

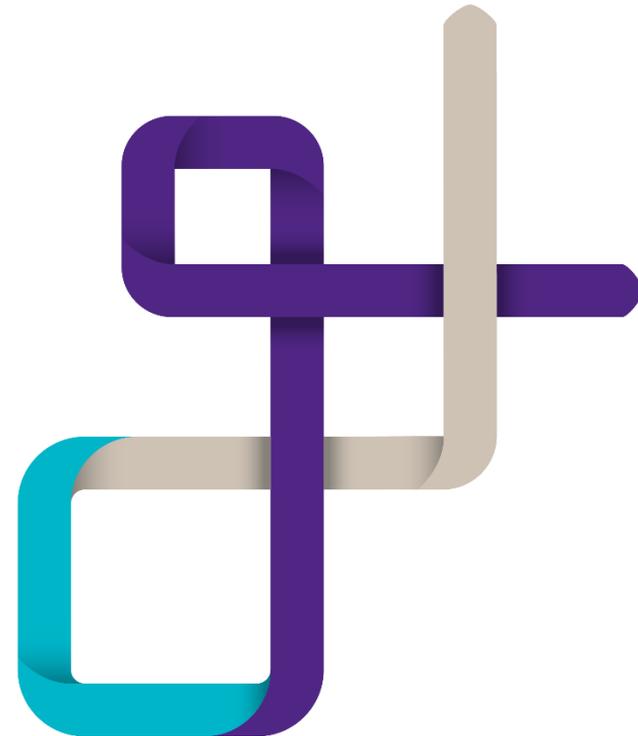
# Audit Findings

*Year ending 31 March 2018*

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Lancashire Fire & Rescue Authority

16 July 2018



# Contents



## Your key Grant Thornton team members are:

Robin Baker

Director

T: 0161 214 6399

E: Robin.J.Baker@uk.gt.com

Richard Tembo

Assistant Manager

T: 0161 234 6352

E: Richard.Z.Tembo@uk.gt.com

Helen Shanley

Associate

T: 0161 953 6953

E: Helen.Shanley@uk.gt.com

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

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# Headlines

## Introduction

This table summarises the key issues arising from the statutory audit of Lancashire Fire & Rescue Authority ('the Authority') financial statements for the year ended 31 March 2018 for those charged with governance.

<b>Financial Statements</b>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"><li>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 17-18, and have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting;</li><li>other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), are consistent with the financial statements</li></ul>	<p>Our audit work was completed on site during June. We have identified one adjustment to the financial statements that has resulted in an increase in deficit in the provision of services by £0.429m and decrease in Total Comprehensive Income and Expenditure by £0.328m in the Statement of Comprehensive Income and Expenditure. Audit adjustments are detailed in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix A.</p> <p>The financial statements were prepared on time and to a good standard and we received good co-operation in completing our audit. Subject to resolving the small number of remaining issues we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 24 July 2018. The outstanding items include:</p> <ul style="list-style-type: none"><li>receipt of management representation letter; and</li><li>review of the final set of financial statements.</li></ul> <p>We have concluded that the other information published with the financial statements, which includes the Annual Governance Statement and Narrative Report are consistent our knowledge of your organisation and with the financial statements we have audited.</p>
<b>Value for Money arrangements</b>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"><li>the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')</li></ul>	<p>We have completed our risk based review of the Authority's value for money arrangements. We have concluded that Lancashire Fire and Rescue Authority continues to have proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D. Our findings are summarised on pages 10 and 11.</p>
<b>Statutory duties</b>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"><li>report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li><li>certify the closure of the audit</li></ul>	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other officers during our audit. We note the significant stress put on the Authority's resources during the recent Moorland fires in the North West.

# Summary

## Overview of the scope of our audit

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 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), 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;
- testing of the payroll, pensions and AP systems; 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 clearing the small number remaining issues, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 24 July 2018. These outstanding items include:

- receipt of management representation letter; and
- review of the final set of 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 reported Materiality level of £919k in our Audit plan. We have reviewed our calculation based on the draft financial statements but has not deemed it necessary to change as the materiality level based on the draft financial statements was not significantly different from the planned materiality. We detail in the table below our assessment of materiality for Lancashire Combined Fire Authority.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	919k	£919k is 2% of the Authority's prior year gross operating expenses. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue
Performance materiality	689k	75% of financial statement materiality
Trivial matters	45.9k	£45.9k and misstatements above that threshold in our view, warrant reporting on qualitative grounds.

# Significant audit risks

## Risks identified in our Audit Plan

## Commentary

1

### Improper revenue recognition

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

### Auditor commentary

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- The culture and ethical frameworks of the authority mean that all forms of fraud are seen as unacceptable

Therefore we do not consider this to be a significant risk for the Authority.

2

### Management override of controls

Under ISA (UK) 240 there is a presumed risk that the risk of management over-ride 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.

We identified management override of controls as a risk requiring special audit consideration.

### Auditor commentary

- Our work included:
  - review of accounting estimates, judgements and decisions made by management
  - testing of journal entries
  - review of accounting estimates, judgements and decisions made by management
  - review of unusual significant transactions
  - review of significant related party transactions outside the normal course of business

Our audit work has not identified any issues in respect of management override of controls.

# Significant audit risks (continued)

## Risks identified in our Audit Plan

## Commentary

3

### Valuation of property, plant and equipment

The Authority revalues its land and buildings on a five yearly rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.

We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.

### Auditor commentary

- Review of management's processes and assumptions for the calculation of the estimate.
- Review of the competence, expertise and objectivity of any management experts used.
- Review of the instructions issued to valuation experts and the scope of their work
- Discussions with the Authority's valuer about the basis on which the valuation was carried out, challenging the key assumptions.
- Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding.
- Testing of revaluations made during the year to ensure they were input correctly into the Authority's asset register
- Evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value.

Valuation of properties was undertaken by a suitably qualified surveyor of Amcat UK. The total gross valuation in 2017/18 was £78.8m.

Our audit work has not identified any issues in respect of valuation of property, plant and equipment.

4

### Valuation of pension fund net liability

The Authority's LGPS pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.

The Firefighters Pension schemes pension fund liability as reflected in the balance sheet and notes to the accounts represent significant estimates in the financial statements.

We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.

### Auditor commentary

- Identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement.
- Review of the competence, expertise and objectivity of the actuary who carried out the Authority's pension fund valuation.
- Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made.
- Review of the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary.
- Our audit work has not identified any issues in respect of the valuation of pension fund liability.

# Reasonably possible audit risks

## Risks identified in our Audit Plan

## Commentary

6

### Employee remuneration

Payroll expenditure represents a significant percentage of the Authority's operating expenses.

As the payroll expenditure comes from a number of individual transactions and an interface with a different sub-system there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention

### Auditor commentary

We have undertaken the following work in relation to this risk:

- documented our understanding of processes and key controls over the transaction cycle
- undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding
- Undertaken a reconciliation of total payroll costs to the general ledger
- Performed a substantive analytical review to identify other areas that required further investigation

Our audit work has not identified any issues in respect of completeness of employee remuneration.

7

### Operating expenses

Non-pay expenses on other goods and services also represents a significant percentage of the Authority's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.

We identified completeness of non- pay expenses as a risk requiring particular audit attention:

### Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Authority's accounting policy for recognition of non-pay expenditure for appropriateness;
- gained an understanding of the Authority's system for accounting for non-pay expenditure and evaluate the design of the associated controls;
- Obtained a listing of non-pay payments made in April and ensured the sample had been charged to the appropriate year
- Reviewed the year-end EP reconciliation and investigated the significant reconciling items

Our audit work has not identified any issues in respect of completeness of operating expenses.

8

### Firefighters pension scheme

The Authority administers the firefighters pension schemes, with the Firefighters Pension Fund Account being included in the financial statements.

We identified completeness and accuracy of pension benefits payable as a risk requiring particular audit attention.

### Auditor commentary

We have undertaken the following work in relation to this risk:

- gained an understanding of the Authority's systems for calculating, accounting for and monitoring pension benefit payments and evaluated the design of the associated controls;
- Reconciled the pension payroll to figures in the accounts
- Undertook an analytical review of pensions paid with reference to changes in pensioner numbers and increases applied in the year with a comparison of pensions paid on a monthly basis to ensure any unusual trends are satisfactorily explained

Our audit work has not identified any issues in respect of completeness and accuracy of firefighters pension scheme.

# Accounting policies

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.</li> <li>Where income and expenditure have been recognised but cash has not been received or paid, a debtor or a creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.</li> </ul>	<ul style="list-style-type: none"> <li>The Authority's accounting policy is in line with the requirements of the CIPFA code and is adequately disclosed in the accounts.</li> <li>Our testing of income and debtors confirmed the Authority is recognising income in line with its accounting policy</li> </ul>	
<b>Judgements and estimates</b>	<ul style="list-style-type: none"> <li>Key estimates and judgements include: <ul style="list-style-type: none"> <li>Useful life of PPE and classification of fire premises as specialised or non-specialised</li> <li>Revaluation and Impairments</li> <li>Accruals</li> <li>Valuation of pension fund net liability</li> <li>Other provisions</li> </ul> </li> </ul> <p>We have discussed with officers the accounting treatment of its share of North West Fire Control. Following those discussions officers have amended the accounts so that they reflect the Authority's share of the assets and liabilities in the Financial statements of the Authority. We agree that this better reflects the substance of the arrangement and is in line best accounting practice.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>reviewed the estimates and judgements made in the accounts as part of our work with no matters arising.</li> <li>reviewed the process by which management have used an external expert to provide a valuation of the Authority's property assets</li> <li>sample tested valuations undertaken in the year to confirm they are appropriately included in the statement of accounts.</li> <li>reviewed the calculation of your insurance provision and the basis for your provision for business rate appeals to confirm the judgements made by management are reasonable and consistent with prior years.</li> <li>reviewed the adjustments that have been made to reflect the Authority's share of North West Fire Control.</li> </ul>	
<b>Other critical policies</b>		<p>We have reviewed the Authority's policies against the requirements of the CIPFA Code of Practice. The Authority's accounting policies are appropriate and consistent with previous years.</p>	

## Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

# 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
① <b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
② <b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>
③ <b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
④ <b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Authority which is included in the Audit Committee papers.</li> </ul>
⑤ <b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to Natwest, Peterborough Council and CashPlus. This permission was granted and the requests were sent. Two of these requests were returned with positive confirmation, however one request was not received so we undertook alternative procedures, including agreeing the cash balance at year end to bank statements.</li> </ul>
⑥ <b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements; we did identify a small number of typographical and presentational errors which have been amended. Other changes made to disclosure notes and accounting policies are summarised on pages 14.</li> </ul>
⑦ <b>Significant difficulties</b>	<ul style="list-style-type: none"> <li>All information and explanations requested from management were provided</li> </ul>
⑧ <b>Matters on which we report by exception</b>	<ul style="list-style-type: none"> <li>We are required to report on a number of matters by exception in a number of areas. We have not identified any issues we would be required to report by exception in the following areas:             <ul style="list-style-type: none"> <li>If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit</li> <li>The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Authority acquired in the course of performing our audit, or otherwise misleading.</li> </ul> </li> </ul>
⑨ <b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> <li>We have performed tests to confirm that the specified procedures are not required as the Authority does not exceed the threshold.</li> </ul>

# Value for Money

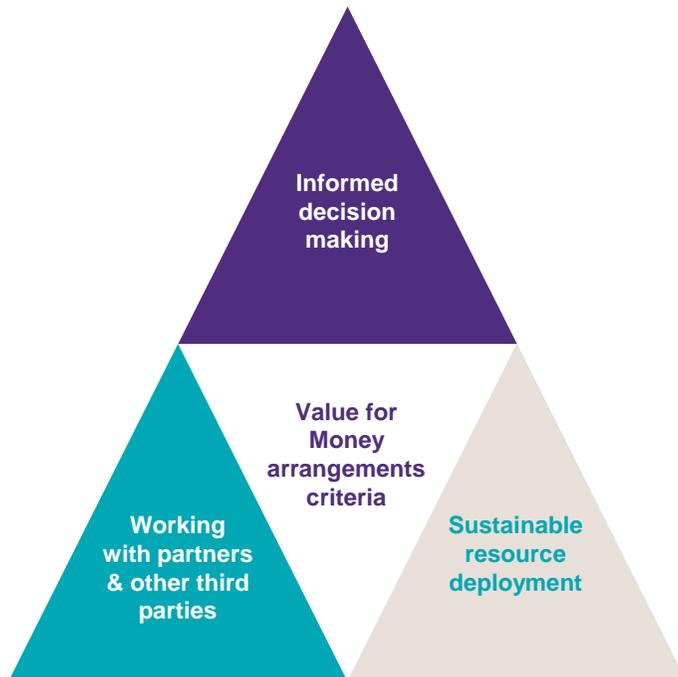
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment in January 2018 and identified no significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this to you in our Audit Plan dated 22 January 2018.

We have continued our review of relevant documents up to the date of giving our report. We have not identified any further significant risks where we need to perform further work.

# Value for Money

## **Our work**

AGN 03 requires us to disclose our views on significant qualitative aspects of the Authority's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the identifying whether there were any significant risks to our VfM conclusion that we identified in the Authority's arrangements. We reported to you in our audit plan that we had identified no risks at that stage.

We ensured that we updated our review of your arrangements to ensure that there were no additional risks identified. Our work included reviewing key documents and discussing issues with officers

## **Overall conclusion**

The Authority continues to have appropriate arrangements in place to manage its financial position and use resources effectively. The Authority delivered a balanced financial position in 2017/18, continues to have a reasonable level of available reserves and there is a low level of long-term borrowing. The Authority is provided with regular reports on the overall financial position. Based on the work we performed we have concluded that the Authority has proper arrangements in all significant respects to ensure it delivers value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix E.

## **Significant difficulties in undertaking our work**

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## **Significant matters discussed with management**

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

## **Recommendations for improvement**

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Looking ahead to 2018/19 the Authority will be subject to an inspection by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services. We will liaise as appropriate with the Inspectorate and take into account their findings as part of our audit of the Authority.

# Independence and ethics

## **Independence and ethics**

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We 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 December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C

# Follow up of prior year recommendations

We identified the following issue in the audit of Lancashire Combined Fire Authority's 2016/17 financial statements, which resulted in 1 recommendation being reported in our 2016/17 Audit Findings report. We are pleased to report that management have implemented our recommendation.

	Assessment	Issue and risk as communicated in 2016/17 AFR	Update on actions taken to address the issue
1	✓	<p>We have raised the accounting treatment by the Authority of its 25 per cent share in North West Fire Control (NWFC), a joint operation. Whilst a note explaining the consideration of the arrangement is included within the Authority's accounts, its share of income and expenditure, assets and liabilities are excluded on the basis of not being material. IFRS 11 requires all income, expenditure, assets and liabilities to be included.</p> <p>We discussed with management the arrangements and the related accounting treatment of Lancashire Combined Fire Authority's share (25%) of North West Fire Control's balances. We are satisfied that management has demonstrated that it is appropriate to treat this arrangement as a joint operation.</p> <p>For joint operations, IFRS 11 requires a reporting authority that is a joint operator to recognise in relation to its joint interest in a joint operation, all:</p> <ul style="list-style-type: none"> <li>• its assets, including its share of any assets held jointly;</li> <li>• its liabilities, including its share of any liabilities incurred jointly;</li> <li>• its revenue from the sale of its share of the output arising from the joint operation;</li> <li>• its share of the revenue from the sale of the output by the joint operations; and</li> <li>• its expenses, including its share of any expenses incurred jointly.</li> </ul> <p>Management has determined that Lancashire Fire Authority's share of NWFC assets, liabilities and operating revenues and expenses are not material for 2016/17. The Authority has therefore not made any accounting adjustments for its share of NWFC's balances, above those processed as part of day-to-day transactions with NWFC through its income and expenditure account. We have reviewed the Authority's share of NWFC balances on a line by line basis and confirmed that after intra-group balances have been deducted, the Authority's share is not material.</p> <p>Although this is consistent with previous years, there is a need for the Authority to comply with accounting standards including International Financial Reporting Standards in preparing its accounts irrespective of materiality. We recommend the Authority incorporate all its share of NWFC into its accounts commencing 2017/18.</p>	<p>Management had not implemented the recommendation, however, following further discussions during the audit management have agreed to implement the recommendation and the financial statements have been amended.</p>

#### Assessment

- ✓ Action completed
- ✗ Not yet addressed

# 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.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

	Detail	Comprehensive Income and Expenditure Statement £'000		Balance Sheet £' 000	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
	An adjustment affecting a number of lines in the core statements have been made to account for 25% share of the Authority in North West Fire Control Ltd				
1	Gross expenditure	700			
	Creditors - NWFC				700
2	Short Term Debtors			295	
	Gross Income		295		
3	Pension Interest cost & expected return on Pension assets - CIES	22			
	Pension Liability				22
4	Pension Reserve			102	
	Actuarial Gain on Pension Fund Assets		102		
5	Intangible assets			366	
	Plant, Equipment & vehicles			31	
	Cash an cash equivalents			164	
	General Fund – NWFC				561
	<b>Totals c/fwd to next page</b>	<b>722</b>	<b>397</b>	<b>958</b>	<b>1,283</b>

## Audit Adjustments (continued)

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

### Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr £'000	Cr £'000	Dr £'000	Cr £'000
<b>Totals b/fwd</b>	722	397	958	1,283
6 Pension Fund Reserve – from prior year restatement			773	
Pension Liability				773
7 General Fund			233	
Capita Grants unapplied				120
Pension liability				113
<b>Totals</b>	<b>722</b>	<b>397</b>	<b>1,964</b>	<b>2,289</b>
<b>Overall impact</b>	<b>£325</b>			<b>£325</b>

Relevant entries have also been made to the Movement in Reserves Statement and Cash Flow statement to reflect the above adjustments in the Comprehensive Income and Expenditure Statement and Balance sheet.

# Audit Adjustments (continued)

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

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

## 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 omission	Detail	Adjusted?
<b>Going Concern Note</b>	<ul style="list-style-type: none"> <li>A note has been added to accounting policies to reflect that the Authority is a going concern and therefore that the financial statements have been prepared under the going concern basis</li> </ul>	✓
<b>EFA – Income and Expenditure analysis by nature</b>	<ul style="list-style-type: none"> <li>Note 1 has been expanded to include Income and expenditure analysis by nature</li> </ul>	✓
<b>Movement in the property, plant and equipment valuations</b>	<ul style="list-style-type: none"> <li>Note 6 has been expanded to include movement in the property, plant and equipment valuations for the past 2 years which agrees to the net book value of PPE at 31 March 2018.</li> </ul>	✓
<b>Capital Commitments</b>	<ul style="list-style-type: none"> <li>The Capital Commitments of £914k included in note 6 includes technical rescue jackets on order amounting to £369k which is not capital expenditure. The note has now been updated to remove the protective clothing.</li> </ul>	✓

# Fees

We confirm below our final fees charged for the audit.

## Audit Fees

	Proposed fee	Final fee
Authority Audit	£30,739	£30,739
<b>Total audit fees (excluding VAT)</b>	<b>£30,739</b>	<b>£30,739</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). There have been no non-audit or audited related services that have been undertaken for the Authority other than those captured in the fee above.

# Audit opinion

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

We have audited the financial statements of Lancashire Combined Fire Authority (the 'Authority') for the year ended 31 March 2018 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 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; 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. 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.

#### Who we are reporting to

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.

#### Conclusions relating to going concern

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

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

#### Other information

The Treasurer is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 1 to 14, [the Narrative Report and the Statement on Annual Governance Arrangements 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 of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources 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.

#### 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 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 the 'Delivering Good Governance in Local Government: Framework (2016)' 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 matter 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 gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Statement on Annual Governance Arrangements 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 have reported a matter 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 have made 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 have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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 more fully in the Statement of Responsibilities set out on page 18, 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 2017/18, which 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 the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit Committee is Those Charged with Governance.

#### 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

##### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

##### 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 have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

#### Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

*Robin J Baker*

Robin J Baker  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Royal Liver Building, Liverpool, L3 1PS

July 2018



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