



Auditor's Annual Report
Tyne & Wear Fire and Rescue Authority – year ended 31 March 2025

21 February 2026

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Our reports are prepared in the context of the 'PSAA Statement of Responsibilities of Auditors and of Audited Bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. This document is to be regarded as confidential to Tyne & Wear Fire and Rescue Authority. It has been prepared for the sole use of the Governance Committee as the appropriate sub-committee charged with governance. We do not accept any liability or responsibility to any other person in respect of the whole or part of its contents.

01

Introduction

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Tyne and Wear Fire and Rescue Service ('the Authority') for the year ended 31 March 2025. Although this report is addressed to the Authority, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on 21 February 2026. Our opinion on the financial statements was unqualified.



Reporting to the group auditor

We have not yet received clearance from the National Audit Office in respect of our work on the Authority's WGA submission. We are unable to complete our work in this area until we receive this clearance.



Value for Money arrangements

We did not identify any significant weaknesses in the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Authority's arrangements.

02

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (UK) (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Authority and whether they give a true and fair view of the Authority’s financial position as at 31 March 2025 and of its financial performance for the year then ended. Our audit report, issued on 21 February 2026 gave an unqualified opinion on the financial statements for the year ended 31 March 2025.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Qualitative aspects of the Authority’s accounting practices

The Authority published its financial statements in line with the statutory deadline. Upon our initial review of those, we noted a significant area which was not reflected in the initial draft.

In 2023/24, we discussed management's readiness for the implementation of IFRS 16 Leases in 2024/25. We understood that the Authority was yet to undertake work to quantify the impact this would have on the Authority’s financial statements, which also impacts on the Authority’s Private Finance Initiatives (PFI) arrangements. IFRS 16 changes the definition of a lease compared to IAS 17 and IFRIC 4, and the Authority was to adopt the new standard for the first time in the 2024/25 financial year.

In April 2024, we issued our Audit Strategy Memorandum, where we raised a significant risk to the audit on the Implementation of IFRS 16. We set out the risk description and planned audit response.

The Authority did not include IFRS 16 disclosures in the draft accounts. The final version of the financial statements 2024/25 approved by Members did include the required disclosures. It required significant work to get to the position where management and ourselves as external auditors were content with the final disclosures that were made.

Other reporting responsibilities

Reporting responsibility	Outcome
Narrative Report	We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Authority.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

03

Our work on Value for Money
arrangements

VFM arrangements

Overall Summary



VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider 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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability - How the Authority plans and manages its resources to ensure it can continue to deliver its services.



Governance - How the Authority ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Authority has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources, including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with officers

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 10.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Authority. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - we make these recommendations for improvement where we have identified a significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	No
 Governance	14	No	No	No
 Improving economy, efficiency and effectiveness	18	No	No	No

VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

How the Authority identifies significant financial pressures that are relevant to its short and medium-term plans

The Authority approved its Medium Term Financial Strategy (MTFS) in February 2024 covering a four year period from 2024/25 to 2027/28. The Authority published a revised MTFS, covering the period 2025/26 to 2028/29, which projects a funding gap of £3.476m by the end of the four-year period. The Authority is exploring a number of options to ensure a balanced budget over the medium term through generating further efficiency savings, generating additional income, increased collaboration and invest to save initiatives.

The MTFS considered income and funding assumptions as well as service investments and pressures. It also incorporated efficiency savings and recognised the key risks and uncertainties facing the Authority. Our review of the MTFS and associated assumptions identified no evidence of significant weaknesses in arrangements. We confirmed through review that the arrangements for approving and reporting the budget and MTFS remained in place during 2024/25 and continued to be based on established arrangements. We confirmed the Authority reports regularly on its financial performance to the Policy and Performance Committee, Governance Committee, and the full Authority. This was evidenced through our review of minutes of those meetings, as well as our attendance at the Governance Committee throughout the financial period.

At the end of the 2024/25 financial year, the Authority reported an underspend of £2.968 million. Although the Authority continues to achieve good levels of savings, this is driven by delays in filling operational and corporate roles. Additionally, the Authority has also had to manage and contend with significant budgetary pressures caused by the very high levels of inflation which although have reduced a little, this continues to be an ongoing issue for the Authority. On the positive side however the increase in interest rates has had a positive impact on the budget and this has helped to fund some of the budget pressures as the Authority generally holds a good level of reserves which are fully earmarked mainly to fund the Capital Programme. The Authority has benefitted by over £1m in excess interest received because of the high interest rates experienced across the financial year which could not have been anticipated when the budget for 2024/25 was approved.

As at the 31 March 2025, the level of general fund balances was £4.072 million and earmarked reserves were £24.4 million which is a reduction of £2.5 million on the balance for 31 March 2024. The majority of this was planned for financing of the capital programme. The level of general fund balances is in line with the Authority's reserves policy and minimum recommended level of 5% of the Authority's net revenue budget.

The Authority's Capital programme reported an underspend of £1m at its third quarterly review in January 2025. Since then, the Authority has reviewed its capital requirements for the next four years.

Our work did not identify any evidence to indicate a significant weakness in arrangements for 2024/25.

How the Authority plans to bridge funding gaps and identifies achievable savings

The updated MTFS recognised the risks and uncertainties facing the Authority in terms of cost pressures, future funding arrangements, volatile income levels and costs of the delivery of services. There is a large degree of uncertainty within the MTFS, particularly with regards to the future levels of funding to be received from the Government. As part of our work, we have considered the key assumptions and are satisfied that they are based on the most up to date information available and are not unreasonable. Our review of minutes, attendance at meetings and discussions with management demonstrate the financial position is continuously monitored and updated.

The Fair Funding Consultation for 2026/27 recently concluded, which saw Fire Authorities with the highest level of cuts going forward due to population falls across the region. However, efficiency projects are ongoing across the organisation and as much it is not anticipated at this stage that any unplanned cuts to services will be required to balance the budget for 2026/27.

The Authority submitted its 'Efficiency and Productivity Plan' for 2025/26 in April 2025 which specified estimated saving initiatives of £1.9m for 2025/26. This is significantly above the 2% minimum efficiency savings target required. This is now an annual requirement that the Authority must comply with. There are no issues regarding the achievement of these savings at this stage in the financial year.

The Authority retains an appropriate level of earmarked reserves as determined by the Authority's MTFS and Risk Analysis. The reserves are reviewed by senior management of the Authority, including the Chief Finance Officer, to ensure they are robust, appropriate and will meet the assessed financial risks of the Authority. Our review of minutes has confirmed there is challenge on the use of reserves by Members.

The Authority has a history of underspends but is now forecasting an underlying deficit across the MTFS of £3.476 million based on the 2025/26 MTFS which was approved in February 2025. The deficit will require contributions from earmarked reserves. The Authority has plans to use the majority of earmarked reserves over the MTFS, mainly for capital development and the PFI scheme. The balance of earmarked reserves is projected to fall to £1.95 million by 31 March 2028 but most of this is planned to avoid the need to take out additional borrowing to finance the capital programme. The majority of the reserves are not being used to fund significant underlying deficits in the revenue budget. We are satisfied therefore that this is not a significant weakness in arrangements in 2024/25 but the Authority should continue to review the level of reserves to ensure that they do not fall to a level which threatens the financial sustainability of the Authority or expose them to unnecessary risk.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability - continued

How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Resources follow priorities through the MTFS, which is sustainable over the four-year period whilst maintaining what the Authority consider a prudent general fund minimum reserve which is risk assessed annually and reported to the Authority.

Our review of outturn and the MTFS has not identified a reliance on short-term fixes other than the planned use of reserves which have been specifically built up in recent years to support the phasing of savings measures and to finance the capital programme. It is important to remember that the MTFS is based on a number of key assumptions which are still uncertain but are monitored closely by officers and, where necessary, the MTFS is updated accordingly. We are satisfied through our work that regular monitoring and reporting of the financial position means that this is not unsustainable and does not indicate a significant weakness in arrangements. The Authority is reasonably placed to support the sustainable delivery of services and recent reports indicate that operational performance is not being compromised.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

How the Authority ensures that its financial plan is consistent with other plans

The MTFS is underpinned by workforce planning and the asset management plan and takes account of risks and planning assumptions within the Integrated Risk Management Plan (IRMP). We have not identified any inconsistency between the various plans in prior years or from our review of the IRMP.

The Authority work closely with Sunderland City Council, who are responsible for the Treasury Management function on behalf of the Fire Authority. Treasury Management, including the Borrowing Strategy and Risk Management Reviews, are reported on a regular basis to the Governance Committee and Authority, with the Treasury Management Policy and Strategy for 2024/25 being approved by the Full Authority at the meeting in March 2024. We confirmed that these plans and strategies are considered and approved by the Authority alongside the MTFS and budget decisions each year. The Treasury Management Annual Review of Performance 2024/25 and first quarter review were presented at the September 2025 Governance Committee.

Risk management is also considered in terms of financial plans and we observed that risk registers are regularly updated and reported to the Governance Committee throughout the year.

The Authority consider the updated financial position at various stages throughout the year and this allows for Member scrutiny and challenge. The MTFS for 2025/26 to 2028/29 was considered in February 2025.

The annual budget process includes reviewing the Authority's reserves. We confirmed a review was completed in 2024/25 to ensure funding set aside remains in line with strategic and statutory priorities.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

How the Authority identifies and manages risks to financial resilience

The MTFS outlines the key uncertainties, challenges, and risks facing the Authority over the life of the plan. It includes a financial risk analysis considering the potential risks and impact of those risks on the MTFS. The Authority's medium term budget projections consider budget pressures such as pay and price increases, as well as the revenue implications of the capital programme and other pressures. The Authority also holds general fund balances of £4.072 million which reflects the Chief Finance Officer's financial risk assessment. There have been no significant overspends or unplanned use of reserves in recent years.

We confirmed through observation that there is regular monitoring of the risk register by the Governance Committee, along with overview and scrutiny by the full Authority. The most recent review of the risk register was at the February 2025 Governance Committee.

We confirmed through review of minutes that there was regular reporting of the Authority's 2024/25 financial position to the full Authority throughout the year. The outturn report presented to the June 2025 Authority meeting was consistent with the financial position reported during the year.

Based on the above considerations we are satisfied there is not a significant weakness in the Authority's arrangements in relation to financial sustainability.

VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



VFM arrangements – Governance

Overall commentary on Governance

How the Authority monitors and assesses risk and how the Authority gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Authority has approved a Code of Corporate Governance, which is consistent with the seven principles of good governance as identified in the CIPFA/SOLACE 2016 Framework – “Delivering Good Governance in Local Government”. Furthermore, a Corporate Governance Action plan is also in place which is updated on a regular basis. Our review of the Code of Governance has not identified any significant weaknesses in arrangements. The Annual Governance Statement (AGS) 2024/25 was presented at the Governance Committee in February 2025 which we attended and then to the full Fire Authority.

We have reviewed the Annual Governance Statement and based on the audit work carried out, along with our cumulative audit knowledge, we have not identified any significant weaknesses in arrangements.

The Authority has a Governance Committee in place to provide:

“independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority’s financial and non-financial performance to the extent that it effects the Authority’s exposure to risk and weakens the control environment, oversees the financial reporting process and promotes and maintains high standards of conduct by Members of the Authority.”

Our attendance at Governance Committee meetings during the year, as well as review of minutes, has not highlighted any significant weaknesses in arrangements. We are satisfied there is a sufficient level of scrutiny and challenge by Members. We did note that the Governance Committee was poorly attended on 26 September 2025, and management are taking steps to ensure better attendance going forward.

The Authority’s internal audit function is provided by Sunderland City Council. Review of minutes and attendance at Governance Committee has confirmed internal audit is active and uses a risk-based Internal Audit Plan to determine the priorities of the internal audit activity, consistent with the organisation’s goals. The 2024/25 Internal Audit Plan was taken to the Governance Committee and approved in March 2024, with the 2025/26 being approved in February 2025. We confirmed through attendance at meetings there was regular reporting of progress against the internal audit plan.

The Annual Internal Audit Report 2024/25 was presented to Governance Committee in May 2025 and the Head of Internal Audit Opinion concluded:

“This report provides assurance that sufficient audit work was completed within the year to enable an opinion on the Authority’s internal control environment, with no high or significant risk issues being identified. Using the cumulative knowledge and experience of the systems and controls in place, including the results of previous audit work and the work undertaken within 2024/25, it is considered that overall, the Authority continues to have a good internal control environment.”

The report provides detail on the performance of Internal Audit for 2024/25, areas of work undertaken, and the internal audit opinion regarding the adequacy of the overall system of internal control within the Service. We have reviewed this report and identified no evidence to indicate a significant weakness in arrangements.

How the Authority approaches and carries out its annual budget setting process

The Authority’s Financial Regulations include guidelines for financial planning and annual estimates.

There is a clear plan and timetable in place for the annual budget setting process. The budget planning framework and draft budget go through scrutiny and approval by the Authority as part of a well-established budget cycle each year. This process concludes with the final approval of a legally required balanced revenue budget in February, ensuring that a realistic and affordable budget is approved based on advice from the Director of Finance, Estates and Facilities.

We have confirmed through our review that the Authority has budgetary monitoring systems in place and reports throughout the financial year. These reports include detailed descriptions of any variances to the Fire Authority’s budget. Based on our review of minutes and discussions with officers we have identified no significant weakness in arrangements. Overall, the Authority is aware of the financial pressure it faces and reports these pressures to appropriate Committees.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria – continued

How the Authority ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

Review of Authority minutes has confirmed there was regular reporting of the financial position during the 2024/25 financial year. Reporting included details of movements in the budget and forecast outturn between quarters. The reports detailed the in-year pressures as well as planned mitigations. As detailed in the previous section the Authority delivered a £2.968 million underspend against plan for 2024/25 financial year.

Our audit of the financial statements is ongoing. It has previously not identified any matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts. The Authority published its draft financial statements on its website in line with the statutory deadlines. So far, we have noted that the Authority did not make any disclosures and relevant adjustments through its draft accounts in line with the requirements of the new Leases accounting standard, IFRS 16, which was to be implemented for the first year in the 2024/25 financial statements for local authorities.

The Authority had made a judgement that the implementation of IFRS 16 does not have a material impact on the accounts, subsequently to which made no disclosures in relation to the standard in its draft statement of accounts, or adjusting entries to its PFI schemes. Historically however, the Authority has produced good quality accounts and supporting working papers. Additionally, we had never previously reported issues with the quality of the accounts. Therefore, we do not believe that this currently constitutes a significant weakness in the arrangements as this has not become a trend as such, but merely a misinterpretation of the guidance. We have therefore issued an “other recommendation” around future accounts preparation upon implementation of upcoming relevant accounting standards, as we conclude this to be a standalone instance in accounts preparation with regards to technical accounting matters.

Other recommendation	
=	<p>Implementation of new accounting standards</p> <p>Management has ultimate responsibility for the production of its financial statements which includes the implementation of new accounting standards. Management is also responsible for its system of internal controls as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We therefore recommend:</p> <ul style="list-style-type: none">• Management to review its system of internal controls which underpins the preparation of its financial statements;• For an upcoming relevant accounting standards, management should keep up to date and review all relevant publications to accounting standards that are applicable to the Authority;• Ensure that sufficient time is spent in preparation of all relevant working papers that underpin the accounts. This could include consultation with external experts if necessary; and• Ensure that all relevant documentation is available in time for the audit, which would prevent delays and any adverse impacts on the financial statements.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria – continued

How the Authority ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

The Standing Orders set out how the Authority operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent, and accountable to local people. Standing Orders are reviewed on an annual basis.

Those Charged With Governance (TCWG) are fully independent of the management of day-to-day operations, and the Terms of Reference of the committees are clearly set out in the Standing Orders which are available on the Authority's website. TCWG have relevant experience and knowledge to be able to perform their relevant functions. All members are provided training on their responsibilities and duties.

The Authority ensures that decision-makers receive objective analysis of a variety of options, indicating how intended outcomes would be achieved and highlighting associated risks, to secure best value regardless of the service delivery method. We have reviewed Authority minutes in the year and have not identified any evidence of significant weaknesses in arrangements. The reports we have reviewed support informed decision-making and were clear in the decisions or recommendations Members were asked to make.

Our attendance at Governance committee meetings also confirms challenge of the Authority's activities. The Authority publishes a range of information on its website to ensure transparency.

The Authority ensures that appropriate legal, financial, and other professional advice is considered as part of the decision-making process to help ensure that the specific requirements of legislation and general responsibility by Law are complied with.

We did not identify any significant weaknesses in arrangements.

How the Authority monitors and ensures appropriate standards are maintained

A Corporate Governance Framework is in place and there are Standing Orders which includes a specific section relating to Codes of Conduct (part 5). These are published on the Authority website and cover both Members and all personnel, as well as an anti-bribery policy and the policy relating to the register of gifts and interests. The transparency section of the Authority's website also provides other information, policies, and procedures which are available to Members, officers and the public. We have not identified any matters in relation to communication and enforcement, ethics and integrity or leadership and governance from past audits or current risk assessments.

The Authority expects the highest standards of conduct from both its Members and officers. The Governance Framework is reviewed and updated regularly by management. Management are committed to integrity and ethical behaviour and this is evident from our attendance of Committee's and meetings with management. The Authority has a separate Anti-Fraud and Corruption Policy which sets out detailed policies and procedures to prevent and detect fraud.

There are appropriate arrangements to capture declarations of interests, gifts and hospitality.

We have not identified any failure to comply with the relevant Codes and corporate governance guidance.

Based on the above considerations we are satisfied there is not a significant weakness in the Authority's arrangements in relation to governance, however we have issued an 'other recommendation'.

VFM arrangements

Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

How financial and performance information has been used to assess performance to identify areas for improvement

We confirmed through review of minutes and attendance of meetings that the Governance Committee received progress reports on the management of corporate risks. This is intended to ensure independent scrutiny of the Authority's risk register. The Executive Leadership Team has overall responsibility for the management and monitoring of corporate risks.

Performance objectives of the Authority are set out in the TWFRS Strategy 2025. As detailed on the Authority website:

'This Strategy document aims to modernise our approach to strategic planning, having previously presented large and detailed documents combining strategy, corporate plan, Integrated Risk Management Plan, Community Risk Management Plan, Community Risk Profile, Service Annual Operating Plan and performance reporting.'

The Authority has a Community Risk Management Plan (CRMP) which outlines how the Authority intends to deliver its services from 2024-2027. The CRMP includes the rationale behind planned activities, current performance, forecasts, a review of the effectiveness of past activities and highlights key areas for future focus. Internal audit performed a review of the Authority's plan which received substantial assurance.

Our minutes review also showed that reports on financial and operational performance are considered by the Governance Committee and the Fire Authority. Performance information is available to members of the public via the website and can be drilled down to specific areas of the Authority.

How the Authority evaluates the services it provides to assess performance and identify areas for improvement

The Authority evaluates services through reporting on both financial and operational performance via the Executive Leadership Team (ELT) and into the relevant committees. The TWFRS Strategy 2025 sets out the key objectives against which performance is assessed. Whilst performance is mixed, this is not unusual for a Authority of this size and complexity and there is no evidence to suggest a significant weakness in arrangements.

The Authority is also subject to review by His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). HMICFRS carry out inspections of fire and rescues services to assess and report on

three key areas: effectiveness, efficiency, and people. The most recent report covers the period 2023-25 and is available on the HMICFRS website. This review considered the Service's 'effectiveness', 'efficiency' and how the 'service looks after people'.

The most recent inspection of the Service took place in April 2024, with the report issued on 8 October 2024. The Service received eight 'adequate' gradings, two 'good' gradings and one 'requires improvement' across the eleven inspection diagnostics. These evaluations have been reviewed and the Service has developed an action plan to address the findings.

We have considered the Report's findings and while there are some areas for improvement identified, we did not identify any issues in the inspection report which highlights any significant weaknesses in arrangements for our reporting. The Authority sets out its progress against its improvement plan in its statement of accounts.

HMICFRS will begin its fourth round of full inspections as part of its 2025-2027 programme. Some key changes are noted including assessments of Governance. In 2025, HMICFRS also introduced a monitoring portal which is a live database of all inspection reports and recommendations made, designed to allow services the ability to provide progress updates on improvements and recommendations made. The Authority has not yet been assigned its date for inspection, however it is currently estimated to commence late summer/early autumn 2026.

How the Authority ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

Review of performance management reports has not indicated a significant weakness in partnership arrangements. Partnerships are risk-assessed before being entered into and an established framework exists. The Authority uses various channels of communication and feedback mechanisms, including social media (Twitter, Facebook, Instagram and YouTube).

The Authority has a number of collaboration arrangements in place with partners, including the Local Resilience Forum (LRF), Local Authorities, Northumbria Police, and the Health Service with a focus on efficiency and delivering better community outcomes.

The Authority also work closely with neighbouring fire and rescue services to help ensure they are resilient and prepared. Building on the co-location and collaboration arrangements with its blue light partners, the Authority are now moving to full integration of services, for example the tri-service station in Hebburn.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness - continued

The Fire and Rescue Authority is made up of 16 elected members, nominated by the five constituent councils of Tyne and Wear in line with schedule 10 of the Local Government Act 1985. The Police and Crime Commissioner for Northumbria also sits on the Fire and Rescue Authority.

Joint Organisational Learning (JOL) and National Operational Learning (NOL) are two national systems that the Authority use to ensure lessons from incidents, ensure training and exercising are identified and acted upon to continually improve interoperability between services and firefighter/public safety. JOL provides a mechanism by which lessons identified and notable practice can be shared to all partner agencies to improve response to incidents and day-to-day operations, whilst external partners share their learning and best practice to promote knowledge, awareness and continual improvement.

The Authority are proposing other initiatives in future to improve operational and national responses, including:

- increasing collaborative training with blue light partners at the Authority's dedicated training centre which houses the Urban Search and Rescue complex;
- increasing collaboration with Northumberland FRS to enable an improved response to wildfire incidents; and
- enhancing Marauding Terrorist Attack capability by working in partnership with National Resilience.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

Where the Authority commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

The Authority has a Procurement Policy in place (available on the Authority website) which outlines the Authority's approach to achieving value for money through the 'effective procurement of goods and services'. The Policy is subject to an annual review process undertaken by the Procurement Team in the Financial Services Department to ensure the content remains appropriate for the Authority.

Procurement activities are expected to be in line with the service's standing orders and financial regulations, national legislation and relevant European legislation as per Public Contract Regulations 2015 and procurement best practice. The Authority also note on their website that they have achieved 'CIPS Corporate Ethical Procurement and Supply' status. Based on our attendance at meetings, discussions with officers and review of minutes we have not identified any evidence of non-compliance indicating a weakness in the Authority's arrangements.

Based on the above considerations we are satisfied there is not a significant weakness in the Authority's arrangements in relation to improving economy, efficiency and effectiveness.

Other reporting responsibilities

Other reporting responsibilities

Wider reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

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

We have not exercised any of these statutory reporting powers.

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

Reporting to the group auditor

Whole of Government Accounts (WGA)

The National Audit Office (NAO), as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We have not yet received clearance from the National Audit Office in respect of our work on the Authority's WGA submission. We are unable to complete our work in this area until we receive this clearance.

05

Audit fees and other services

Audit fees and other services

Fees for our work as the Authority's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum, dated 3 September 2025, and presented to the Governance Committee on 26 September 2025. Having completed our work for the 2024/25 financial year, we can confirm that our fees are as follows, noting that all additional fees require approval by Public Sector Audit Appointments (PSAA) Limited:

Area of work	2024/25 fees	2023/24 fees
Code Audit Work (PSAA Scale Fee)	£105,182	£94,665
Additional fees in respect of ISA 315 (risks of material misstatement) and ISA 240 (auditor's responsibilities relating to fraud)	£0	£7,058
Additional fees in respect of 2024/25 audit for new accounting standard IFRS 16, Leases (not included in PSAA scale fee)	£5,000	-
Additional fees in respect of 2024/25 audit for quality and preparation issues in relation to accounts production and supporting evidence to support the audit	£5,000	-
Total fees	£115,182	£ 101,723

Fees for other work

We confirm that we have not undertaken any non-audit services for the Authority in the year.

Appendices

Appendix A: Further information on our audit of the Authority's financial statements

Appendix A: Further information on our audit of the Authority's financial statements

Significant risks and audit findings

As part of our audit of the Authority, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits. You should assess this risk as part of your oversight of the financial reporting process.</p>	<p>We completed our work in this area and there were no significant issues arising.</p>
<p>Pension valuations The Authority has two pension schemes, the Firefighters' pension scheme and the Local Government Pension Scheme.</p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We completed our work in this area and there are no significant issues arising.</p>
<p>Valuation of property, plant and equipment The financial statements contain material entries on the balance sheet as well as material disclosure notes in relation to the Authority's holding of Property, Plant and Equipment (PPE).</p> <p>The Authority employs a valuation expert to provide information on valuations, however, there remains a high degree of estimation uncertainty associated with the revaluations of PPE due to the significant judgements and number of variables involved.</p>	<p>We completed our work in this area and there are no significant issues arising.</p>

Appendix A: Further information on our audit of the Authority’s financial statements

Significant risks and audit findings

As part of our audit of the Authority, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p>Implementation of IFRS 16 Leases</p> <p>IFRS 16 changes the definition of a lease compared to IAS 17 and IFRIC 4, and the Authority will be adopting the new standard for the first year in 2024/25. The changes to the standard also have an impact on the accounting for the Private Finance Initiative (PFI) arrangements which the Authority has in place.</p> <p>We discussed management’s readiness for the implementation of IFRS 16 Leases in 2023/24, at which stage it only affected narrative disclosures. We understand that the Authority is still undertaking work to quantify the impact on the Authority’s financial statements to ensure accuracy and completeness of the overall balance, which we expect will be material. The potential impact is yet to be estimated to ensure any arrangements in scope are adequately accounted for in 2024/25.</p> <p>This is a complex area which will require management judgement, and for any property assets which fall within scope, the Authority will need to determine which measurement method it will be applying that may involve the engagement of valuation experts.</p>	<p>The Authority did not include IFRS 16 disclosures in the draft accounts. The final version of the financial statements 2024/25 approved by Members did include the required disclosures. It required significant work to get to the position where management and ourselves as external auditors were content with the final disclosures that were made.</p>

Appendix A: Further information on our audit of the Authority's financial statements

Summary of uncorrected misstatements for the Authority

Management assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and did not adjust for these in the final version of the 2024/25 financial statements.

Description	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
DR Reserves	Judgemental			141	
CR PFI Assets					141
Historic unreconciled difference between the Fixed Asset Register and the Accounts.					
DR Net Pension Assets	Factual	314			
CR Asset Ceiling Restriction					314
Being the estimated understatement of LGPS pension fund assets applying the Authority's share of the Fund total, based on the work undertaken by pension fund auditor. Note that due to the asset ceiling restriction, this is a disclosure issue only. The amount charged to the CIES as OCI is unchanged.					
Aggregate effect of unadjusted misstatements		314	0	141	455

Appendix A: Further information on our audit of the Authority's financial statements

Internal control observations for the Authority

Implementation of new accounting standards

Description of deficiency

Management did not prepare its initially submitted Statement of Accounts in line with the requirements of the Code and newly issued accounting standard IFRS 16 Leases which materially affected the Authority. No disclosures were made when the accounts were submitted for audit.

Potential effects

The Accounts are materially misstated.

Recommendation

- Management to review its system of internal controls which underpins the preparation of its financial statements;
 - For any upcoming relevant accounting standards, management should keep up to date and review all relevant publications to accounting standards that are applicable to the Authority;
 - Ensure that sufficient time is spent in preparation of all relevant working papers that underpin the accounts. This could include consultation with external experts
 - if necessary and
 - Ensure that all relevant documentation is available in time for the audit, which would prevent delays and any adverse impacts on the financial statements.
-

Management response

Recommendations noted.

Appendix A: Further information on our audit of the Authority’s financial statements

Internal control observations for the Authority (continued)

Accounting records and use of system reports

Description of deficiency

The Authority uses SAP which is primarily managed by Sunderland City Council as part of a service level agreement. During our audit, we had difficulties obtaining the required journal reports of all transactions to support key reconciliations.

Potential effects

Accounting records are incomplete or inaccurate.

Recommendation

Ensure that management have a good understanding of the functionalities of the financial system to be able to produce key reports for their reporting as well as to support audit requirements.

Management response

Recommendations noted.

Appendix A: Further information on our audit of the Authority’s financial statements

Follow up on previous year recommendations for the Authority

Fixed Asset Register - Useful Economic Lives

Description of deficiency

The assets’ useful economic life in the Fixed Asset Register have not been kept up to date. Instead, separate working papers are kept to update the figures of the assets in the accounts in accordance with the remaining useful economic life.

Potential effects

There is a risk that the depreciation charge for the year is materially misstated.

Recommendation

We recommend that the Fixed Asset Register is kept up to date to ensure there are no mismatches in the remaining useful economic lives which could lead to material differences in the Net Book Value of the assets.

Management response

The process has been reviewed to ensure the years remaining from the Valuation report are updated annually in the Fixed Asset Register.

Appendix A: Further information on our audit of the Authority's financial statements

Follow up on previous year recommendations for the Authority (continued)

Fixed Asset Register – Disposals process

Description of deficiency

We noted that management have performed a review of its fixed asset register and removed (gross value) £5,901k of nil net book value assets including vehicles, ICT and other operational assets that are no longer in use. Although we were able to obtain a confirmation from officers that those assets are no longer in use, management could not provide any other supporting documentation on the specific assets that were disposed of, except for the vehicles. Assurances obtained included that these were very old assets (dating back more than 10 years) the majority of which were ICT equipment no longer in use.

Potential effects

The absence of adequate audit trail makes the verification of the existence of those assets more difficult and could hinder the Authority's management of those assets which could result in potential misappropriation. However, the majority of The Authority's assets are land and buildings, but the value of vehicles and other equipment is still material.

Although the nil net book value assets have no financial impact on the financial statements, some of those assets may still be in use and therefore have some value. In this case, it could suggest that the Authority needs to review its accounting policy over the Useful Economic Lives (UEL) of its assets which affects valuation.

Recommendation

We recommend that the Authority puts an annual process into place where assets at the end of their UELs are reviewed, and maintain an audit trail of all assets no longer in use which are then removed from the fixed asset register each year.

Management response

Noted as an issue in 2024/25 due to a housekeeping exercise to remove historic assets no longer in the service. An annual process is now in place to review assets at the end of their UEL and with a nil NBV.

Appendix A: Further information on our audit of the Authority's financial statements

Follow up on previous year recommendations for the Authority (continued)

Service level organisation management

Description of deficiency

The Authority has a Service Level Agreement (SLA) with Sunderland City Council (SCC) to provide a range of finance services, all relevant to the financial statements. Management therefore places reliance on SCC to deliver its services in line with the SLA. To support our cash testing, we obtained a direct confirmation from SCC on the Authority's cash balance. This was c£254k different to the cash balance reported in the draft financial statements. Although we were able to obtain sufficient evidence and explanations to support the difference and conclude that the right amount was recorded in the financial statements, management was unaware of the difference. The use of such a service organisation for the preparation of its financial statements does not relieve management of their responsibilities for the financial statements.

Potential effects

Incomplete or inaccurate disclosures in relation to cash, and potentially other balances where SCC produces key reconciliations which feed directly into the preparation of the financial statements.

Recommendation

We recommend management to consider this observation as part of their next review of the SLA to:

- Consider putting more formal arrangements in place in terms of monitoring of service delivery;
- Review its SLA for any clauses/ scope for the service organisation to provide a report on its controls (typically a type 1, or type 2 report). These are normally issued under International Standard on Assurance Engagements (ISAE) 3402, or consider this as part of internal audit's programme; and

We also recommend that management reviews its existing bank account arrangements.

In the interim, we recommend that:

- Management establish additional processes and controls to ensure that services are performed in line with the SLA; and
 - Management assess the processes and controls SCC has in place to help it better understand performance against the SLA.
-

Management response

Work to be done on this new control.

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