

Auditor's Annual Report - DRAFT

Humberside Fire Authority— year ended
31 March 2023

January 2024



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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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01

Section 01: **Introduction**

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Humberside Fire Authority ('the Authority') for the year ended 31 March 2023. 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. **This is a DRAFT report, as we have not yet issued our audit opinion. The report will be finalised when we issue our audit opinion, anticipated in February 2024.**

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 anticipate issuing our audit report in February 2024. Our opinion on the financial statements is expected to be unqualified.



Value for Money arrangements

In our audit report, yet to be issued, we will report that we have completed our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Authority's arrangements.



Wider reporting responsibilities

We have received group instructions from the National Audit Office (NAO) in relation to Whole of Government Accounts (WGA), but we are unable to report to NAO until we have issued the audit opinion. We anticipate reporting on WGA shortly after issuing our audit opinion (anticipated in February 2024).

02

Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (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 2023 and of its financial performance for the year then ended. **Our audit report, is expected to give an unqualified opinion on the financial statements for the year ended 31 March 2023.**

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.

Significant difficulties during the audit

Our audit completion report issued on 24 August 2023 explained that the 2022/23 audit was substantially complete but there would be a delay issuing our opinion because we were unable to conclude our work addressing the significant risk arising from the defined benefit pension scheme until the audit of the East Riding Pension Fund (ERPF) was substantially complete. We received the requisite assurance from the ERPF auditor on 20 December 2023.

Meanwhile, our work on pensions had identified the need for a revised actuarial report and asset ceiling calculation, so a further delay was unavoidable. When we reviewed this new information, we identified that the Authority needed to amend and re-approve the financial statements. **The statements have now been amended and are scheduled to be approved on 9 February 2024.**

Reporting responsibility	Outcome
Annual 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

Section 03:

Commentary on VFM arrangements

3. Commentary on VFM arrangements

Overall summary



3. 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 staff and directors

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.

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 outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

3. 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	17	No	No	No

3. Commentary on VFM arrangements

Financial Sustainability

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



3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Overall responsibilities for financial governance

We have reviewed the Authority’s overall governance framework, including Fire Authority and Governance, Audit and Scrutiny Committee reports, the Annual Governance Statement, and the Annual Report and Accounts for 2022/23. These confirm that the Authority appropriately undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Authority’s service users.

The Authority receives assurance on all aspects of financial management and operational performance through reports to the Governance, Audit and Scrutiny Committee. This includes:

- overseeing and assuring financial and operational performance;
- considering the risks associated with any material financial transactions;
- considering the financial and operational risks involved in the Authority’s business and how they are controlled and monitored by management; and
- taking action needed to address issues raised or to make improvements.

Our review of supporting papers confirmed that it did so effectively throughout 2022/23.

The Authority’s financial planning and monitoring arrangements

The Authority’s 2022/23 financial plan was designed to achieve break-even without any requirement for operational savings or a call on reserves, other than those earmarked for non-recurring 2022/23 projects. In April 2022, a new Pay and Prices Reserve was established to combat rising inflation and the increasing risk that pay awards would exceed increases in government funding in the medium term..

Audited accounts show that the plan was achieved with a managed underspend of £0.4M and £1.2M of the Pay and Prices Reserve remained. The Authority receives quarterly management accounts providing detailed commentary of performance against budget, including explanations of significant variances. The financial position was challenged at these meetings and remedial action was taken when a small overspend was forecast in the mid-year management accounts. This included non-pay spending controls, holding vacancies and re-profiling the capital programme. The underspend was accurately forecast from month 11 when the level of additional income and impact of remedial action became clear.

Budget Preparation commences the September before the forthcoming year. Pressures are logged and notified to the Head of Finance so the budget, Medium Term Resource Strategy (MTRS) and management accounts forecasts can take them into account. The MTRS is regularly updated and reported to members as financial forecasts change. There were three such updates in 2022/23 after the 2022/23 Budget and MTRS were formally approved in February 2022.

The Authority’s arrangements and approach to Financial Planning 2023/24

The 2023/24 Budget was set in the context of the highest inflation for forty years, peaking at 11% in October 2022 and remaining stubbornly high well into 2023/24. The Government and FBU resolved a long-running pay dispute in March 2023, which resulted in a seven per cent pay award backdated to July 2022 with a further five per cent from July 2023. Although the Government’s financial settlement allowed the Authority to increase the council tax precept by £5 (5.5%) and resulted in £1.1M of additional grant funding, the Authority needed to use half of the Pay and Prices Reserve without requiring operational savings or use of the general reserve to balance the budget.

The Authority approved the 2023/24 Budget as part of a new MTRS in February 2023, which included a plan to maintain reserves at a minimum of £7M to reflect the increased risks associated with uncertainty over inflation, pay awards, government funding and council tax capping rules. The MTRS covered a rolling four year programme and the general fund was consistent with the Executive Director of Finance’s risk assessment. The MTRS included an annual 3.5% non-pay savings target (£0.25M), which is secured by reducing budget allocations and allowing budget holders discretion about delivery. At this stage, no operational savings were required.

The latest management accounts forecast a £0.4M underspend in 2023/24, which will be used to maintain overall reserves in 2024/25. This has arisen primarily due to interest on investments being higher than budgeted and IT costs being lower than expected.

The latest update of the MTRS was reported to the Authority in December 2023. This reflects the latest inflation forecasts, pay negotiations and indications in the Government’s Autumn Statement about future funding and rules on referendums for council tax increases. The Executive Director of Finance updated his financial risk assessment and concluded that general reserves of £6M were required until 31 March 2025. The MTRS assumes that the Pay and Prices Reserve will be fully utilised to balance 2025/26 and general reserves will be reduced by £1.1M in 24/25 and £0.7M in 2025/26. It assumes that the Authority will resume being able to balance its budget without operational savings or calls on reserves from 2028/29. It is predicated on the presumption that financial risks will reduce and a general reserve of £4.9M will match a revised risk assessment in December 2024.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

The Authority’s arrangements and approach to Financial Planning 2023/24 (continued)

In recognition of the financial risks in the MTRS the Authority has developed a potential savings plan to be considered further if required. The impact of potential changes in fire cover on response times and life risk is carefully modelled before operational savings are consulted upon. For the period 2010/11 to 2019/20 the Authority’s funding reduced by 40%, but savings of £11M were achieved without compromising performance, as evidenced by the most recent HMICFRS inspection covered on page 18.

The Authority’s positive track record in terms of delivering savings and keeping within budget has allowed it to establish a general reserve of £6.3M at 31 March 2023, which is marginally above the minimum level determined by the Authority’s risk assessment and about 11 per cent of net revenue expenditure. In addition, the Authority has earmarked reserves of £8.8M set aside to meet expected pressures over the period of the MTRS.

The Authority undertakes substantial work to understand possible future impacts on the budget. The medium term budget projections consider various budget pressures, such as pay and price increases, the revenue implications of the capital programme and other pressures including the triennial revaluation of pensions. The risk register contains a critical risk and remedial action regarding the financial position and is monitored quarterly.

The MTRS includes sensitivity analysis to show the impact of each 1% of pay award above the forecast level (£0.4M). We have critically assessed the underlying assumptions used in the MTRS and consider them to be appropriate. The assumption regarding a real-terms cut in government funding from 2025/26 is especially prudent in the light of recent Government announcements about tax and spending priorities and the uncertainty relating to the position a new government would take after the 2024 General Election. The Authority has added flexibility because its budget includes about £1.5M per annum of revenue contributions to its capital programme and the Authority is able to re-phase and refinance its capital programme to deliver instant revenue savings.

The MTFS is underpinned by workforce planning and capital programmes and accounts for risks arising during the year and planning assumptions within the Community Integrated Risk Management Plan (CIRMP). We have not identified any inconsistency between the various plans in prior years or from our review of the CIRMP.

Conclusion

We have not identified any significant weaknesses in the Authority’s arrangements in relation to the financial sustainability reporting criteria.

3. Commentary on VFM arrangements

Governance

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



3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

The Authority’s governance structure

The Authority has an established governance structure in place which is summarised in its Annual Governance Statement and set out in the Constitution. The Constitution is updated annually and includes a scheme of delegation assigning clear responsibilities to the Strategic Leadership Team, the Authority and its sub-committees. The structure allows for effective oversight of the Authority’s operations and activity. We reviewed these documents as part of our audit and confirmed they were consistent with our understanding of the Authority’s arrangements in place and were fully operational.

This includes arrangements such as registers of interests being maintained and published and codes of conduct, updated to reflect the most recent Local Government Association models. The Authority has approved and adopted a code of corporate governance applicable to Members, which is consistent with good practice set out by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE). We reviewed the declarations of interest during the financial statements audit. We have confirmed that all relevant declared interests have been appropriately reported within the 2022/23 financial statements.

The Authority met 9 times in 2022/23 and has established committees with appropriate remits that met as follows in 2022/23:

- Governance, Audit and Scrutiny Committee (7 occasions); and
- Pension Board (2 occasions).

The terms of reference and work plans of these various committees ensures that the Authority is provided with adequate assurance and this is confirmed through an annual review of effectiveness. We consider the committee structure of the Authority is sufficient to provide assurance that decision making, risk and performance management is subject to appropriate levels of oversight and challenge.

Our review of Authority and committee papers confirms that reports clearly articulate the purpose, key points, financial impact, recommendations and action points. Minutes are published and reviewed by the Authority to evidence the matters discussed, appropriate challenge and decisions made.

We attended several Governance, Audit and Scrutiny committees in the year and found that members were appropriately skilled to undertake their role and provided appropriate challenge to Management and Internal and External Audit. All are independent Members and are recruited and trained to provide a range of skills and collectively provide effective scrutiny.

The Authority’s risk management and monitoring arrangements

The Authority has a comprehensive risk management system in place which is embedded into the governance structure of the organisation. The processes are supported by the Authority’s Corporate Risk and Opportunity Policy and the Authority leadership plays a key role in implementing and monitoring the risk management process.

The Authority has overarching responsibility for risk management and considers the content of the Corporate Risk Register as part of its scrutiny of bi-annual Performance Reports. The Corporate Risk Register takes account of any changes in the entity’s internal and external environments. The register is completed with senior management input and they are pro-active in evaluating the risks. We are satisfied that the management team have appropriate industry and regulatory knowledge.

The Strategic Leadership Team discuss the risk register at each meeting, consider the mitigating measures in place and agree on a risk score. Risk registers are updated following the meeting. During the meetings, horizon scanning takes place to identify new or emerging risks for the Authority. Appropriate action is taken following these discussions. We have confirmed through attendance at Authority meetings that detailed discussion and challenge has taken place on high level risks. The risks are clearly linked to the Strategic Aims of the Authority and are included in operational performance reports, providing a thread from operational to strategic risk management.

The Authority’s arrangements for internal control

The Authority obtains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, by outsourcing internal audit and local counter fraud work to TIAA. Work plans are agreed with management in advance of the start of the financial year and reviewed by the Governance, Audit and Scrutiny Committee prior to final approval.

We have reviewed the Internal Audit Plans for 2022/23 and 2023/24 and confirmed planned work addresses the expected areas with annual coverage of key financial controls. Progress reports are presented to each Governance, Audit and Scrutiny Committee meeting including follow up reporting of recommendations not fully implemented by agreed due dates. This allows the Committee to effectively hold management to account on behalf of the Authority.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

The Authority’s arrangements for internal control (continued)

Our attendance at Governance, Audit and Scrutiny Committees throughout the period confirms the significance placed on internal audit findings. Members of the committee actively request management attendance at committees to discuss findings from internal audit reports.

Internal audit gave a reasonable assurance opinion on financial controls in 2022/23 with no significant governance weaknesses identified for reporting in the Annual Governance Statement. We did not identify any internal control weaknesses in 2022/23.

The Authority has an appropriate Anti-Fraud and Corruption Policy which sets out detailed policies and procedures to prevent and detect fraud. The Authority has recently updated the policy together with policies in respect of bribery, money laundering and whistleblowing. The latter has been expanded to provide new support routes.

The Authority’s arrangements for budget setting and budgetary control

The Authority’s MTRS includes the identification and evaluation of risks to the Authority’s finances and is developed in parallel to the budget for the following year and setting of the precept. It clearly states the assumptions used to develop budgets for each year.

We examined the assumptions behind the latest MTRS and we have confirmed the assumptions are reasonable, the main ones being:

- Grant funding increasing by one per cent per annum after the known increases for 2023/24 and 2024/25;
- Council tax income increasing in line with the historic limits on increases without a referendum;
- Pay awards of five per cent in 23/24, four per cent in 24/25 and two per cent thereafter;
- Non-pay inflation increasing by variable amounts given the widely different forecasts for some categories (e.g. energy); and
- £1.5M per annum revenue support to the capital programme.

Responsibilities of budget holders are clearly set out in the Budget Monitoring procedures note and they are required to provide explanations for variances in their quarterly budget reports. Budget holders have access to the general ledger and are encouraged to review progress between the formal quarterly reports.

Budget reports are usually available by the 1st day of the month following quarter end. They show the actual expenditure and income compared to what was budgeted and highlight any variances. The budget holders then update their year-end forecasts within five days of receiving the reports.

We found that explanations for budget variances were detailed and clear and in most years forecasts in budget monitoring reports have been very accurate. The Authority has tended to underspend slightly in recent years as it has focused on establishing new reserves to meet emerging medium -term pressures, whilst maintaining or increasing the general fund balance.

The Authority achieved full compliance with CIPFA’s Financial Management Code in 2021/22 and updated its Code of Conduct in 2022/23.

The Authority’s arrangements for performance management

Performance against targets and prior years was reported bi-annually to the Authority in 2022/23. The reports detail the Authority’s performance against the target for all standards, as well as highlighting the key concerns, and the mitigating actions to show how performance will be improved where necessary. The performance reports are discussed as adjacent agenda items to management accounts and officers describe the relationship between the two. An annual performance report is prepared and published on the Authority’s website.

An Internal Audit Report in 2021/22 gave performance management a ‘*substantial assurance*’ opinion, the highest available rating. The report made no recommendations and identified two areas of good practice.

Conclusion

We have not identified any significant weaknesses in the Authority’s arrangements in relation to the governance reporting criteria.

3. Commentary on 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



3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

The Authority’s arrangements for assessing performance and evaluating service delivery

One of the Authority’s four strategic plan objectives is ‘to efficiently manage the service’. This includes making appropriate use of public money and delivering value for money.

The Authority periodically benchmarks its performance against a family group of similar fire authorities. In the last such review in 2021/22 the Authority performed better than average for most indicators. Although incident levels have increased both nationally and in Humberside since lockdown restrictions were lifted the Authority met 11 of its 15 key performance targets in 2022/23 and all 15 the previous year.

In 2022/23 the Authority met its response targets and facilitated reductions in accidental dwelling fires and false alarms. Although secondary arson (mainly grassland and refuse) and fatalities both increased, the 2023/24 Mid-Year Performance Report shows these trends were reversed. There were no fire fatalities in the first six months of 2023/24 and secondary fires were more in line with seasonal trends. Nationally, the dry, hot summer of 2022 distorted the volume of secondary fires in 2022/23.

The Authority has continued to meet response targets with 97% of first appliances arriving at dwelling fires and road traffic accidents within the specified times and 85% of second appliances arriving within five minutes of the first appliance.

The Governance, Audit and Scrutiny Committee selected five subjects to review in 2022/23, which were clearly related to areas that Her Majesty’s Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) identified for improvement in its second full inspection of Humberside Fire Authority reported in 2022 and governance issues that have arisen since the inspection such as a review of disaster recovery following a cyber-attack in 2022.

We witnessed appropriate challenge of improvement plans in these areas through our attendance at Governance, Audit and Scrutiny Committee meetings and are satisfied that improvements are being implemented.

The Authority’s regulator assessments and independent reviews

In July 2022, HMICFRS published their report on the second full inspection of the Authority together with a summary of findings of all inspections in tranche two. HMICFRS rated the Authority ‘Good’ for each pillar of inspection and for all 11 sub-scores. This represented a significant improvement on the previous inspection when the People Inspection Pillar had been rated ‘requires improvement’ and the latest report represented one of the best inspection outcomes in the country.

HMICFRS commended the Authority’s response to its previous inspection stating that the Authority had “created a service improvement plan using the areas for improvement highlighted in our 2018 inspection with the aim of improving the service it provides to the public. It was clear throughout our inspection that this has worked”.

HMICFRS’s report on all tranche two inspections cited good practice at Humberside in respect of:

- a falls response partnership;
- risk-based station planning;
- IT procurement; and
- evaluation of positive action plans.

HMICFRS have undertaken a thematic review of the handling of misconduct in 2023/24 and the verbal feedback has not indicated any of the high-profile failings reported at some other fire authorities. During 2022/23 the Authority also undertook a gap analysis against 35 HMICFRS recommendations in a national ‘Values and Culture’ report and identified scope for improvement in 22 areas seven of which remain outstanding. HR consultants are currently reviewing progress in these areas.

Scrutiny reviews in 2022/23 or 2023/24 have identified a significant reduction in the percentage of employees alleging that they have been bullied (from 26 per cent in 2018/19 to five per cent in 2021/22), only one upheld grievance and progress at completing dignity works. 25 per cent of the latest intake of full-time firefighters were female and Internal Audit issued a ‘reasonable assurance’ rating following its own bullying, harassment and discrimination review.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria (continued)

The Authority’s regulator assessments and independent reviews (continued)

The results from the previous two full inspections of Humberside Fire Authority are published on the HMICFRS website and summarised in the following table:

Inspection Pillar	Inspection rating	Previous inspection rating
Effectiveness	Good	Good
Efficiency	Good	Good
People	Good	Requires Improvement

HMICFRS is planning to conduct its third full inspection of Humberside Fire Authority in the second half of 2024.

The Authority’s arrangements for effective partnership working

The Authority has developed shared services in several areas with Humberside Police and some of these arrangements predated the Police and Crime Act’s requirement for closer collaboration between Police and Fire services. The main partnerships are:

- Emergency Services Fleet Management (Humberside) Limited (ESFM), which is a joint arrangement that provides vehicle maintenance to both authorities;
- A shared service for estates management, which has recently been expanded with a joint Estates manager recruited;
- A shared health and safety team as commended by HMICFRS on the previous page; and
- Two senior finance posts shared between the two authorities.

Some properties are shared and reports show opportunities for further sharing are being explored.

Partnerships appear to be working well as evidenced by the performance monitoring reports. Partnerships are risk-assessed before being entered into and an established framework exists. Internal Audit issued a ‘*limited assurance*’ opinion on collaboration in January 2023 because they found that only three of the 44 partnerships in the Collaboration Register had a formal, signed agreement and there was no standard approach to evaluation, with an outdated form used inconsistently. However, an action plan was agreed and a mid-year progress report in November 2023 found that all were implemented or in progress, with just two behind schedule.

The Authority’s arrangements for commissioning services

The Authority has an in-house procurement team consisting of four staff, all with suitable qualifications and experience. They are responsible for producing the Procurement Policy in use by the Authority and the thresholds have been updated to reflect the impact of Brexit. The procurement team use established national and regional procurement frameworks to maximise purchasing power and participate in national benchmarking exercises, which have not identified any scope for significant savings. A regional exercise was used to procure personal protective equipment.

Outsourcing has been limited to a few support services where it is not economic to provide the degree of specialist support required in house (e.g. legal services and treasury management) and these are managed via service level agreements with councils.

The Governance, Audit and Scrutiny Committee undertook a scrutiny review of procurement in 2022/23. There was no indication from the review that procurement is likely to expose the Authority to significant financial loss or failure to deliver efficiency and performance improvements.

Conclusion

We have not identified significant weaknesses in the Authority’s arrangements in relation to the improving economy, efficiency and effectiveness reporting criteria.

04

Section 04:

**Other reporting responsibilities and
our fees**

4. Other reporting responsibilities and our fees

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 NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data.

We have received group instructions from the National Audit Office (NAO) in relation to 2022/23 Whole of Government Accounts (WGA), but we are unable to report to NAO until we have issued the audit opinion. We anticipate reporting on WGA shortly after issuing our audit opinion (anticipated in February 2024).

However, we once again expect a delay before we can formally issue our audit certificate closing the audit. This is while we wait for NAO to confirm that the Authority has not been selected for further WGA review as a sampled component.

4. Other reporting responsibilities and our fees

Fees for 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 presented to the Governance, Audit and Scrutiny Committee in April 2023. Having completed our work for the 2022/23 financial year, we can confirm that our final fees are as follows:

Area of work	2021/22 fees	2022/23 fees *
Planned fee in respect of our work under the Code of Audit Practice (the scale fee published by PSAA)	£24,561	£29,527
Recurring increases in the base audit fee arising from regulatory pressures (part of this was consolidated in the scale fee of £29,527 for 2022/23)	£6,208	£1,242
Additional fees in respect of the VFM approach (recurring fee variation agreed from 2020/21)	£5,000	£5,000
Additional fees in respect of the revised ISA 540 (recurring fee variation agreed from 2020/21)	£1,900	£1,900
Additional fee relating to implementation of revised ISA 315, Identifying and assessing the risks of material misstatement (non-recurring)	£nil	£2,500
Additional fee relating to Pension Asset Ceiling considerations and Government Actuaries Department (GAD) revised pension disclosures (non-recurring)	£nil	£1,000
Total fees	£37,669	£41,169

* The 2022/23 fee is subject to a 5.2% inflationary increase, not included in the table above. As set out in the PSAA's 'Consultation on 2022/23 audit fee scale' published in August 2022, PSAA will fund the inflationary increase using "surplus funds not required for PSAA's operations, which would otherwise be distributed to opted-in bodies" (p8 of the consultation).

Fees for other work

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



Appendix

A. Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion 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</p> <p>In all entities, 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, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> Accounting estimates impacting amounts included in the financial statements; Consideration of identified significant transactions outside the normal course of business; and Journals recorded in the general ledger and other adjustments made in preparation of the financial statements. <p>Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. There is no indication of management override of controls.</p>
<p>The Valuation of the Defined Benefit Pension Liability / Asset</p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. Moreover, in 2022/23 the actuary undertook a triennial revaluation of the local government pension fund and the net valuation moved from a net liability to a net asset for the first time. This results in an increased risk of material misstatement.</p>	<p>We discussed with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally.</p> <p>We reviewed the appropriateness of the key assumptions included within the valuations, compared them to expected ranges and reviewed the methodology applied in the valuation. We considered the adequacy of disclosures in the financial statements.</p> <p>We obtained assurance from the audit of East Riding Pension Fund.</p> <p>Our work has provided the assurance sought. A revised actuarial valuation materially increased firefighter pension liabilities and the surplus on the Local Government Pension Fund was reduced after a revised asset ceiling calculation. There were also several amendments to the pension disclosure notes.</p>

A. Further information on our audit of the financial statements

Significant risks and audit findings (continued)

Risk	Our audit response and findings
<p>Valuation of land and buildings</p> <p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Authority's holding of land and buildings. Although the Authority uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of land and buildings due to the significant judgements and number of variables involved in providing revaluations. In addition, in 2021/22 the Authority extended the scope of the valuation after discovering material errors that required a prior period adjustment in the accounts. We have therefore identified the valuation of land and buildings to be an area of significant risk.</p>	<p>We addressed this risk by considering the Authority's arrangements for ensuring that land and building values are reasonable and we used data on valuation trends and relevant indices to assess the reasonableness of the valuations provided by the external valuer. We also assessed the competence, skills and experience of the valuer.</p> <p>We discussed methods used with the valuer and tested their calculations. We used indices provided by NAO's valuation expert (Montagu Evans) to confirm the assets not revalued were unlikely to have materially changed in value.</p> <p>We tested the revaluations in year to valuation reports and supporting calculation sheets and ensure that the calculations were correct and source data agreed with floor plans and indices.</p> <p>We have not identified any 2022/23 valuation issues to bring to your attention. In 2021/22 two calculation errors were identified in respect of professional fees. There was a partially offsetting error in respect of the prior period adjustment. The posting of revaluation movements between the revaluation reserve and not cost of services was also incorrect. These misstatements are disclosed as adjusted misstatements on page 17 of our Audit Completion Report.</p>

A. Further information on our audit of the financial statements

Summary of uncorrected misstatements

At the time of drafting our Audit Completion Report there were no unadjusted misstatements.

We have now identified that due to revision to the Emergency Services Fleet Management company's 2022/23 accounts there is an immaterial understatement of net assets and earmarked reserves by up to £1.3M. The understatement can't be quantified because the pension asset of £1.2M may be subject to an asset ceiling. However, as the maximum impact is immaterial the actuary has not been asked to provide an asset ceiling calculation for the company. Accordingly, this issue is an immaterial uncertainty rather than an uncorrected misstatement.

Internal control recommendations

None were identified.

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