

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

Direct +44 (0)191 383 6300  
 Dial  
 Email [gavin.barker@mazars.co.uk](mailto:gavin.barker@mazars.co.uk)

12 January 2024

Dear Members

**Update/conclusion of pending matters – Audit Completion Report 2022/23**

As required by International Standards on Auditing (UK), I am writing to communicate an update on those matters that were marked as outstanding within our Audit Completion Report dated 18 September 2023 and including any other matters arising since that date.

The outstanding matters and the conclusions we reached are detailed below:

Matter	Update/conclusion reached	Status				
Management override of controls	Our work in this area is complete. There are no matters arising.	Complete				
Property, plant and equipment - Valuation of land and buildings.	<p>Our work in this area is complete. We identified that incorrect BCIS indices were used for the valuation of one asset. The overall impact is an overstatement of land and buildings of £130k which is non-trivial. Accounting entries are set out below:</p> <p style="text-align: center;">£'000</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td>Dr Revaluation reserve</td> <td style="text-align: right;">130</td> </tr> <tr> <td>Cr PPE: Land and Buildings</td> <td style="text-align: right;">130</td> </tr> </table> <p>As this is not material, management has decided not to amend the financial statements. This is set out in Appendix 1.</p>	Dr Revaluation reserve	130	Cr PPE: Land and Buildings	130	Complete
Dr Revaluation reserve	130					
Cr PPE: Land and Buildings	130					
Net defined pension liability valuation, LGPS and	We reported in September 2023 that we were unable to complete our work on pensions as we were waiting for assurances from the Durham County Pension Fund auditor.	Complete				

Matter	Update/conclusion reached	Status
<p>Firefighters pension scheme</p>	<p>We have now received this and have the following matters to report:</p> <p><b>Unadjusted error</b></p> <p>As part of our review of the work of the Pension Fund Auditor, we noted the following unadjusted error which is non-trivial:</p> <ul style="list-style-type: none"> <li>o Debit: Pension liability IAS19 £0.08m</li> <li>o Credit: Unusable Reserves (Pensions) £0.08m</li> </ul> <p>As part of our review of the Pension Fund Auditor's letter, we noted an increase in net assets total totalling £10.4m following an audit adjustment. We have extrapolated the Authority's share, totalling £0.08m based on the Authority's share of overall fund assets. As this is not material, management has decided not to amend the financial statements. This is set out in Appendix 1.</p> <p><b>Unadjusted disclosure error</b></p> <p>As part of our review of the work of the Pension Fund Auditor, we noted the following unadjusted disclosure error: The transfer out value per the Pension Fund auditor's letter to us is 656k. The figures in the Council's Actuary's report (based on 10 months' cash flow data) is annualised at £259k, resulting in a difference of £397k. We understand there was an increase in transfers out near the end of the financial year which has led to the actual figure being higher than the Actuary's estimate. Transfers out form part of the Actuary's calculation of the benefits paid figure, which is included in both the pension asset and defined benefit obligation so there is no overall impact on the net liability on the balance sheet. The benefits paid figure is included in the analysis of the pension asset and defined benefit obligation disclosed in Note 8.17 within the financial statements. As this is not material, management has decided not to amend the financial statements. This is set out in Appendix 1.</p> <p><b>Assumptions</b></p> <p>There were a number of minor changes to assumptions for the local government pension scheme (funded and unfunded):</p> <ul style="list-style-type: none"> <li>• Rate of inflation CPI was 2.6% now 2.7%</li> <li>• Rate of increase in salaries was 3.6% now 3.7%</li> <li>• Rate of increase in pensions was 2.6% now 2.7%</li> <li>• Rate of discount was 4.5% now 4.7%</li> </ul> <p><b>Firefighters pension scheme</b></p> <p>In the November meeting of the Audit and Finance Committee, we reported that the original Firefighters Government Actuary's Department Report did not make an allowance for known CPI increases between September 2022 and March 2023.</p>	

Matter	Update/conclusion reached	Status
	As this was likely to be a material change, Management requested an updated report. The report was provided in December and this results in an increase in the overall pension liability of £5.5m. Management has adjusted in the primary statements and related notes. This is shown in Appendix 1 below.	
IT Controls	Our work in this area is complete. There are no matters arising.	Complete
Disclosure and other areas	We have completed our work on the presentation and disclosure checklist, narrative report, non-material notes and consolidation into the group financial statements.	Complete
Related Party Transactions	Our work in this area is complete. We were unable to obtain 3 Officer/Member declarations and therefore we have raised an internal control weakness below.	Complete – see Internal Control section below
Review and closure processes, including checking the amended version of the financial statements produced by finance as a result of our audit.	We are awaiting the final signed version of the financial statements. Once received we will undertake our final closure procedures including a review of the management representation letter and post balance sheet events.	This will be completed at the point we are ready to issue our audit opinion

### Internal Control Recommendations

The purpose of our audit was 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 in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of 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.

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 ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1

### Description of deficiency – Related Party Transactions – Level 3

There were 2 officer and 1 member declarations that were not completed.

#### Potential effects

There could be undisclosed related party transactions.

#### Recommendation

Officers and members should return their declaration of interest forms as soon as possible to avoid delays in accounts preparation and audit.

#### Management comments

Every effort is made to obtain a 100% return of related party transactions declarations however despite repeated requests 3 individuals failed to submit a return. Two of the individuals were members of staff, one who retired six days into the financial year in April 2022 and the other is absent on long term sick. The third individual was an elected member who resigned from the Fire Authority on 24 November 2022. All three individuals submitted a Nil response in prior years.

#### Status of our audit work

At the time of preparing this update letter, we anticipate being able to issue an unqualified audit opinion, without modification, on the financial statements. We plan to issue our opinion when the financial statements have been approved by the Audit and Finance Committee.

At the time of preparing this update letter, the following matters remains outstanding, which as we have explained will be reported at a later date:

Audit area	Status	Description of outstanding matters
Value for money commentary	●	We have completed our work in respect of the Authority's value for money arrangements for the year ended 31 March 2023 and we have not identified any significant weaknesses and recommendations. We will issue the Auditor's Annual Report as soon as possible after issuing the audit opinion.
WGA	●	We are unable to report on the 2022/23 WGA return until we have issued our audit opinion. We will report as soon as we can after issuing our audit opinion, but we expect another delay before we can issue our audit certificate to close the audit, as we await NAO confirmation that the Authority has not been selected as a sampled component..

#### 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

Our draft Audit Report is shown in Appendix 2. This highlights in red any changes from the previous version included in our Audit Completion Report.

We will inform the Audit and Finance Committee of any further matters when we have completed the Auditors Annual Report and the whole of government accounts formally closing the audit of County Durham and Darlington Fire and Rescue Authority.

If you wish to discuss these or any other points then please do not hesitate to contact me.

Yours faithfully

*Gavin Barker*

**Gavin Barker**  
Director



## APPENDIX 1 SUMMARY OF MISSTATEMENTS

(Changes since we issued our Audit Completion Report are highlighted in red.)

### Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Pension liability			80	
	Cr: Pension reserve				-80
	Dr: Movement in reserves statements	80			
	Cr: Re-measurement of the net defined pension liability		-80		
<p>As part of our review of the Pension Fund Auditor's letter, we noted an increase in net assets total totalling £10.4m following an audit adjustment. We have extrapolated the Authority's share, totalling £0.08m based on the Authority's share of overall fund assets. Management has determined not to amend the financial statements because this adjustment is not material.</p>					
1	Dr: Revaluation reserve			130	
	Cr: PPE Land and buildings				-130
<p>Overstatement of land and buildings in the financial statements due to an incorrect BCIS indices being used in the revaluation. Management has determined not to amend the financial statements because this adjustment is not material.</p>					
Total unadjusted misstatements		80	-80	210	-210

### Adjusted misstatements

There is one adjusted misstatement in the financial statements.

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Cr: Pension liability				-5,500
	Dr: Unusable reserves – pension reserve			5,500	
	Cr: Movement in reserves statements		-5,500		
	Dr: Re-measurement of the net defined pension liability	5,500			
<p>The original Firefighters Government Actuary’s Department Report did not make an allowance for known CPI increases between September 2022 and March 2023. This results in an increase in the overall pension liability of £5.5m as set out above. As this is material, management has adjusted in the financial statements and related notes.</p>					
Total adjusted misstatements		5,500	-5,500	5,500	-5,500

## Disclosure Amendments

**Expenditure and funding analysis:** Some minor amendments to the presentation of the note to reflect the movements in reserves.

**Note 8.17 Pensions:** There were a number of minor changes to assumptions for the local government pension scheme (funded and unfunded):

- Rate of inflation CPI was 2.6% now 2.7%
- Rate of increase in salaries was 3.6% now 3.7%
- Rate of increase in pensions was 2.6% now 2.7%
- Rate of discount was 4.5% now 4.7%

### Unadjusted disclosure error

As part of our review of the work of the Pension Fund Auditor, we noted the following unadjusted disclosure error: The transfer out value per the Pension Fund auditor's letter to us is 656k. The figures in the Council's Actuary's report (based on 10 months' cash flow data) is annualised at £259k, resulting in a difference of £397k. We understand there was an increase in transfers out near the end of the financial year which has led to the actual figure being higher than the Actuary's estimate. Transfers out form part of the Actuary's calculation of the benefits paid figure, which is included in both the pension asset and defined benefit obligation so there is no overall impact on the net liability on the balance sheet. The benefits paid figure is included in the analysis of the pension asset and defined benefit obligation disclosed in Note 8.17 within the financial statements.



## Independent auditor’s report to the members of County Durham and Darlington Fire and Rescue Authority

### Report on the audit of the financial statements

#### Opinion on the financial statements

We have audited the financial statements of County Durham and Darlington Fire and Rescue Authority (the Authority) and its subsidiaries (the Group) for the year ended 31 March 2023, which comprise the Group Movement in Reserves Statement, Group Comprehensive Income and Expenditure Statement, Group Balance Sheet, Group Cash Flow Statement, Authority Movement in Reserves Statement, Authority Comprehensive Income and Expenditure Statement, Authority Balance Sheet, Authority 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 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (“the Code Update”), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31st March 2023 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 2022/23 as amended by the Code Update.

#### 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 and Group 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

In auditing the financial statements, we have concluded that the Treasurer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or



collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Treasurer with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Treasurer is responsible for the other information. 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 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 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Treasurer is also responsible for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Treasurer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis, on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. The Treasurer is responsible for assessing each year whether or not it is appropriate for the Authority and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.



Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Authority, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Audit and Finance Committee, as to whether the Authority is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Authority and the Group which were contrary to applicable laws and regulations, including fraud.

We evaluated the Treasurer's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Finance Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit and Finance Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are also required to conclude on whether the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.



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

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

### **Matter on which we are required to report by exception**

We are required to report to you if, in our view, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in this respect.

### **Responsibilities of the Authority**

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

### **Auditor's responsibilities 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. 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.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023.

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

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

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

We have nothing to report in these respects.

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

This report is made solely to the members of County Durham and Darlington Fire and Rescue 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.

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

We cannot 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.

Gavin Barker  
Director  
For and on behalf of Mazars LLP

The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF

DATE (TBC)