recommendations should be actioned in the near future.

- **Priority 3 (low)**

Internal controls should be strengthened where practicable and where there is a cost benefit from doing so.

# 4. Value for Money Conclusion

## Our approach to Value for Money (VfM)

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	We reported our assessment of the Authority’s arrangements for informed decision making in our ‘ <i>Value for Money Risk Assessment</i> ’ report in February 2017. We found no gaps in arrangements or further work required and we have not identified any emerging risks that cause us to revisit that assessment.	Yes
Sustainable resource deployment	We reported our assessment of the Authority’s arrangements for sustainable resource deployment in our ‘ <i>Value for Money Risk Assessment</i> ’ report in February 2017. We identified a significant risk and undertook further work to address this risk as described overleaf. We were satisfied with the arrangements in place.	Yes
Working with partners and other third parties	We reported our assessment of the Authority’s arrangements for working with partners and other third parties in our ‘ <i>Value for Money Risk Assessment</i> ’ report in February 2017. We found no gaps in arrangements but a need to review the implications of the Police and Crime Act regarding the new statutory duty for emergency services to collaborate. We were satisfied with the arrangements in place.	Yes

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**Significant Value for Money risks**

The NAO's guidance requires us to carry out work to identify whether or not a risk to the VFM conclusion exists. Risk, in the context of our work, is the risk 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. The work we carried out in relation to the significant risk is outlined overleaf.

Value for Money conclusion risk	Work undertaken	Conclusion
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Value for Money conclusion risk	Work undertaken	Conclusion
<p><b>Sustainable Resource Deployment Beyond 20/21</b></p> <p>The Government has indicated that it will cease awarding Revenue Support Grant (RSG) from 2020/21, or 2019/20 if changes are implemented sooner. It has not yet confirmed whether mitigating funding will be available for fire authorities. For example, it is unclear if the localisation of business rates will apply to fire authorities. The Authority is reliant on RSG and may lose £5 million funding. The potential loss will be partly mitigated by an increase in retained business rates income of £1.7 million. The remaining RSG loss may be mitigated by an increase in top-up grant. However, this will not be known until the Government issue detailed proposals on future funding arrangements.</p> <p>The Authority has done well to sustain services through successive years of significant funding reductions. However, a reduction of this size in one year is unprecedented and a new strategy is required to prepare for this worst case scenario. During 2017 the Authority is updating its Community Integrated Risk Management Plan (CIRMP) using a new approach to prioritise limited resources and it has also reviewed its reserves strategy and established a specific income risk reserve of £2.513m. There is a risk that the Authority will be unable to sustain delivery of strategic priorities and maintain statutory functions beyond 31 March 2020 unless these new arrangements are strong.</p>	<p>We reviewed the Authority's processes for:</p> <ul style="list-style-type: none"> <li>• updating its CIRMP to sustain delivery of strategic priorities and maintain statutory services with reduced resources; and</li> <li>• updating its reserves strategy to build up reserves that will allow it to smooth the impact of a significant loss of funding in 2020/21 over several years.</li> </ul> <p>We also reviewed the 2016/17 financial and performance outturn and the updated VFM Profile produced by the National Audit Office to identify any emerging risks to the VFM Conclusion. We sought evidence that the existing CIRMP projects are on track with particular focus on the recruitment and training of sufficient retained firefighters to crew a further two appliances on a retained basis from 1 April 2018. We established that the Authority is preparing an alternative plan that could achieve the equivalent savings and will take a decision on the best way forward in Autumn 2017.</p>	<p>The Authority approved a '<i>Strategy for Managing Income Risks</i>' in March 2017 arising from the Government's plans to remove RSG. We found the strategy to be prudent and realistic with no funding gaps requiring new savings plans until 20/21 at the earliest.</p> <p>We found that the Authority is making reasonable progress at developing plans to continue to balance the budget once the reserves created by the above strategy are exhausted. The Authority has an adequate CIRMP Project Plan and is on track to produce a draft CIRMP for consultation in Autumn 2017.</p>

**Our overall Value for Money conclusion**

Based upon the findings and conclusions from the work we have carried out, we intend to issue an unqualified Value for Money conclusion for the 2016/17 financial year. Our draft auditor's report is included in Appendix C

# Appendix A – Summary of misstatements

The misstatements identified for adjustment during the course of the audit that are above the trivial level of £23,000, are set out below.

The first table outlines the identified misstatements 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 2016/17				
	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Dr: Assets Held for Sale			250	
Cr: Surplus assets				197
Cr: Unusable Reserves				53
Explanation				
1	<p>Marine Station was being actively marketed for sale at 31 March 2017 and so should have been reclassified as an asset held for sale and revalued on that basis. Management are proposing not to adjust the financial statements for this error because:</p> <ul style="list-style-type: none"> <li>• It is not material and has no impact on the financial position of the Authority;</li> <li>• It will be self-correcting when the sale is completed as the misclassified asset will no longer be on the balance sheet; and</li> <li>• Since the balance sheet date the proposed sale has been cast into doubt and there is a possibility it would need reclassifying back to a surplus asset if it remains unsold at 31 March 2018.</li> </ul>			

## Adjusted misstatements 2016/17

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Transport costs	543			
	Cr: Premises costs		562		
	Cr: Supplies and Services	19			
	Explanation	Depreciation and amortisation of vehicles, plant, and equipment and software licenses was initially misclassified as transport costs on the CIES. The classification was correct in the EFA. The restated 2015/16 column was similarly misstated for both the CIES and EFA.			
2	Cr: Group long term liabilities				218
	Cr: Group unusable reserves				218
	Explanation	The consolidated balance sheet understated the pension liability and matching reserve by £218,000.			
3	Dr: Group Creditors			89	
	Cr: Group Debtors				89
	Explanation	The consolidated balance sheet included some amounts owed to parent by the subsidiary, which should have been removed upon consolidation.			

## Disclosure amendments

We agreed with management a few amendments to the disclosures within the financial statements to improve clarity and presentation and ensure better compliance with the Code of Practice. The most significant amendments were:

Note (s)	Issue
Narrative Report	The date for the exercise of public rights was incorrectly stated. It should be 5 June 2017 to 14 July 2017 as per the relevant notice rather than 6 June 2015 to 15 July 2016 as shown in the draft accounts.  Pages 5 and 9 included typing errors, which made the narrative unclear.
Cash Flow Statement	This was described as being at 31 March 2016 rather than 31 March 2017.
Note 6	The EFA column for ' <i>adjustments between funding and accounting basis</i> ' included a row for appropriations from earmarked reserves of £863K, which are correctly shown on the EFA but are not adjustments between the funding and accounting basis and should have been distinguished as such to clarify the reconciliation with such adjustments shown in the MIRS.
Note 12	The footnote on impairment implied that the main cause was demolition of the former headquarters building rather than revaluation of the newly constructed headquarters building.
Note 25	The audit fees included £1K in respect of NFI fees charged by the National Audit Office, rather than the external auditor.
Group MIRS	The balances carried forward were given dates a year earlier than they actually related to.

In addition, the subsidiary audit is now complete and the group accounts need revision to reflect the changes management agreed with the auditor of the Community Interest Company. These changes are not material to the group but exceed the trivial level of £23,000.

# Appendix B – Draft management representation letter

Cleveland Fire Authority

Queens Meadow

Stockton Road

Hartlepool TS25 5TB

[Date]

Mr Cameron Waddell  
Partner  
Mazars LLP  
Salvus House  
Aykley Heads  
Durham DH1 5TS

## **Cleveland Fire Authority (group) - audit for year ended 31 March 2017**

This representation letter is provided in connection with your audit of the single entity and group statements of Cleveland Fire Authority for the year ended 31 March 2017 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 2016/17 (the Code).

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

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

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

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

I have provided you with:

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

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

### **Accounting policies**

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

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

I confirm that any significant assumptions used by the group 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.

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 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 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 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 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 group's statement of accounts communicated by employees, former employees, analysts, regulators or others.

**Related party transactions**

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

I have disclosed to you the identity of the 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.

**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.

**Subsequent events**

I confirm all events subsequent to the date of the financial statements and

for which the Code require adjustment or disclosure have been adjusted or disclosed.

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

**Going concern**

To the best of my knowledge there is nothing to indicate that the 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 as included in the auditor's draft Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole. These unadjusted misstatements and our reasons for not adjusting are set out in Appendix 1 to this letter.

Yours sincerely

Treasurer

Date.....

# Appendix C – Draft audit report

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

### **Opinion on the Authority and Group financial statements**

We have audited the financial statements of Cleveland Fire Authority for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Account, the Group Balance Sheet, Group Cash Flow Statement and the related notes. 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 2016/17.

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 as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Cleveland Fire Authority as a body, for our audit work, for this report or for the opinions we have formed.

### **Respective responsibilities of the Treasurer and auditor**

As explained more fully in the Statement of the Treasurer's 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Cleveland Fire Authority and its group as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

### **Opinion on other matters**

In our opinion, the information given in the Narrative Statement for the financial year for which the financial statements are prepared, is consistent with the financial statements.

### **Matters on which we report by exception**

We report to you if:

- in our opinion the Annual Governance Statement does not comply with Delivering Good Governance in Local Government: Framework (2016);
- 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 the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

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

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.

We are required under section 20 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. 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.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required to conclude whether the Authority has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the Comptroller and Auditor General, and had regard to relevant guidance. 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.

### **Conclusion**

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

### **Certificate**

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

Cameron Waddell

Partner

For and on behalf of Mazars LLP

Mazars LLP

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Aykley Heads

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[Date]

# Appendix D – 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.