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Humberside Fire Authority Members
Humberside Fire and Rescue Service Headquarters
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8 February 2024

Dear Members

Humberside Fire Authority

Follow-Up Letter to our Audit Completion Report in relation to the 2022/23 Audit

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 22 August 2023 and to draw your attention to additional issues that have arisen since we presented our report to the Authority on 22 September 2023.

Additional issues arising since we reported in August

Members will recall from our presentation at the Authority meeting on 22 September 2023, that we had substantially completed the audit by the end of August 2023, but were unable to complete our audit and issue our audit opinion on the financial statements until we received assurance from the pension fund auditor. In the intervening period a few additional issues arose, which are set out in this letter.

Summary of issues arising

We received the assurance from the pension fund auditor on 20 December 2023. The main reason for the delay was the auditor needed to undertake additional testing of membership data to support the triennial revaluation. However, the pension fund auditor also encountered difficulties getting confirmation of asset values from custodians for a sample of investments and when this information was received asset values were significantly higher than in the draft pension fund accounts.

The pension fund auditor extrapolated the sample error and reported to us that the pension fund assets were understated by £18.5M. The Authority's share of this understatement is £155K, which is immaterial but above our reporting threshold.

Whilst waiting for the pension fund assurance letter the Authority received a revised actuarial valuation

report for the firefighter pension schemes. This resulted in a material increase in long-term liabilities of £8.98M.

The local government actuary also issued a revised asset ceiling calculation. This reduced long term assets by £1.286M. It also meant that the understatement of assets identified by the pension fund auditor had no impact on the Authority’s balance sheet, because other long-term assets were already restricted to the value of the asset ceiling. However, it did impact on the disclosure notes.

As the misstatement of pension liabilities was material, the Authority decided to amend the accounts for all three misstatements.

The Authority received updated information for the Emergency Services Fleet Management (ESFM) company, which had produced its accounts later than the Authority. As no asset ceiling calculation had been performed for ESFM the level of adjustment required could not be determined but the maximum impact was immaterial. Accordingly, the Authority decided not to amend for what was an immaterial uncertainty.

An immaterial error in respect of the analysis of land and building revaluation movements at note 5 was also identified and corrected after we presented our audit completion report.

Update on matters previously reported as outstanding

The following matters have now been resolved.

Audit area previously reported as outstanding	Status	Updated position
Pensions	Complete	We have now completed our work on pensions, and in particular, we have received the assurance letter from the auditor of East Riding Pension Fund. The only matters to bring to your attention are the issues reported above.
Movement in Reserves and Supporting Notes	Complete	We have now completed our work on the MIRS and supporting notes. There are no matters to bring to your attention.
Property, Plant and Equipment	Complete	We have now completed our work on property, plant and equipment. The only matter to bring to your attention is the immaterial error reported above in Note 5.
Investments	Complete	We have now completed our work on investments. There are no matters to bring to your attention.
IT General Controls	Complete	We have now completed our work on IT General Controls. There are no matters to bring to your attention.
WGA	To complete after issuing audit opinion	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.



Audit area previously reported as outstanding	Status	Updated position
Value for money arrangements	Complete	We have now completed our work on value for money arrangements, and we have no significant weaknesses or recommendations to report.
Closing Procedures	Complete	We have now completed our review and closure procedures, including updating our review of post balance sheet events and there are no additional matters to bring to your attention.

For completeness, I attach a final summary of misstatements as Appendix A to this letter. All changes between the Audit Completion Report and the final position are highlighted in red. I also attach at Appendix B, the proposed audit report, which contains updated wording on value for money and a missing paragraph from the draft in the Audit Completion Report, again highlighted in red.

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

Yours faithfully

Garvin Barker

Director
For and on behalf of Mazars LLP

Appendix A – Summary of misstatements

The issues arising between the issue of the Audit Completion Report on 22 August 2023 and the issue of this update letter are highlighted in red.

We set out on below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £49k.

The first section outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second section outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted uncertainty (maximum misstatement shown) 2022/23

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1. Dr: Other Long-Term Assets			1,196	
Cr: Unusable Reserves				1,272
Dr: Creditors			214	
Cr: Debtors				327
Dr: Cash			157	
Dr: Stock			61	
Cr: Property, Plant and Equipment				29

Revised accounts from ESFM reflecting an actuarial valuation of pensions, but without an asset ceiling calculation to ascertain if the asset surplus needed to be restricted or not.

Adjusted misstatements 2022/23

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Pension Reserve		8,980	
	Cr: Long-Term Liabilities			8,980
	Impact of revised actuarial report from the actuary for firefighter pension schemes			
2	Dr: Pension Reserve		1,286	
	Cr: Other Long-Term Assets			1,286
	Impact of revised asset ceiling calculation from the actuary for the local government pension scheme			
3	Dr Property, Plant and Equipment		502	
	Cr Revaluation Reserve			502
	Valuer calculation errors in the 2021/22 full revaluation regarding professional fees at two fire stations. In one case fees were deducted rather than added and in the other there was no allowance for professional fees.			
4	Dr: Revaluation Reserve		466	
	Cr: Capital Adjustment Account			466
	Being an error in posting the revaluation adjustments to reserves.			

Note: None of the above adjustments impact on the Authority's usable reserves. One of the misstatements stated in the Audit Completion Report transpired not to be misstated so was not adjusted in the revised accounts and is not shown in the table above.

In addition the following amendments have been made to disclosure notes since we presented our Audit Completion Report.

Note 4 (Pension asset analysis)

Whilst there is no impact on the balance sheet as the local government pension surplus is restricted to an asset ceiling, the table analysing LGPS assets is before the restriction so when the pension fund audit assurance letter was received the 0.3% understatement of assets led to a £155K understatement of assets in this disclosure note, which has been corrected.

Note 5 (Property, Plant and Equipment)

Revaluation increases to the Revaluation Reserve were £932K overstated and revaluation increases to the Comprehensive Income and Expenditure Account were £932K understated. A 2021/22 adjustment done in 2022/2023 was posted the wrong way round for £466K in this note but correct in reserves notes and the primary statements.



Appendix B – Updated Audit Report Wording

We have highlighted in red matters raised in this letter.

Independent auditor's report to the members of Humberside Fire Authority

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Humberside Fire Authority ("the Authority") for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Firefighters Pension Fund Account 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 as at 31st March 2023 and of its 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 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 Executive Director of Finance'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 Executive Director of Finance with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Executive Director of Finance 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 Executive Director of Finance for the financial statements

As explained more fully in the Statement of the Executive Director of Finance's Responsibilities, the Executive Director of Finance 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 Executive Director of Finance is also responsible for such internal control as the Executive Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director of Finance 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 Executive Director of Finance is responsible for assessing each year whether or not it is appropriate for the Authority to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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 Authority 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, which were contrary to applicable laws and regulations, including fraud.

We evaluated the Executive Director of Finance'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 Authority 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 Authority. 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 Executive Director of Finance'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. 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 opinion, 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 Accounting Officer

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

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;

[Signature]

Gavin Barker
For and on behalf of Mazars LLP

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9 February 2024