

Mrs Julia Mulligan
North Yorkshire Police, Fire and Crime Commissioner
Headquarters
Alverton Court
Crosby Road
Northallerton
North Yorkshire
DL6 1FE

27 November 2020

Dear Mrs Mulligan

**North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority
Follow Up Letter to our Audit Completion Report in relation to the 2019/20 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 14 September 2020.

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 North Yorkshire Pension Fund. The only matter to bring to your attention is the 'material valuation uncertainty' in relation to certain Pension Fund assets, as described in the next section of our letter.

WGA	Complete	We have completed our work on WGA that was delayed awaiting group instructions from the National Audit Office. There are no matters to bring to your attention.
Closing Procedures	Complete	We have completed our work on this area and have no further matters we need to report to you.

We have undertaken work on IT General Controls. This work is in the process of being finalised. We have evaluated the work completed to date and the work outstanding and conclude that this will not impact on our audit opinion and does not prevent us from signing our audit opinion.

Material valuation uncertainty' in relation to Pension Fund assets

North Yorkshire Pension Fund has made a disclosure of 'material valuation uncertainty' in relation to certain types of assets in the notes to its financial statements. As the Authority's accounts include a share of the Pension Fund assets, and the assets subject to the disclosure are above our materiality level, Note 3 to the Authority's financial statements in relation to sources of estimation uncertainty, has been updated to disclose the impact of this on the Authority's financial statements. The additional note is explained further in Appendix A, and the text has been highlighted in red for ease of reference.

In line with normal practice, we will include reference to this disclosure as an 'emphasis of matter' in our audit report. The purpose of this paragraph is to draw attention to this disclosure, it is not a qualification and does not modify our proposed unqualified opinion on the financial statements.

Our draft Auditor's Report at Appendix B includes a draft emphasis of matter paragraph.

Summary of Misstatements

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.

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

Yours faithfully

Gavin Barker

Gavin Barker
Director
For and on behalf of Mazars LLP

Appendix A – Summary of misstatements

The issues arising between the issue of the Audit Completion Report on 14 September 2020 and the issue of this update letter are highlighted in red.

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £32k.

Management has adjusted all misstatements identified and there are no unadjusted misstatements. The table below outlines the misstatements that have been adjusted by management during the course of the audit

Adjusted misstatements 2019/20

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Creditors: Receipts in advance Cr: Taxation and Non-Specific Grant Income		83	83	
The first tranche COVID-19 funding received in March was without conditions and there is no indication of potential clawback if any is unspent. Accordingly, it should have been fully recognised upon approval, whereas the unspent element of the grant was credited to receipts in advance in the accounts.				
2 Cr: Pension reserve Dr: Pension liability Cr: Fire services Cr: Financing and investment income Cr: Other comprehensive income and expenditure Dr: MIRS - Adjustment between accounting basis and funding basis	2,610	2,570 10 30	2,610	2,610
Following consultation on the proposed remedy relating to the McCloud judgement, a revised report was obtained from GAD in relation to the Fire Fighters Pension Scheme and the adjustments above have been made to reflect the revised position. This is as set out on page 8, and an adjustment was not required in relation to the LGPS scheme.				

Disclosure amendments

During our review of the financial statements we have identified amendments that were required to disclosures. The Authority has made these amendments:

- Note 7 (PPE) Brought forward and carry forward gross cost and brought forward and carry forward accumulated depreciation did not reflect an amendment made to last year's statement of accounts for £646k, this has now been amended.

- Note 7 (PPE) Capital Commitments of £290k included £101k in respect of IT equipment purchased in year. This is not a capital commitment as the expenditure has been recognised in year.
- Note 6(b) Expenditure and Income analysed by nature. Total income and expenditure figures were overstated by £358k which was in relation to the interest element of the PFI grant.
- Note 22 Senior Officers Remuneration – a number of minor amendments were made to the disclosures in this note.
- Note 18 Termination Benefits – the number of voluntary redundancy agreements had been disclosed as 3. There were 4 in year.
- Note 3 Assumptions Made About The Future and other Major Sources of Estimation Uncertainty (i) Pension Liability – the disclosure was updated to reflect the material estimation uncertainty disclosed in North Yorkshire Pension Fund’s financial statements in respect of the valuation of illiquid assets. The disclosure was updated to include the following wording:

Impact of COVID-19 Pandemic

The ongoing impact of the COVID-19 pandemic has created uncertainty on the valuation of the North Yorkshire Pension Fund’s assets at the reporting date, particularly its illiquid assets, such as property, private debt and infrastructure investments. Valuations for these funds are provided to the Pension Fund by external Fund Managers. Property fund valuations of £276.1m at the reporting date have been issued with a ‘material uncertainty clause’ to reflect the market uncertainty as a result of the pandemic. For private debt and infrastructure funds, the latest available valuation has been adjusted for cashflows in the intervening period. As set out in Note 27 to these financial statements, the pension disclosures for the Local Government Pension Scheme include a share of the Pension Fund assets issued with the material uncertainty

We also identified a small number of other minor disclosure inconsistencies and errors, all of which have been amended by management in the final version of the financial statements.

Appendix B – Auditor’s Report

We have highlighted in red matters raised in this letter

Independent auditor’s report to the members of North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority Report on the financial statements

Opinion

We have audited the financial statements of North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority for the year ended 31 March 2020, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Firefighter Pension Fund Account Statements 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Humberside Fire Authority as at 31st March 2020 and of the Authority’s expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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.

Emphasis of Matter – Effect of the Covid-19 Pandemic on the valuation of land and buildings and the Authority’s share of Pension Fund unquoted investments and property valuations

We draw attention to Note 3 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority’s land and buildings and the valuation of Authority’s share of North Yorkshire Council Pension Fund’s property fund. As disclosed in note 3 of the financial statements, the Authority and Pension Fund’s valuers included a ‘material valuation uncertainty’ declaration within their report as a result of the circumstances that applied at the valuation date. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officers’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. 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 Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer 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 2019/20, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Authority is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer 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.

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

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.

Conclusion on North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. 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.

Use of the audit report

This report is made solely to the members of North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.



Certificate

We certify that we have completed the audit of North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

[Signature]

Gavin Barker
Director
For and on behalf of Mazars LLP
Salvus House
Aykley Heads
Durham DH1 5TS
[Insert date]