

North Yorkshire Fire and  
Rescue Authority

Audit Completion Report  
Year ended 31 March 2013

September 2013

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## 1. Purpose of this document

This document reports the findings of our audit for the year ended 31 March 2013 and forms the basis for discussion at the Audit and Performance Review Committee meeting on 30 September 2013.

Our communication with you is important in:

- sharing information to assist both the auditor and those charged with governance (i.e. Members of the Audit and Performance Review Committee) to fulfil their respective responsibilities;
- providing constructive observations arising from the audit process to those charged with governance;
- ensuring as part of the two-way communication process we, as external auditors, gain an understanding of the attitude and views of those charged with governance of North Yorkshire Fire and Rescue Authority (the Authority) of the internal and external operational, financial, compliance and other risks which might affect the statement of accounts, including the likelihood of those risks materialising and how they are managed; and
- receiving feedback from those charged with governance on the performance of the engagement team.

## 2. Independence

As part of our on-going 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 have identified no threats to our independence and this has not changed since our original assessment set out in our Audit Strategy Memorandum.

## 3. Our audit approach

Our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board.

Since our Audit Strategy Memorandum was issued in March 2013, we have communicated one change to our audit approach, which we verbally updated Members about at the 2 July 2013 Audit and Performance Review Committee meeting. This is detailed in section 8.

## 4. Overall conclusion, opinion and recommendations

At the time of issuing this report we anticipate:

- issuing an unqualified opinion on your statement of accounts; and
- concluding you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

We ask the Audit and Performance Review Committee to:

- take note of the adjustments to the financial statements included in this report (section 11); and
- approve the letter of representation (appendix 2) on behalf of the Authority before we issue our opinion and conclusion.

We would like to highlight the good standard of working papers and quality of the financial statements which has assisted in the smooth progress of the audit. We would also like to thank Officers and Members for their continued support and co-operation in this first year of audit.

## 5. Limitations

Our audit procedures, which have been designed to enable us to express an opinion on the statement of accounts, have included the examination of relevant transactions and controls. The International Standards on Auditing (UK and Ireland) do not require us to design audit procedures for the purpose of identifying supplementary matters to communicate with those charged with governance.

Our audit included consideration of internal controls relevant to the preparation of the statement of accounts in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

We have included in this report only those matters that have come to our attention as a result of our normal audit procedures and, consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

## 6. Audit status

We have substantially completed our audit of the statement of accounts for the year ended 31 March 2013.

Alongside our audit of your statement of accounts, we are required to review your Whole of Government Accounts (WGA) submission and report to the National Audit Office in line with their group instructions and guidance produced by the Audit Commission. We have completed this work now, with no significant issues arising.

As at the time of preparing this report, the following significant matter remains outstanding:

- receipt and consideration of the assurance we have requested from the North Yorkshire County Council Pension Fund Auditor (Deloitte LLP).

We will provide an update to you in relation to the significant matter outstanding above.

We expect to be able to certify the closure of the 2012/13 audit by 30 September 2013. We have not received any objections to the Authority's 2012/13 statement of accounts from electors and have no outstanding matters or correspondence with electors.

## 7. Significant risks identified during planning

Set out below are the significant risks from our Audit Strategy Memorandum. We paid particular attention to these risks in reducing the risk of material misstatement in the financial statements and the table below details how we addressed each risk and our conclusions.

Significant audit risks	How we addressed this risk	Audit conclusion
<p><b>Management override of controls</b></p> <p>Auditing standards state that management is in a unique position to perpetrate fraud, because of management’s ability to directly or indirectly potentially manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Whilst the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in <i>all</i> entities. It is therefore an inherent significant risk of material misstatement due to fraud.</p>	<p>We updated our understanding and evaluation of internal control procedures as part of our audit planning, including assessing the risk of fraud in the financial statements.</p> <p>We sought written assurances from the Audit and Performance Review Committee and management on their controls and processes for assessing the risk of fraud in the financial statements and arrangements in place to identify, respond to and report fraud. We challenged the completeness and accuracy of responses against our knowledge of the Authority and identified no significant issues.</p> <p>Our testing strategy included:</p> <ul style="list-style-type: none"> <li>• general ledger journal testing;</li> <li>• consideration and review of material accounting estimates;</li> <li>• consideration and review of any unusual or significant business transactions; and</li> <li>• consideration of any other local factors.</li> </ul>	<p>Our testing did not identify any significant issues that we need to report to you.</p> <p>We identified one non-significant issue in relation to journals which is set out in more detail in section 10.</p>

Significant audit risks	How we addressed this risk	Audit conclusion
<p><b>Pension entries (International Accounting Standard 19)</b></p> <p>The financial statements contain material entries in respect of retirement benefits.</p> <p>The calculation of these pension figures, both assets and liabilities and the charges to the Income and Expenditure Statement, can be subject to significant volatility and include estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We discussed key changes to pension calculations with the Authority during the year, including the impact of the revised IAS19 standard (as disclosed in Note 2).</p> <p>In addition to our standard programme of work for pension entries, we:</p> <ul style="list-style-type: none"> <li>• evaluated the management controls in place for assessing the reasonableness of figures provided by the two Actuaries;</li> <li>• considered the reasonableness of the pension figures, referring to an expert’s report on all actuaries nationally commissioned by our regulator, the Audit Commission.</li> </ul>	<p>Our testing did not identify any significant issues that we need to report to you.</p>
<p><b>Property, plant and equipment (PPE)</b></p> <p>The financial statements also contain material transactions and balances relating to PPE (non-current assets). The (re)valuations of PPE are accounting estimates involving the use of management’s expert (the Valuer) and can be subject to market volatility.</p>	<p>We reviewed the output from the external Valuer for reasonableness and carried out sample testing of:</p> <ul style="list-style-type: none"> <li>• additions and disposals;</li> <li>• (re)valuations and depreciation charge calculations; and</li> <li>• the ‘existence’ of PPE and the rights of the Authority to claim ownership in this first year of audit.</li> </ul>	<p>Our testing did not identify any significant issues that we need to report to you.</p> <p>The Authority’s own management controls include a review of the year-on-year movements in valuations which is good practice.</p>

## 8. Additional significant risk identified during the audit

Since we submitted our Audit Strategy Memorandum in March 2013, we identified an additional significant risk which we verbally reported to Members at the 2 July Audit and Performance Review Committee. This new risk is set out below along with how it was addressed and our conclusion.

Significant audit risk	How we addressed this risk	Audit conclusion
<p><b>Risk of fraud in revenue and expenditure recognition</b></p> <p>Auditing standards include a rebuttable presumption of a significant risk in relation to the timing of revenue (income) and expenditure recognition. This is in relation to the judgements made by management as to when income has been earned and expenditure incurred.</p> <p>In an update to our Audit Manual, the firm has clarified the scope for applying such rebuttals is limited. <i>This does not imply that we suspect actual or intended manipulation</i> but that we continue to approach the audit with due professional scepticism, in particular in the current economic climate.</p>	<p>We addressed this significant risk via:</p> <ul style="list-style-type: none"> <li>• testing of receipts and payments: we extended our testing to include two months either side of the year-end, as part of testing whether transactions were included in the correct financial year;</li> <li>• testing of year-end adjustment journals; and</li> <li>• obtaining direct confirmation of year-end bank balances and testing the reconciliations of key feeder systems to the general ledger.</li> </ul>	<p>Our testing did not identify any significant issues that we need to report to you.</p> <p>As stated in the previous section, we identified one non-significant issue in relation to journals, which is set out in more detail in section 10.</p>

## 9. Audit findings

It is a requirement of ISA 260 that significant findings from the audit are communicated to those charged with governance.

### Significant qualitative aspects of accounting practices

ISA 260 requires us to communicate with those charged with governance our views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. This communication may include the matters set out below.

#### ACCOUNTING POLICIES

- The appropriateness of the accounting policies to the particular circumstances of the entity. Where acceptable alternative accounting policies exist, this communication may include identification of the financial statement items that are affected by the choice of significant accounting policies.
- Any changes in significant accounting policies, including the application of new accounting pronouncements.

#### ACCOUNTING ESTIMATES

- For items where estimates are significant, issues communicated could include: management's identification of accounting estimates, management's process for making accounting estimates, risks of material misstatement, indicators of possible management bias and disclosure of estimation uncertainty in the statement of accounts.

#### FINANCIAL STATEMENT DISCLOSURES

- The issues involved and related judgements made, in formulating particularly sensitive financial statement disclosures (for example, disclosures related to revenue recognition, remuneration, going concern, subsequent events, and contingency issues).
- The overall neutrality, consistency and clarity of the disclosures in the statement of accounts.

**We have no significant issues to highlight in respect of the qualitative aspects of your accounting practices.**

### Significant qualitative aspects of accounting practices

#### Overall qualitative disclosures

We recommended:

- enhancing accounting policies (Note 1) by including further details of general accounting principles and concepts, in particular the 'going concern' concept; and
- amendments to some disclosures to improve compliance with the Code requirements.

#### Prior period adjustments

The Authority has identified several errors in the audited comparators which they have amended. Technically some of these amendments would not meet the definition of a material error requiring prior period adjustments under International Auditing Standard 8; however we understand the Authority's desire to ensure the completeness and accuracy of the financial statements.

## 10. Internal control

We are required to report to you any significant deficiencies in the accounting and internal controls systems identified during the course of the audit; **we have no issues to report in this respect.**

The second table sets out other internal control recommendations.

The purpose of our audit was to express an opinion on the statement of accounts. As part of our audit we have considered the internal controls in place relevant to the preparation of the statement of accounts, in order to design audit procedures to allow us to express an opinion on the statement of accounts, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our audit and that we consider are 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.

Other recommendations in internal control			
Audit findings	Potential effects	Remedial action / recommendation	Management response
Duplicate journal numbers were identified during testing; this is a potential weakness in journal controls.	Duplication of journals (noting that our findings did not identify any duplicate journals processed, rather duplicate journal numbers being used).	Revisit the manual index book used for generating journal numbers to identify if an alternative approach could be used, e.g. enabling the financial system Oracle to generate journal numbers electronically.  Re-issue guidance to staff on use of the journal index book.	Sequential pre-numbered journal vouchers will be used going forward.

<b>Other recommendations in internal control</b>			
<b>Audit findings</b>	<b>Potential effects</b>	<b>Remedial action / recommendation</b>	<b>Management response</b>
Testing of Note 25 Members' allowances and expenses identified expenses relating to the 2011/12 financial year rather than 2012/13.	<p>Expenditure not included in the correct year.</p> <p>Whilst the amount identified as being included in the wrong year was a small amount, Members' expenses can be classed as politically sensitive.</p>	<p>We understand the Members' handbook states expense claims can be submitted up to six months after expenses are incurred.</p> <p>The Authority may wish to consider whether more prompt submission of claims is appropriate.</p>	<p>We are recommending the timeframe for submitting expenses is reduced from six to three months.</p>
Audit testing identified one fire station was not registered with Land Registry; we did however obtain assurance via reviewing the deeds.	All land and buildings should be registered with Land Registry.	The Authority should carry out an exercise to ensure all fire stations are registered with Land Registry.	Exercise being carried out to check all fire stations are registered with Land Registry by 30 September 2013 along with the registration of the fire station in question.

## 11. Adjusted and unadjusted misstatements

We are required to bring to your attention the misstatements found during the course of audit that have been corrected and those that have not been corrected, unless they are clearly trivial. In summary;

- there are no significant unadjusted misstatements;
- there are several adjusted misstatements; noting that these have not changed the outturn reported, General Fund balance or Earmarked Reserves; and
- there are only several unadjusted misstatements.

Adjusted and unadjusted misstatements are detailed below. In addition, there was also:

- clarification of several areas of restatement of the previous year audited financial statements, via inclusion of explanatory narrative and addition of ‘restated’ at the top of the relevant disclosures and statements; and
- a small number of presentational amendments including updating several narrative disclosures for 2012/13 figures, note references, internal consistency and clarity of the financial statements.

Unadjusted misstatements	
1	<b>Note 30 pensions:</b> omitted disclosure, being the pension disclosure table showing the ‘reconciliation of the opening and closing deficit on the net pension liability’.
2	<b>Revenue and Capital grants Receipts in Advance</b> (Note 28 Grant Income) are included within Creditors on the balance sheet. Our interpretation of underlying guidance is that these should be classified as Revenue and Capital Grants Receipts in Advance and shown separately on the face of the balance sheet, split into current and long-term liabilities. However, these balances are not material in total at £515,800 as at 31/3/2013. The Authority plans to amend the financial statements for this issue in 2013/14.
3	<b>Note 16 short term debtors:</b> includes a debtor of £90,000 which should be split between short and long term debtors (no overall impact on balance sheet).

#### Adjusted misstatements

1	<b>Movement in Reserves Statement:</b> a classification change of £273,600; being an amendment between lines in this Statement, noting there was no impact upon the General Fund balance or Earmarked Reserves.
2	<b>Note 8 Property, Plant and Equipment:</b> a net adjustment of £413,900 to the net book value of Private Finance Initiative (PFI) non-current assets included in this note, with no impact upon the net book value per the balance sheet; being the omission of a revaluation amount.
3	<b>Note 20 Exit Packages:</b> amendment to include the termination benefits provision shown under Note 19.
4	<b>Note 30 Pensions:</b> adjustments to the experience gains and losses disclosed in respect of the Firefighter Pension Scheme (new and old) for 2011/12 and also one figure relating to 2010/11. These were identified and corrected by the Authority itself in the draft financial statements. Amendment also to the narrative disclosure of the expected return on assets and clarification of the cumulative actuarial gains and losses.

## 12. Value for Money Conclusion

We are required to conclude whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We assess your arrangements against the two criteria specified by the Audit Commission. Our Audit Strategy Memorandum, issued in March 2013 reported to you we had not identified any significant risks relevant to our Value for Money conclusion and we would focus our work on the robustness of the annual update of the Authority’s medium-term financial strategy. We have set out below our conclusion on the two criteria.

We intend to issue an unqualified conclusion stating the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. Our draft conclusion is included in Appendix 3.

Criteria	Identified risks	Audit conclusion
<p><b>Financial Resilience</b></p> <p>The organisation has proper arrangements in place to secure financial resilience</p>	No risks identified	<p><b>Yes, adequate arrangements are in place for securing financial resilience.</b></p> <p>In 2012/13, the Authority has continued to deliver its planned savings and efficiencies as part of ensuring its financial position is as robust as possible to face the challenges ahead, both financial and operationally.</p> <p>For the third year running, the Authority has frozen its Council Tax. Our assessment of the latest update of its medium-term financial strategy is that it is robust and the Authority is taking action to achieve the savings required for a balanced budget.</p> <p>Reserves remain at an adequate level with total reserves as at 31/3/14 projected to be £7.574 million; actual reserves as at 31/3/13 totalling £7.962 million.</p> <p>Savings totalling £2.5 million are required by 2015/16 and a programme of reviews is in place to achieve these, as agreed by the Authority in September 2012. This Efficiencies Programme is being regularly reported to the internal Corporate Management Board which has highlighted the savings required in 2014/15 to ensure achievement of the overall target savings.</p> <p>Regular finance reports, covering both capital and revenue spend, are presented to the full Authority and contain a clear summary of financial performance. The Authority’s regular report on its partnership activities is useful in demonstrating the Authority’s consideration, in terms of increasingly scarce resources, of inputs (both financial and</p>

Criteria	Identified risks	Audit conclusion
		non-financial) against outputs and benefits.  <b>Looking ahead, the Authority should continue to robustly manage and report on progress in achieving planned savings and its financial position.</b>
<p><b>Securing economy, efficiency and effectiveness</b></p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p>	<p>No risks identified</p>	<p><b>Yes, adequate arrangements are in place for challenging the achievement of economy, efficiency and effectiveness.</b></p> <p>Good performance has been maintained in terms of the number of fires, both deliberate and accidental. In addition, the Authority remains low cost per head of population comparatively.</p> <p>The Authority has, for the last few years, actively monitored a small suite of key and general performance indicators to support its corporate objectives and vision. As highlighted by the Authority itself, it is now looking to review its objectives and indicators when the successful 125 Alive vision culminates in 2014, along with revision of its Integrated Risk Management Plan reflecting the new fire service framework. It is actively monitoring those indicators where targets were not achieved in 2012/13.</p> <p>There is evidence of consideration of wider options via the range of projects by which the targeted efficiencies of £2.5 million will be achieved in the next few years, including further progressing partnership working.</p> <p>The Authority may wish to consider updating its service level agreements with North Yorkshire County Council as part of demonstrating it is achieving economy, efficiency and effectiveness from arrangements, plus having formal legal documents in place against which performance can be monitored.</p> <p>As part of the continuous challenge of the adequacy of its arrangements, the Authority has taken the opportunity to have an early peer review of its operational effectiveness in the summer of 2013 and it recognises the value of this internal and external assessment and challenge. This peer review has highlighted a number of areas of strengths as well as the major financial challenge of planning for post 2016.</p> <p>Other achievements in 2012/13 include the Authority having won, for the sixth consecutive year, a Gold Medal in the RoSPA Occupational Health and Safety Awards for 2012 and also being awarded Highly Commended in the Emergency Services Sector.</p>

Criteria	Identified risks	Audit conclusion
		<p>In terms of community safety, the Authority's involvement in the Vulnerable Persons Intervention Partnership has been commended by its Members. There is also a continued focus on road safety issues (as highlighted above, supported by the 125 Alive vision). The flooding of September 2012 can be considered to be the first large scale test of the significant investment the Fire Authority has made in its capability to respond to incidents of this nature over the last few years. In early 2013, the Authority, after consultation and analysis, took the decision to close one of its retained fire stations; whilst a difficult decision, the Authority is confident this is appropriate after an assessment of risk and the most efficient and effective deployment of resources.</p> <p><b>The challenge going forward, in terms of the adequacy of arrangements for securing economy, efficiency and effectiveness, is the robustness and ability of the Authority to respond to any national changes to the fire service along with the continued relative uncertainty of financial settlements.</b></p>

## Appendices

## Appendix 1 – Independence

We confirmed our compliance with relevant ethical standards regarding independence in our Audit Strategy Memorandum. However independence is an on-going consideration and, as such, we monitor it throughout the audit process.

No issues arose during the audit which could be perceived as a threat to our independence.

## Appendix 2 – Management representations

**To:**

Mr Cameron Waddell  
Director  
Mazars LLP  
The Rivergreen Centre  
Aykley Heads  
Durham  
DH1 5TS

**North Yorkshire Fire and Rescue Authority - audit for year ended 31 March 2013**

This representation letter is provided in connection with your audit of the financial statements of North Yorkshire Fire and Rescue Authority (the Authority) for the year ended 31 March 2013, for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code).

I confirm 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 relevant legislation and International Financial Reporting Standards.

**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 you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance and Technical Services (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 Committee meetings, have been made available to you.

**Accounting policies**

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

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

I confirm that any significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable. In respect of IAS 19 'Retirement Benefits', I confirm that I am satisfied that the actuarial assumptions underlying the valuation of scheme liabilities are consistent with my knowledge of the organisation. I confirm that all settlements and curtailments have been identified and properly accounted for. I also confirm that all significant retirement benefits have been identified and properly accounted for, including any arrangements that are statutory, contractual or implicit in the employer's actions that are funded or unfunded.

**Private finance Initiative**

I am not aware of any significant contract variations, payment deductions or additional service charges in relation to the Authority's PFI scheme.

**Contingencies**

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

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

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

There are no contingent gains which should be disclosed.

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

#### **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.

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

#### **Fraud and error**

I acknowledge my responsibility as the Director of Finance and Technical Services 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's 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 financial statements communicated by employees, former employees, 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 relevant legislation and International Financial Reporting Standards. I have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which I am aware.

**Impairment review**

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

**Future commitments**

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

**Subsequent events**

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

**Going concern**

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

**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.

Signed – for and on behalf of the Authority.

## Appendix 3 – Draft audit report

### **INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF NORTH YORKSHIRE FIRE AND RESCUE AUTHORITY**

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

We have audited the financial statements of North Yorkshire Fire and Rescue Authority for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cashflow Statement, the Firefighters’ Pension Fund Account, the Firefighters’ Net Assets 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 2012/13.

This report is made solely to the Members of North Yorkshire Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

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

As explained more fully in the Statement of Responsibilities of the Treasurer, 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 2012/13, 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 Authority’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 explanatory foreword to identify material inconsistencies with the audited financial statements. 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 North Yorkshire Fire and Rescue Authority as at 31 March 2013 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 2012/13.

### **Opinion on other matters**

In our opinion, the information given in the explanatory foreword 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 reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

### **Conclusion on the 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 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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 have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission on 1 November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice 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 2013. 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.

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission on 1 November 2012, we are satisfied that, in all significant respects, North Yorkshire Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

**Certificate**

We certify that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Cameron Waddell (CPFA)

Director

For and on behalf of Mazars LLP, Appointed Auditors

The Rivergreen Centre, Aykley Heads, Durham, DH1 5TS

30 September 2013

## Appendix 4 – Required communication

ISA 260 ‘Communication with Those Charged with Governance’ and ISA 265 ‘Communicating Deficiencies in Internal Control to Those Charged with Governance and Management’ require the auditor to communicate a number of matters to those charged with governance (i.e. Members of the Audit and Performance Review Committee). These are set out below, along with our approach.

Required communication	When and how we will communicate
<p>Respective responsibilities of auditor and those charged with governance.</p> <p>Our responsibility for performing the audit is in accordance with International Standards on Auditing (UK and Ireland) and is directed towards forming and expressing an opinion on the statement of accounts.</p> <p>The audit of the statement of accounts does not relieve management or those charged with governance of their responsibilities.</p>	<p>This information was included in the Audit Strategy Memorandum.</p>
<p>Communication of the planned scope and timing of the audit.</p> <p>Matters communicated include:</p> <ul style="list-style-type: none"> <li>▪ significant audit risks and how we will address them;</li> <li>▪ our approach to internal control relevant to the audit;</li> <li>▪ the application of the concept of materiality in the context of an audit;</li> <li>▪ our use of the work of internal audit;</li> <li>▪ your approach to internal control and how you oversee the effectiveness of internal control procedures;</li> <li>▪ the attitude, awareness and action of those charged with governance concerning the detection or possibility of fraud; and</li> <li>▪ your response to new accounting standards, corporate governance practices and related matters.</li> </ul>	<p>This information was included in the Audit Strategy Memorandum.</p>

Required communication	When and how we will communicate
<p>Our views on significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures.</p> <p>When applicable, why we consider a significant accounting practice not to be appropriate to the entity.</p>	<p>Section 9 of this report.</p>
<p>Significant difficulties, if any, encountered during the audit.</p> <p>Significant difficulties encountered during the audit may include such matters as:</p> <ul style="list-style-type: none"> <li>▪ significant delays in management providing required information;</li> <li>▪ an unnecessarily brief time within which to complete the audit;</li> <li>▪ extensive unexpected effort required to obtain sufficient appropriate audit evidence;</li> <li>▪ the unavailability of expected information;</li> <li>▪ restrictions imposed on the auditor by management; and</li> <li>▪ management’s unwillingness to make or extend its assessment of the entity’s ability to continue as a going concern.</li> </ul>	<p>No significant difficulties were encountered.</p>
<p>Details of significant matters discussed with, or subject to correspondence with management.</p>	<p>No significant matters, noting that we have had a private meeting with the Audit, Performance and Review Committee as standard.</p>
<p>Details of written representations we require for our audit.</p>	<p>Appendix to this report.</p>
<p>Any other matters which we consider to be significant to the oversight of the financial reporting process.</p>	<p>No significant matters.</p>
<p>Statement that the engagement team and the firm have complied with relevant ethical requirements regarding independence.</p> <p>Written disclosure of relationships which have a bearing on our independence and safeguards we have put in place, details of non-audit services provided and written</p>	<p>The Audit Strategy Memorandum and appendix 1 of this report.</p> <p>No non-audit services have been provided and there has been no change to the original planned fee of £42,228 for the 2012/13 audit.</p>

Required communication	When and how we will communicate
confirmation of our independence.	
Form, timing and general content of communications.	We issue this Audit Completion Report along with reports during the year (Audit Strategy Memorandum and regular Audit Progress Reports), regular meetings with senior officers and meetings with those charged with governance (Members) as required. Should you require us to communicate in a different way please let us know.
<p>Our evaluation of the adequacy of the communication process between ourselves and those charged with governance.</p> <p>This may include observations on:</p> <ul style="list-style-type: none"> <li>• the appropriateness and timing of action taken by you in response to matters we have raised;</li> <li>• the openness of your communication with us;</li> <li>• your willingness and capacity to meet with us without management being present;</li> <li>• your opportunity to fully comprehend matters we have raised;</li> <li>• the extent to which you probe issues raised and our recommendations;</li> <li>• any communication we have had in establishing with you the form, timing and general content of communications; and</li> <li>• your awareness of how our discussions impact on your governance and management responsibilities and whether your communication with us meets legal and regulatory requirements.</li> </ul>	We are satisfied with the adequacy of two-way communication; i.e. between ourselves and those charged with governance.
Any significant deficiencies and other control recommendations in respect of internal control that we have identified during the audit.	Section 10 of this report.