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Humberside Fire Authority Members
Humberside Fire and Rescue Service Headquarters
Summergroves Way
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29 November 2022

Dear Members

Humberside Fire Authority

Follow-Up Letter to our Audit Completion Report in relation to the 2021/22 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 2022 and to draw your attention to additional issues that have arisen since we presented our report to the Authority on 23 September 2022.

Additional issues arising since we reported in August

Members will recall from our presentation at the Authority meeting on 23 September 2022, that your officers had produced the 2021/22 financial statements and we had audited them significantly in advance of the timetable set out in the Accounts and Audit Regulations. The Authority approved the financial statements on 23 September 2022, but we explained that we were unable to complete our audit and issue our audit opinion on the financial statements until we received assurance from the pension fund auditor.

Summary of issues arising

We received the assurance from the pension fund auditor on 24 November 2022. The main reason for the delay was the auditor 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 £39.1M. The Authority's share of this understatement is £317K, which is immaterial but above our reporting threshold.

Mazars LLP

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The pension fund auditor also reported that the information provided to the actuary and reflected in the Authority's accounts showed assets £22M lower than shown in the Fund's accounts. The reason for the discrepancy has not yet been established but it is believed that the higher figure in the Fund's accounts is more likely to be accurate, being based on later information. The Authority's share of this potential further understatement of assets is £177K.

Accordingly, the aggregate extrapolated and potential understatement of local government pension fund assets in the Authority's accounts is £494K. As this is still immaterial and does not impact on the Authority's usable reserves, management have decided not to adjust the accounts, but we are obliged to report the error to you in this letter.

The audit of billing authorities is ongoing due to a national issue in respect of infrastructure, which does not impact on the Authority. However, the latest information available from these audits suggests that the Authority has understated collection fund debtors and creditors by £174,000 in its revised financial statements. Again this is immaterial but above the reporting threshold so we are obliged to report the error to you in this letter.

Update on matters previously reported as outstanding

The following matters have now been resolved.

Audit area previously reported as outstanding	Status	Updated position
Pensions	COMPLETED	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 Members' attention are the extrapolated and potential understatements of assets reported above.
Movement in Reserves and Supporting Notes	COMPLETED	We have now completed our work on the MIRS and supporting notes. There are no matters to bring to your attention.
Collection Fund Debtors and Creditors	COMPLETED	We have now completed our work on debtors and creditors following the receipt of updated information from billing authorities. The only matter to bring to Members' attention is the immaterial error reported above.
IT General Controls	COMPLETED	We have now completed our work on IT General Controls. There are no additional matters to bring to Members' attention.
WGA	OUTSTANDING	The group instructions have still not been received from the National Audit Office. Accordingly, we will withhold our certificate closing the audit using the wording reported to you in the final paragraph of the draft audit report contained at Appendix B of our Audit Completion Report.
Closing Procedures	COMPLETED	We have now completed our review and closure procedures, including updating our review of post balance sheet events and there is just one matter to bring to your attention. The audit adjustment to debtors and creditors referred to in the Audit Completion Report had not been made in Note 16, supporting the cash flow statement. Whilst immaterial, this has now been corrected to ensure consistency between the notes and primary statements.



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 a minor change in wording 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

Gavin 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 2022 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 £43k.

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 misstatements 2021/22

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1. Dr: Property Plant and Equipment Cr: Revaluation Reserve Valuer calculation errors regarding professional fees applied to two fire station valuations.			502	502
2. Dr: Capital Adjustment Account Cr: Property, Plant and Equipment Dr: Revaluation Reserve An error in calculating and posting the prior period adjustment.			272	239 33
3. Dr: Revaluation Reserve Cr: Capital Adjustment Account An error in posting the revaluation adjustments to reserves.			466	466
4. Dr: Other Long-Term Liabilities (pension liability) Cr: Unusable reserves (pension reserve) Dr: Movement in Reserves Statement Cr Re-measurement of the net defined liability See summary of issues arising on pages 1-2.			494	494
5. Dr: Short-Term Debtors Cr: Short-Term Creditors See summary of issues arising on pages 1-2.			176	176

Adjusted misstatements 2021/22

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Short Term Creditors			896	
	Cr: Short Term Debtors				896
	Incorrect reversal of 2020/21 collection fund debtors and creditors.				

Note: None of the above adjustments impact on the Authority's usable reserves.

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 for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Firefighter's 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31st March 2022 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 2021/22.

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 Corporate Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, 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 Corporate Services with respect to going concern are described in the relevant sections of this report.

Other information

The Executive Director of Corporate Services is responsible for the 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. 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 Corporate Services for the financial statements

As explained more fully in the Statement of the Executive Director of Corporate Service's Responsibilities, the Executive Director of Corporate Services 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 2021/22, and for being satisfied that they give a true and fair view. The Executive Director of Corporate Services' is also responsible for such internal control as the Executive Director of Corporate Services 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 Corporate Services is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 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 Corporate Services 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.

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.

We evaluated the Executive Director of Corporate Service'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 were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Governance, Audit and Scrutiny Committee the 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.

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

- making enquiries of management and the Governance, Audit and Scrutiny 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 Governance, Audit and Scrutiny 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 Executive Director of Corporate Service'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 September 2021.

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 2022.

We have not completed our work on the Authority's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.

We will report the outcome of our work on the Authority's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

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 December 2021.

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 Humberside Fire Authority's Whole of Government Accounts consolidation pack for the year ended 31 March 2021, and consequently conclude the audit and issue the certificate for that period;
- the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack for the year ended 31 March 2022; and
- the work necessary to satisfy ourselves that Humberside Fire Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.



[Signature]

Gavin Barker, Key Audit Partner
For and on behalf of Mazars LLP

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29 November 2022