This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.
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# The Audit Findings for Lancashire Combined Fire Authority

**Year ended 31 March 2022**

30 November 2022

# Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit Committee.

Georgia Jones

Name : Georgia Jones
For Grant Thornton UK LLP
Date : November 2022

# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Lancashire Combined Fire Authority's ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2022 for those charged with governance.

## Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- The Authority's financial statements give a true and fair view of the financial position of the Authority and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed during August-November. Our findings are summarised on the following pages.

Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is complete and there are no matters of which we are aware that would require modification of our audit opinion [Appendix E] or material changes to the financial statements, subject to the following outstanding matters;

- responses from the pension fund auditor to gain assurances on underpinning controls and supporting data for the pension fund net liability
- receipt of management representation letter
- review of the final set of financial statements; and
- final quality procedures.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unqualified.

**Update 30 November – work all completed and opinion issued.**

# 1. Headlines

| Value for Money (VFM) arrangements | |
|---|---|
| Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.<br>Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:<br>- Improving economy, efficiency and effectiveness;<br>- Financial sustainability; and<br>- Governance | We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in Appendix F. We expect to issue our Auditor's Annual Report by February 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.<br>As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any risks of significant weakness however our work is still underway and an update is set out in the value for money arrangements section of this report (see section 3). |
| **Statutory duties** | |
| The Local Audit and Accountability Act 2014 ('the Act') also requires us to:<br>• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and<br>• to certify the closure of the audit. | We have not exercised any of our additional statutory powers or duties.<br>We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in February 2023. |
| **Significant Matters** | We did not encounter any significant difficulties or identify any significant matters arising during our audit. |

# 2. Financial Statements

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the Authority's business and is risk based, and in particular included:

- An evaluation of the Authority's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 29 November 2022, as detailed in Appendix E. These outstanding items include:

- responses from the pension fund auditor to gain assurances on underpinning controls and supporting data for the pension fund net liability
- receipt of management representation letter
- review of the final set of financial statements; and
- final quality procedures.

Update 30 November – work all completed and opinion issued.

### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

# 2. Financial Statements

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised the materiality figures due to the actual gross expenditure for 2021/22 reducing from that at the planning stage. This resulted in a review of the appropriateness of the materiality figures.

We detail in the table our determination of final materiality for the Authority.

| | Amount (£) | Qualitative factors considered |
|---|---|---|
| Materiality for the financial statements | 1,181,560 | This equates to 2% of your gross operating expenditure for the 2021/22 year and is considered to be the level above which users of the financial statements would wish to be aware in the context of overall expenditure. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Authority has expended its revenue and other funding. |
| Performance materiality | 886,170 | The performance materiality has been set at 75% of financial statement materiality. This reflects a standard benchmark based on risk assessed knowledge of potential for errors arising. |
| Trivial matters | 59,078 | This is the threshold for matters that are clearly inconsequential, whether taken individually or in aggregate. It is a standard benchmark set at 5% of materiality. |
| Materiality for senior officer remuneration | 20,000 | This is due to its sensitive nature, with the value at a lower level of precision. |

# 2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

| Risks identified in our Audit Plan | Commentary |
| --- | --- |
| Management override of controls<br><br>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.<br><br>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Authority, which was one of the most significant assessed risks of material misstatement. | We have:<br><br>• evaluated the design effectiveness of management controls over journals<br><br>• analysed the journals listing and determined the criteria for selecting high risk unusual journals. For example:<br>- journals created by senior management<br>- journals which impacted the financial outturn<br>- year-end adjustment journals<br><br>• tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration<br><br>• gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness regarding corroborative evidence<br><br>• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.<br><br>From our review of all journals posted during the year, we identified 43 higher risk or unusual journals that warranted detailed audit testing. From testing carried out, there has been no evidence of inappropriate management override of controls through journals.<br><br>Our commentary on key accounting estimates is set out on pages 11 to 12. We found accounting policies to be appropriate. |

# 2. Financial Statements - Significant risks

| Risks identified in our Audit Plan | Commentary |
|---|---|
| **Improper revenue and expenditure recognition**<br>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.<br>Practice Note 10, issued by the FRC, states auditors should also consider that material misstatements may occur by the manipulation of expenditure recognition.<br>These presumptions can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition or the manipulation of expenditure recognition.<br>Having considered the risk factors set out in ISA240 and PN10 and the nature of the expenditure streams at the Fund, we have determined that the risk of fraud arising from revenue recognition and expenditure manipulation can be rebutted, because:<br>• there is little incentive to manipulate revenue recognition<br>• opportunities to manipulate revenue recognition and expenditure are very limited<br>• classes of expenditure that could be prone to manipulation, such as management expenses and payments to and on account of leavers are not material<br>• the culture and ethical frameworks of local authorities, including Lancashire Combined Fire Authority, mean that all forms of fraud are seen as unacceptable<br>Therefore we do not consider these to be significant risks for Lancashire Combined Fire Authority. | The revenue and expenditure recognition risks have been rebutted. Despite revenue and expenditure recognition not being a significant risk we still undertook the following procedures to ensure that revenue and expenditure included within the accounts is materially correct. To gain this assurance we:<br>• evaluated the Authority's accounting policies for income and expenditure recognition for appropriateness and compliance with the Code<br>• updated our understanding of the Authority's system for accounting for income and expenditure and evaluated the design of relevant controls<br>• undertook detailed substantive testing on the income and expenditure streams in 2021/22.<br><br>Our substantive income and expenditure testing has not identified any errors that we are required to bring to your attention. |

# 2. Financial Statements - Significant risks

| Risks identified in our Audit Plan | Commentary |
|---|---|
| Valuation of land and buildings<br><br>The Authority revalues its land and buildings on a rolling five yearly basis with 20% of assets valued each year. In the intervening years the Authority requests a confirmation through a desktop exercise from its engaged valuation expert to ensure that there is no material difference. This valuation (£98.314m in 2021/22) represents a significant estimate by management in the financial statements due to the size of the numbers involved  and the sensitivity of this estimate to changes in key assumptions.<br><br>Additionally  for land and buildings, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where annual valuations are not carried out.<br><br>We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement. | We have:<br>• updated our understanding of the processes and controls put in place by management to ensure that the Authority's valuation of land and buildings are not materially misstated and evaluate the design of the associated controls<br>• evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work<br>• evaluated the competence, capabilities and objectivity of the valuation expert<br>• discussed with the valuer the basis on which the valuation was carried out<br>• challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding<br>• tested revaluations made during the year including investment properties, to see if they had been input correctly into the Authority's asset register<br>• evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.<br><br>As part of our overall audit work we tested 40 asset valuations, including individually large assets or those with unusual movements, as well as a sample across the remainder of the total population. In completing our work we examined the accounting entries, data and assumptions used and relevant asset indices.<br>Our audit work has not identified any issues in respect of valuation of land and buildings. |

# 2. Financial Statements - Significant risks

| Risks identified in our Audit Plan | Commentary |
|---|---|
| **Valuation of pension fund net liability**<br><br>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.<br><br>The pension fund net liability (£883.218m in 2021/22) is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.<br><br>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.<br><br>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.<br><br>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation.<br>With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk. | We have:<br>• updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;<br>• evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;<br>• assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;<br>• assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;<br>• tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;<br>• undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and<br>• obtained assurances from the auditor of Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.<br><br>We are waiting for assurances from the auditor of the Lancashire Pension Fund before we can complete our work in this area.<br>We have not identified any other issues from our testing to date.<br><br>Update 30 November – testing completed and no identified issues. |

# 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

| Significant judgement or estimate | Summary of management's approach | Audit Comments | Assessment |
|---|---|---|---|
| Other Land & Buildings (OLB) – £69.114m<br><br>PFI Assets – Land & Buildings – £31.175m<br><br>Total Land and Building valuations – £100.289m | Land and buildings are specialised assets such as fire stations, the Fire HQ and other operational buildings, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. There are only £19k of land and buildings that are not specialised are valued at their existing use (EUV).<br><br>The Authority has engaged Amcat Limited to complete the valuation of its land and buildings as at 31 March 2022 on a five yearly cyclical basis. 20% of total assets were fully revalued during 2021/22 with the remaining 80% subject to a desktop valuation exercise.<br><br>The total year end valuation of land and buildings was £100.289m, a net increase of £10.306m from 2020/21 (£89.983m). | We reviewed the estimate, considering:<br>• We have assessed the valuer used as management's expert, Amcat Limited, to be competent, capable and objective<br>• We have confirmed the completeness and accuracy of the underlying information provided to the valuer used to determine the estimate<br>• We have evaluated the method, data and assumptions used by management's expert to derive the accounting estimate to be reasonable<br>• We confirmed that the valuation method remains consistent with the prior year<br>• We confirm consistency of the estimate against the Gerald Eve report, and reasonableness of the increase in the estimate<br>• We have agreed the General Fund valuation report to the Fixed Asset Register and to the Statement of Accounts<br>• We have confirmed the adequacy of disclosure of estimate in the financial statements<br>• We have confirmed the appropriateness of alternative site assumptions.<br><br>The valuation method remains consistent with the prior year.<br><br>The valuer has prepared their valuations in accordance with RICS Valuation – Global Standards. | We consider management's process is appropriate and key assumptions are neither optimistic or cautious |

**Assessment**

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial Statements - key judgements and estimates

**Significant judgement or estimate**

Firefighters' Pension Scheme Net pension liability – £875.936m

LGPS Net pension liability – £7.498m

Total Net pension liability – £883.434m

**Summary of management's approach**

The Authority's total net pension liability at 31 March 2022 is £883.434m (2020/21 £887.704m) comprising the unfunded defined benefit pension obligations of the Firefighters Pension Scheme and the Lancashire County Pension Fund Local Government Pension Scheme.

Firefighter's Pension Scheme

The Authority uses Government Actuary's Department (GAD) to provide actuarial valuations of the Authority's liabilities derived from the Firefighters' Pension Scheme.

A full actuarial valuation is required every four years. The latest full actuarial valuation was completed as at 31 March 2020. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £3.020m net actuarial gain during 2021/22.

Local Government Pension Scheme

The Authority uses Mercers to provide actuarial valuations of the Authority's assets and liabilities derived from the LGPS.

A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at 31 March 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.

**Audit Comments**

- We have assessed the Authority's actuaries, GAD and Mercer, to be competent, capable and objective.
- We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2020/21 roll forward calculation carried out by the actuary and have no issues to raise.
- We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:

| Assumption | Actuary Value | PwC range | Assessment |
|---|---|---|---|
| Discount rate | 2.8% | 2.7-2.8% | |
| Pension increase rate | 3.5% | 3-3.5% for all employers | |
| Salary growth | 4.9% | 1.25-1.5% above CPI | |
| Life expectancy – Males currently aged 45 / 65 | 22.4<br>20.9 yrs | 24.8<br>20.7 yrs | |
| Life expectancy – Females currently aged 45 / 65 | 25.9<br>24 yrs | 27.5<br>23.8 yrs | |

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate.
- We have confirmed there were no significant changes in 2021/22 to the valuation method.
- We conducted an analytical review to confirm the reasonableness of the Authority's share of LGPS pension assets.
- Our work confirms that the decrease in the IAS 19 estimates are reasonable.
- We have reviewed the adequacy of disclosure of estimate in the financial statements.

Conclusion

We are waiting for assurances from the auditor of the Lancashire Pension Fund before we can complete our work in this area. Their response provides assurances on the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

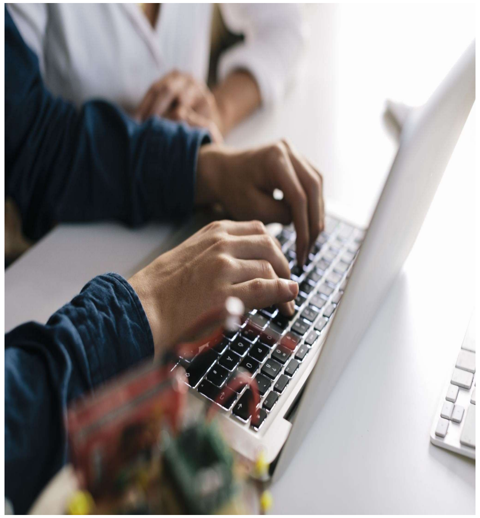
Update 30 November – testing completed and no identified issues.

**Assessment**

We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.



| Issue | Commentary |
|---|---|
| Matters in relation to fraud | We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures. |
| Matters in relation to related parties | We are not aware of any related parties or related party transactions which have not been disclosed. |
| Matters in relation to laws and regulations | You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. |
| Written representations | A letter of representation has been requested from the Authority, which is included in the Audit Committee papers. |
| Confirmation requests from third parties | We requested from management permission to send confirmation requests to banking institutions and local authorities with whom the Authority has money on deposit. This permission was granted and the requests were sent. All requests were returned with positive confirmation. |
| Accounting practices | We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures.<br>Our review found no material omissions in the financial statements, other than those mentioned in Appendix C - disclosure misstatements. |
| Audit evidence and explanations/ significant difficulties | All information and explanations requested from management was provided. |

# 2. Financial Statements - other communication requirements

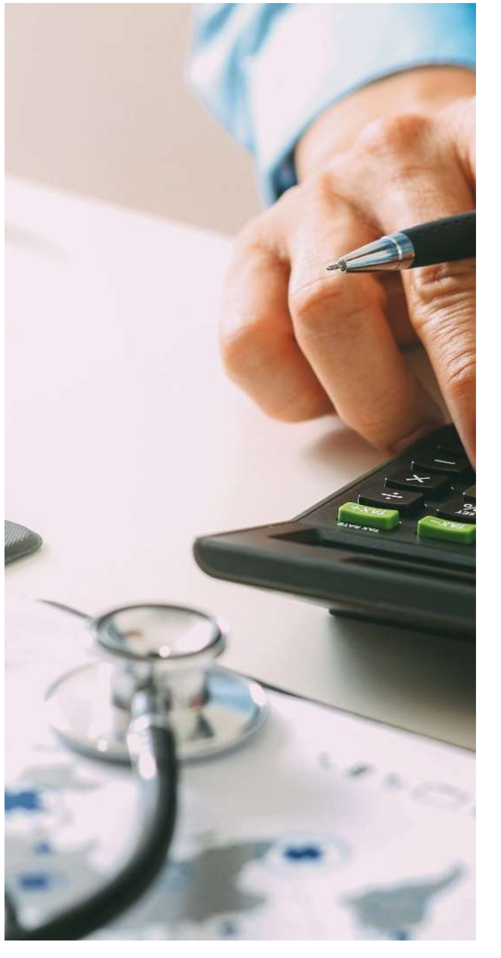
### Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

| Issue | Commentary |
|---|---|
| Going concern | In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.<br><br>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:<br><br>• the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities<br><br>• for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.<br><br>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:<br><br>• the nature of the Authority and the environment in which it operates<br>• the Authority's financial reporting framework<br>• the Authority's system of internal control for identifying events or conditions relevant to going concern<br>• management's going concern assessment.<br><br>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:<br><br>• a material uncertainty related to going concern has not been identified<br>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. |

# 2. Financial Statements - other responsibilities under the Code

| Issue | Commentary |
|---|---|
| Other information | We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Annual Governance Arrangements and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.<br>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect as reported at Appendix E. |
| Matters on which we report by exception | We are required to report on a number of matters by exception in a number of areas:<br>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,<br>• if we have applied any of our statutory powers or duties.<br>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.<br>We have nothing to report on these matters. |
| Specified procedures for Whole of Government Accounts | Guidance on specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions have not yet been issued. Previously this work has not been required as the Authority has not exceeded the NAO's thresholds and we expect that to be the case this year. |
| Certification of the closure of the audit | We intend to delay the certification of the closure of the 2021/22 audit of Lancashire Combined Fire Authority in the audit report, as detailed in Appendix E, due to the incomplete Value for Money work. |



# 3. Value for Money arrangements

## Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

# 3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix F to this report. We expect to issue our Auditor's Annual Report by January 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness at the planning stage and have continued to monitor the Authority's finances, governance arrangements and performance monitoring during the audit for any indications of significant weaknesses in arrangements.

We have not identified any risks of significant weakness at this stage of the audit and expect to report that we are satisfied the Authority has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources on our conclusion of the work.

# 4. Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers and managers). In this context, we disclose the following to you:

The Authority took on a Chief Accountant on April 18, 2022. In May the Authority advised Grant Thornton that this individual was registered as a benched contractor for Grant Thornton. After internal consultation, it was determined that as the individual was considered an officer of the Authority, this would be determined as a breach of FRC 2.53.

We can confirm that as a benched contractor the individual has not worked on any assignments for Grant Thornton and the audit team have not had any communication with them as part of the delivery of the audit. We further mitigated any threat however by removal of the individual from the bench, effective July 13 2022.

We do not consider that there has been a compromise to independence. However, this is a breach of FRC 2.53 and therefore reportable to the Financial Reporting Council (FRC).

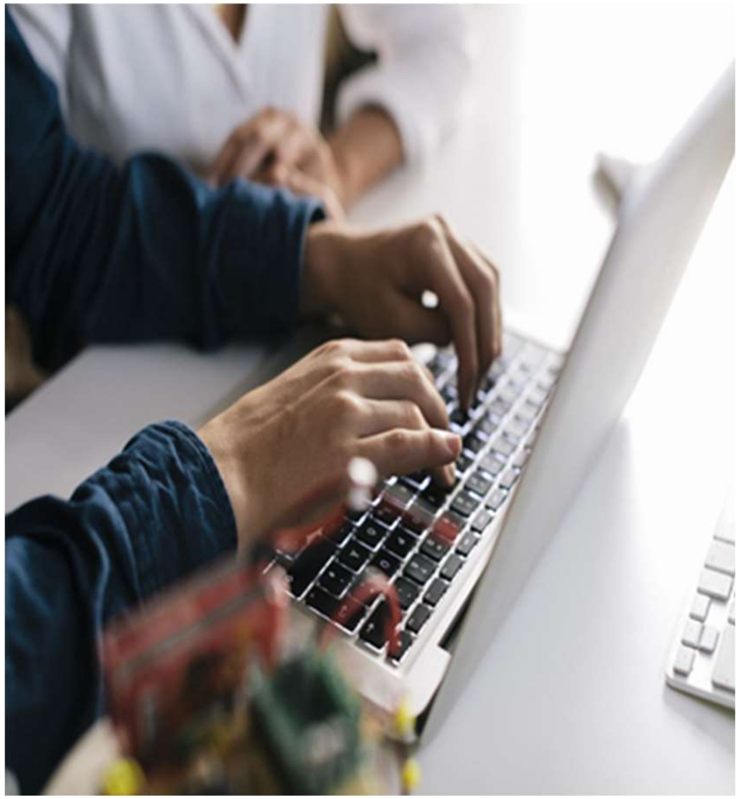
e confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

### Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)



# Appendices

# A. Action plan – Audit of Financial Statements

We have identified 1 recommendation for the Authority as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

| Assessment | Issue and risk | Recommendations |
|---|---|---|
| ● medium | **Password security – Oracle database**<br>We identified a weakness in Oracle password configuration. The password length is set to 6 characters and does not include a minimum password length of 8 character as per leading practices. | We recommend password security access to the Oracle database is set to a minimum 8-character length to help prevent unauthorised access to the system.<br>Management response<br>This relates to the existing finance system which is currently being replaced in December, as such we do not propose to amend this in the existing system. |

**Controls**

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

# B. Follow up of prior year recommendations

We identified the following issue in the audit of Lancashire Combined Fire Authority's 2020/21 financial statements, which resulted in 1 recommendation being reported in our 2020/21 Audit Findings report.

We have followed up on the implementation of our recommendation and note the management response given.

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|---|---|---|
| x | Self-authorisation of journals<br><br>Our risk assessment of journal controls identified that there are no automated controls on the finance system to prevent members of finance staff approving their own journals.<br><br>Whilst our audit work on journals so far has not identified any significant issues as a result of this weakness in internal controls, we recommend that the Authority establishes an authorisation control to reduce the risk of financial reporting fraud and/or error in future. | Management disagreed with implementing this recommendation on the basis that financial reporting processes are sufficient to identify if such an instance occurred. Also no errors or reporting fraud have occurred.<br><br>Managements view is this recommendation is not practical given the size of the finance team.<br><br>As the recommendation has not been implemented it still stands.<br><br>Management response 2021/22<br><br>We have considered the recommendation. We believe our financial monitoring processes are sufficient to identify if such an instance occurred. Neither ourselves, nor internal and external audit, have discovered any instances of error or reporting fraud that the implementation of this would have prevented. Hence, given the size of our finance team, we don't feel that introducing further controls is practical or proportionate to the risk. |

**Assessment**

✓ Action completed

X Not yet addressed

# C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

| Disclosure and misclassification changes | Detail | Adjusted? |
|---|---|---|
| Net Liability Related to Local Government and Firefighters' Pensions Schemes (Note 15) | Unfunded liabilities at 31 March 2022 were incorrectly shown as (£875,936k) due to a casting error and corrected to (£935,616k).<br>Current service cost for unfunded liabilities 2021/22 uniformed firefighters were incorrectly included as £15,750k, and amended to £15,840k.<br>Actuarial (gains) and losses 2021/22 uniformed firefighters were incorrectly included as £3,020k, amended to £2,023k.<br>The Authority made a minor correction to the Reversal of net charges made to the deficit on provision of services in accordance with the code for 2021/22 uniformed firefighters from £9,500 to £9,590k. | ✓ |
| Financial Instruments (Note 8) | The Authority corrected the trade receivables at 31 March 22 (short term) from £4,112 to £3,003 to re-classify s31 business rates relief grants which were included.<br>The Authority also made a minor correction to the trade payables at 31 March 22 (short term) from £5,202 to £5,210. | ✓ |
| Major sources of estimation and uncertainty (note 26) | The Authority made some updates to the details within the disclosure. | ✓ |
| Accounting policies (Note 29) | The Authority made some minor changes to the details within accounting policies to ensure these were all relevant and complete. | ✓ |

# C. Audit Adjustments

## Impact of adjusted misstatements

The following adjustments were identified by the Authority in the draft financial statements.

| Detail | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £' 000 | Impact on total net expenditure £'000 |
|---|---|---|---|
| Trade debtors<br>Payments in advance<br>Invoices not raised at year end | 0 | Dr 210<br>Cr (210) | 0 |
| Sundry creditors<br>Trade debtors<br>Reduction to debtor already raised | 0 | Dr 1,629<br>Cr (1,629) | 0. |
| Audit fee<br>Sundry creditors<br>Minor additional fee adjustment | Dr 13 | Cr 13 | Dr 13 |
| Overall impact | Dr £13 | Cr £13 | Dr £13 |

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

| Detail | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £' 000 | Impact on total net expenditure £'000 | Reason for not adjusting |
|---|---|---|---|---|
| Creditors<br>Provisions<br>The Authority has included a creditor for ongoing pensionable allowance claims. These first arose in 2019/20 and are still subject to legal challenge and for which the outcome is uncertain.<br>We recognise the prudency of including these but as the outcome is uncertain they should be held as a provision, rather than a creditor. | 0 | Decrease 550<br>Increase 550 | 0 | Not material |
| Overall impact | £0 | £0 | £0 | |

# D. Fees

We confirm below our final fees charged for the audit.

| Audit fees | Proposed fee | Final fee |
|---|---|---|
| Authority Audit | £40,844 | £40,844 |
| Total audit fees (excluding VAT) | £40,844 | £40,844 |

The fees reconcile to the financial statements.

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. No non-audit services were identified which were charged from the beginning of the financial year to November 2022, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

# E. Draft audit opinion

Our draft audit opinion is included below.

We anticipate we will provide the Authority with an unmodified audit report

### Independent auditor's report to the members of Lancashire Combined Fire Authority

### Report on the Audit of the Financial Statements

### Opinion on financial statements

We have audited the financial statements of Lancashire Combined Fire Authority (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies and include the firefighters' pension fund financial statements, comprising the Fund Account, the Net Assets Statement and notes to the financial statements. The notes to the financial statements include notes to the core financial statements and firefighters pension fund notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

• give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;

• have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and

• have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' 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

We are responsible for concluding on the appropriateness of the Treasurer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Treasurer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Treasurer with respect to going concern are described in the 'Responsibilities of the Authority, the Treasurer and Those Charged with Governance for the financial statements' section of this report.

# E. Draft audit opinion

### Other information

The Treasurer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Statement on Annual Governance arrangements does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Statement on Annual Governance arrangements addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

• we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

• we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

• we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

• we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

• we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### Responsibilities of the Authority, the Treasurer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer. The Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

# E. Draft audit opinion

### 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 Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22. The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, and the Fire and Rescue Services Act 2004. We also identified the following additional regulatory frameworks in respect of the firefighters' pension fund, the Public Service Pensions Act 2013, the Firefighters' Pension Scheme (England) Regulations 2014 and the Firefighters' Pension Scheme (England) Order 2006.

- We enquired of senior officers and the Audit Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;

- the detection and response to the risks of fraud; and

- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of senior officers, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- large and unusual journal entries; and

- accounting estimates and critical judgements made by management.

- Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Treasurer has in place to prevent and detect fraud;

- journal entry testing, with a focus on large and unusual journals;

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and the defined pension fund net liability valuations;

- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

# E. Draft audit opinion

- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings and the defined pension fund net liability valuations.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

- knowledge of the local government sector

- understanding of the legal and regulatory requirements specific to the Authority including:

- the provisions of the applicable legislation

- guidance issued by CIPFA/LASAAC and SOLACE

- the applicable statutory provisions.

- In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – 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 – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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 the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied 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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

• 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; and

• 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.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

# E. Draft audit opinion

### Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Lancashire Combined Fire Authority for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

• our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'

• the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 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 Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Georgia Jones, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Liverpool

Date: 30 November 2022

# F. Audit letter in respect of delayed VFM work

Councillor John Shedwick

Chair of Audit Committee

7 September 2022

Dear Councillor Shedwick

Delayed Value for Money reporting

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 December 2022.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Georgia Jones

Director

Grant Thornton

grantthornton.co.uk