

Audit Completion Report

North Yorkshire Police, Fire and Crime
Commissioner Fire and Rescue Authority
– Year ended 31 March 2023

November 2023



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Zoë Metcalfe
Police, Fire and Crime Commissioner for North Yorkshire
Members of the Independent Audit Committee
Office of the Police, Fire and Crime Commissioner
12 Granby Road
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HG1 4ST

17 November 2023

Dear Ms Metcalfe

Audit Completion Report – Year ended 31 March 2023

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented in September 2023. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07896 684 771.

Yours faithfully



Gavin Barker

Mazars LLP

Mazars LLP
Bank Chambers
26 Mosley Street
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NE1 1DF

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls
- Net defined benefit liability valuation; and
- Valuation of land and buildings.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements. Section 7 outlines our work on the Authority's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2023. At the time of preparing this report, matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Value for Money

We will follow up on the significant weakness and recommendation in relation to the adverse HMICFRS Inspection Report in 2021/22, and due to the timing of the HMICFRS report, this will be reported as a significant weakness and recommendation again. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

We anticipate completing our work on the Authority's WGA submission, in line with the group instructions issued by the NAO, by the deadline of 22 December 2023. We anticipate reporting that the WGA submission is consistent with the audited financial statements.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Authority and to consider any objection made to the accounts. No such correspondence from electors has been received.







02


Section 02:

Status of the audit


2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.


Audit area	Status	Description of the outstanding matters
LGPS Pensions		We are awaiting the assurance letter from the pension fund auditor.
FFPS Pensions		A revised IAS 19 valuation report has been requested from the Government Actuaries Department (GAD) to factor in the full year impact of inflation in 2022/23 on firefighters' pensions. GAD have indicated this report will be available in early December.
Audit review and quality control		Completion of manager and RI review, and Mazars quality control processes in respect of the audit.
Review of the final version of the accounts and AGS		We need to undertake our review of the final financial statements and AGS.
Completion and closing		We need to undertake a number of closure procedures, including reviewing post balance sheet events up to the date of signing the audit opinion.
Whole of Government Accounts (WGA)		Complete audit procedures supporting the WGA return to the NAO.



Likely to result in material adjustment or significant change to disclosures within the financial statements.



Potential to result in material adjustment or significant change to disclosures within the financial statements.



Not considered likely to result in material adjustment or change to disclosures within the financial statements.

03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in September 2023. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £1,080k using a benchmark of 2% of gross revenue expenditure]. No changes to the materiality level set at the planning stage have been made.

Use of experts

We have not made any changes to our planned approach in relation to the use of experts.

Item of account	Management's expert	Our expert
Defined benefit liability	Government Actuary's department (GAD) for Firefighters; and Aon Hewitt Limited for all other employees	NAO's Consulting Actuary (PWC)
Property, plant and equipment valuation	NPS Property Consultants	We will carry out appropriate testing and consider available third party information. See section on significant risks.

Service organisations

We have not changed the planned approach in relation to service organisations.

Items of account	Service organisation	Audit approach
Provision and maintenance of the general ledger system (including Accounts Payable and Accounts Receivable) which affects all items of account.	North Yorkshire County Council	Mazars is also the auditor of the Council and have direct access to accounting records and staff. Accordingly, we were able to substantively test the financial statements in the same way as if the Authority did not rely on a service organisation. We reviewed and documented the controls in place for production of the financial statements and also within the material financial information systems.
Treasury Management services		
Payment of pension lump sums and monthly pension payroll to retirees under the fire fighters pension scheme	West Yorkshire Pension Fund	There was sufficient information to allow testing of fire fighters pensions data at the Authority.

04

Section 04: **Significant findings**

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 14 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit

Management override of controls**Description of the risk**

This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- 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.

Audit conclusion

The work is complete, and we have no matters to bring to your attention in this respect.

4. Significant findings

Net defined benefit liability valuation

Description of the risk

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. This results in an increased risk of material misstatement.

In 2022/23 there is a net pension asset in the LGPS for the first time, and the appropriate method of accounting for this is uncertain and complex.

How we addressed this risk

To address this risk we have:

- We evaluated the management controls in place to assess the reasonableness of the figures provided by the actuary.
- We considered the reasonableness of the actuaries reports with reference to our experts report on all actuaries nationally.
- We reviewed the appropriateness of the key assumptions included within the valuations, we compared these assumptions to expected ranges and we reviewed the methodology applied in the valuation.
- We considered the adequacy of the disclosures in the financial statements.
- We sought assurance from the auditor of North Yorkshire Pension Fund in relation to the LGPS.
- We have also reviewed the accounting treatment of the net pension asset in the LGPS against technical guidance.

Audit conclusion

Our work in this area remains in progress. Any issues arising will be reported in our follow up letter.

4. Significant findings

Valuation of land and buildings

Description of the risk

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. We have therefore identified the valuation of land and buildings to be an area of significant risk.

How we addressed this risk

We addressed this risk by:

- Considering the arrangements for ensuring land and building values are reasonable and considered corroborative evidence to assess the reasonableness of the valuations provided by the valuer.
- We assessed the competence, skills and experience of the valuer.
- For assets revalued in year we reviewed the valuation methodology, including testing the underlying data and assumptions. We also compared the valuation output to market intelligence to gain assurance that valuations were in line with market expectations.
- We reviewed the approach taken by the Authority to address the risk that assets not revalued in year are materially misstated.
- We considered market indices between the revaluation date and the year end to determine whether these indicated that values has moved materially.

Audit conclusion

Where assets are not revalued in year the Authority consider the movement in the Build Cost Index (BCIS) to determine whether this indicates that asset values have moved materially. When doing this the Authority applied the movement in BCIS since the date the assets were last revalued, rather than since March 2022 when the asset values were last indexed. In addition, the BCIS used to consider this movement was not the BCIS as at the year end. This resulted assets being overstated by £1,819k.

Assets revalued in year had an effective valuation date of 31st January 2023. When we considered the movement in BCIS between that date and the year-end we identified these assets were understated by £111k.

The financial statements have been adjusted in both respects. The full details of the adjustments made can be seen in section 6 of this report.

4. Significant findings

Qualitative aspects of the Authority's accounting practices

We have reviewed the Authority's accounting policies and disclosures and concluded they comply with 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, published in November 2022, appropriately tailored to the Authority's circumstances.

Draft accounts were received from the Authority on 31 May 2023 and were of a good quality.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

Firefighters' Pension Scheme net defined benefit liability - During the course of the audit the Government Actuary Department (GAD) notified the Authority of an understatement in the pension liability of 2.79%. GAD have offered to issue revised IAS 19 valuation reports, with no additional charge. As the indicative movement is material to the Authority's account a revised actuary report has been requested.

Reinforced Autoclaved Aerated Concrete (RAAC) – we have discussed with management whether any of the Authority's properties include RAAC. The Authority's initial assessment suggests there are not, however more detailed property assessments are in progress. We have asked management to make specific representations in relation to RAAC in the letter of management representation, this can be seen in Appendix A.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability 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 law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2022/23 audit.

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. No such objections have been raised.

05

Section 05:

Internal control recommendations

5. Internal control recommendations

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to the Police, Fire and Crime Commissioner any significant deficiencies identified during the course of our work.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

No significant findings or recommendations in relation to internal controls have been noted as at the date of this memorandum.

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	-
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	-
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	-

5. Internal control recommendations

Follow up on previous internal control points

Description of deficiency

As part of our work in relation to property valuations we identified that the estates team did not fully understand how the valuer determined the floor area for an element of their valuation.

Potential effects

There is a risk that property valuations are not based on accurate source information.

Recommendation

The estates team work in collaboration with the valuer to ensure that the valuer is using the correct site area data and that the estates team understand the different aspects of the valuation areas.

2022/23 update

Our work on the 2022/23 valuations did not identify any instances where floor area used by the valuer was not consistent with the data held by the estates team. In addition, Computer Aided Design (CAD) drawings are currently being prepared for the whole of the Authority's estate.

06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £32k. The first table 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 table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements

Management have adjusted the financial statements for all misstatements identified.

6. Summary of misstatements

Adjusted misstatements

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1			1,591	
	Dr: Revaluation Reserve			
	Dr: Fire Services	228		
	Cr: Other land and buildings			1,819
	Being a correction to the indexation applied by the management to assets not formally revalued in year.			
2			111	
	Dr: Other land and buildings			
	Cr: Revaluation Reserve			
	Cr Fire services	10		101
	Being in the movement in value between the valuation date and the year end for assets revalued in year.			
3			522	
	Dr: Short Term Creditors			
	Cr: Cash and Cash Equivalents			522
	Being the value of BACS runs processed on 31 March which did not debit the bank until April 2023.			
	Total adjusted misstatements	228	10	2,442

6. Summary of misstatements

Disclosure amendments

We identified the following adjustments during our audit that have been corrected by management:

- Note 10 Capital Expenditure and Capital Financing – the table detailing the movement in the capital financing requirement had a value omitted for the capital investment in intangible assets. Capital investment in intangible assets was £76k in year, whereas the table showed nil.
- Note 24 Grant Income – The values for grants credited to services were out of line within this table, the values have now been corrected.

In addition to the above, we identified a small number of minor presentational issues during our audit of the financial statements which have all been amended.

07

Section 07:

Value for Money

7. Value for Money

Approach to Value for Money

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

At the planning stage of the audit, we undertake work to understand the arrangements that the Authority has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. 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 significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Authority's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report in early 2024.

Status of our work

We are yet to complete our work in respect of the Authority's arrangements for the year ended 31 March 2023. Although our work in this area of the audit is ongoing, at the time of preparing this report, the significant weakness in arrangements identified in 2021-22 in relation to the adverse HMICFRS inspection report will be reported as a significant weakness in 2022-23, due to the timing of HMICFRS's report. We provide further details on the identified significant weaknesses and our recommendations later in this section of our report.

Our draft audit report at Appendix B outlines that although we have not yet completed our work in relation to the Authority's arrangements, we have matters to report in respect of significant weaknesses in arrangements. As noted above, our commentary on the Authority's arrangements will be provided in the Auditor's Annual Report in early 2024.

7. Value for Money

Follow up of previously-reported significant weaknesses in arrangements

In September 2023 we reported a significant weakness to the Authority. As part of our work in 2022/23, we will follow up the progress made by the Authority against the recommendations made. Due to the timing of the HMICFRS report that resulted in the significant weakness the significant weakness and recommendation will be reported in 2022/23. We are yet to complete out work.

Significant weakness in arrangements	Relevant reporting criteria	Our recommendation
<p>1</p> <p>2021/22 HMICFRS Inspection Report</p> <p>Improving economy, efficiency and effectiveness</p> <p>The 2021/22 HMICFRS inspection report for the fire and rescue service was published in January 2023.</p> <p>HMICFRS raised a specific cause for concern that the service doesn't have in place adequate workforce planning processes. This means that areas such as safety-critical training, succession planning, absence and work-time management don't support its current and future integrated risk management plan. HMICFRS recommended that by September 2022, the service should have put plans in place that are designed to:</p> <ul style="list-style-type: none"> • review its current workforce, succession and training planning to make sure these are provided efficiently and effectively; • review and develop its current absence management policy and process; • develop a policy and process to manage the working time of its staff; • make sure that data and processes are in place to regularly assess and manage the capacity and capability of all staff groups; and • carry out a skills gap analysis to make sure all staff have the skills and training they need to perform their roles. <p>In our view, HMICFRS's concerns about workforce planning is evidence of a significant weakness in arrangements in relation to how the body evaluates the services it provides to assess performance and identify areas for improvement under the Economy, Efficiency and Effectiveness criterion in respect of the 2021/22 financial year.</p>	<p>Improving the 3 E's</p>	<p>We recommend that the Police, Fire and Crime Commissioner for North Yorkshire should address the cause for concern in relation to workforce planning for fire and rescue services and implement the recommendations made in the HMICFRS inspection report.</p>

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

Gavin Barker
Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle Upon Tyne
NE1 1DF

Dear Gavin

North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority - audit for year ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of the North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority (the 'Authority') for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Authority you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Authority and Committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Authority's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired, or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

Appendix A: Draft letter of management representation

All material matters, including unasserted claims, that may result in litigation against the Authority have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom. The Authority has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error. I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Authority involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Authority's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Assets

I confirm that all assets held are free from liens, charges or any other encumbrance.

Related party transactions

I confirm that all related party relationships, transactions and balances have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which I am aware.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Global Banking Challenges

I confirm that I have assessed the impact on the Authority, of the on-going Global Banking challenges, whether there is any impacts on the Authority's ability to continue as a going concern, and on the post balance sheet events disclosures. I confirm that our exposure (either direct cash exposure or direct/indirect through investments) with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation, is not material.

Reinforced Autoclaved Aerated Concrete

I confirm the Authority has assessed the potential impact of Reinforced Autoclaved Aerated Concrete on the Authority, and in particular whether there are indications of a need for an impairment of the Authority's property, plant and equipment or investment property balances. I confirm there are no such indications of impairment in those assets

Unadjusted misstatements [Remove this section if there are no unadjusted misstatements]

I confirm that the effects of the uncorrected misstatements as included in the auditor's draft Audit Completion Report and subsequent follow up letters are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed. Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Appendix A: Draft letter of management representation

Going concern

To the best of my knowledge there is nothing to indicate that the Authority will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Yours sincerely

Chief Finance Officer

Appendix B: Draft audit report

Independent auditor's report to the North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue 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 Chief Finance Officer'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 Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

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. The Chief Finance Officer 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 Chief Finance Officer for the financial statements

As explained more fully in the Statement of the Chief Finance Officer's 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 2022/23 as amended by the Code Update, 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 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 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.

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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 Police, Fire and Crime Commissioner, 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 Chief Finance Officer'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 Police, Fire and Crime Commissioner 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 Police, Fire and Crime

Commissioner. 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 Chief Finance Officer'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 view 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 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 January 2023, we have identified the following significant weakness in the Authority's arrangements for the year ended 31 March 2023.

In September 2023 we identified a significant weakness in relation to improving economy, efficiency and effectiveness for the 2021/2022 year. In our view this significant weakness remains for the year ended 31 March 2023:

Appendix B: Draft audit report

Significant weakness in arrangements – issued in a previous year	Recommendation
<p data-bbox="63 272 631 301">2021/22 HMICFRS Inspection Report</p> <p data-bbox="63 329 631 358">Improving economy, efficiency and effectiveness</p> <p data-bbox="63 386 631 696">The 2021/22 HMICFRS inspection report for the fire and rescue service was published in January 2023. HMICFRS raised a specific cause for concern that the service doesn't have in place adequate workforce planning processes. This means that areas such as safety-critical training, succession planning, absence and work-time management don't support its current and future integrated risk management plan. HMICFRS recommended that by September 2022, the service should have put plans in place that are designed to:</p> <ul data-bbox="63 701 631 1068" style="list-style-type: none"> • review its current workforce, succession and training planning to make sure these are provided efficiently and effectively; • review and develop its current absence management policy and process; • develop a policy and process to manage the working time of its staff; • make sure that data and processes are in place to regularly assess and manage the capacity and capability of all staff groups; and • carry out a skills gap analysis to make sure all staff have the skills and training they need to perform their roles. <p data-bbox="63 1072 631 1262">In our view, HMICFRS's concerns about workforce planning is evidence of a significant weakness in arrangements in relation to how the body evaluates the services it provides to assess performance and identify areas for improvement under the Economy, Efficiency and Effectiveness criterion in respect of the 2021/22 financial year.</p>	<p data-bbox="637 272 1192 444">We recommend that the Police, Fire and Crime Commissioner for North Yorkshire should address the cause for concern in relation to workforce planning for fire and rescue services and implement the recommendations made in the HMICFRS inspection report.</p>

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 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 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 North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue 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 North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Appendix B: Draft audit report

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; and
- the work necessary to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.

Gavin Barker, Key Audit Partner

For and on behalf of Mazars LLP

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

Date: to be confirmed

Appendix C: Independence



As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Appendix D: Other communications

Other communication	Response
 <p>Compliance with Laws and Regulations</p>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
 <p>External confirmations</p>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
 <p>Related parties</p>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ol style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework
 <p>Going concern</p>	<p>We have not identified any evidence to cause us to disagree with the Chief Finance Officer that North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

Appendix D: Other communications

Other communication	Response
 <p>Subsequent events</p>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
 <p>Matters related to fraud</p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and the Police, Fire and Crime Commssioner, confirming that</p> <ul style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Gavin Barker, Director

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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