

LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES COMMITTEE

Meeting to be held on 29 June 2016

**EXTERNAL AUDIT – UNDERSTANDING HOW THE RESOURCES COMMITTEE GAINS ASSURANCE FROM MANAGEMENT
(Appendices 1 and 2 refer)**

Contact for further information:

Keith Mattinson – Director of Corporate Services – telephone 01772 866804.

Executive Summary

In order to comply with International Auditing Standards, the External Auditors, Grant Thornton, are required to obtain an assurance as to how those charged with governance discharge their responsibilities in connection with oversight of the annual accounts process and financial reporting. The letter requesting this is attached as appendix 1.

A draft response has been prepared by the Chairman of the Resources Committee, which is attached as appendix 2. (It is worth noting that the Audit Committee has provided a similar response in connection with the risk of fraud and breaches of internal controls.)

Decision Required

The Committee is asked to approve the submission of the response.

Information

As stated in the Executive Summary.

Financial Implications

None.

Business Risk Implications

The internal controls operated within the Authority are designed to minimise business risk in general and in particular the risk of fraud.

Environmental Impact

None.

Equality and Diversity Implications

None.

Human Resource Implications

None.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact
None		
Reason for inclusion in Part II, if appropriate:		

Councillor F De Molfetta
Chair of the Resources Committee
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25 May June 2016

Dear Councillor De Molfetta

Lancashire Combined Fire Authority Financial Statements for the year end 31 March 2016. Understanding how the Resources Committee gains assurance from management

To comply with International Auditing Standards, each year we need to refresh our understanding of how the Resources Committee gains assurance over management processes and arrangements for producing the financial statements

I have written separately to the Chair of the Audit Committee in respect of the management processes in place to:

- identify and respond to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist)
- oversee management's process in identifying and responding to the risk of breaches of internal control
- communicate to employees its views on appropriate business practice and ethical behavior (for example by updating, communicating and monitoring against the codes of conduct)?
- How the Audit Committee gains assurance that all relevant laws and regulations have been complied with?
- Whether the audit committee are aware of any actual or potential litigation or claims that would affect the financial statements?

If you have any comments on the questions I have asked the Chair of the Audit Committee, please include these in your response.

Due to the role of the Resources Committee in reviewing the financial statements I would be grateful, therefore, if you could write to me with your responses to the following questions.

- 1 How does the Resources Committee oversee management's processes in relation to carrying out an assessment of the risk the financial statements may be materially misstated

Chartered Accountants

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due to fraud or error?

- 2 How has the Resources Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

Please could you provide a response ahead of the Resources Committee on 29 June 2016 and please contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Karen Murray
Director
For Grant Thornton UK LLP

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Mrs K Murray
Director
Grant Thornton UK LLP
4 Hardman Square
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Date: 26 June 2016

Dear Mrs Murray

**LANCASHIRE COMBINED FIRE AUTHORITY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016 - UNDERSTANDING HOW THE
RESOURCES COMMITTEE GAINS ASSURANCE FROM MANAGEMENT**

Further to your letter, I confirm the following.

How does the Resources Committee oversee management's processes in relation to carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error?

I believe that the Resources Committee adequately discharges its duties in respect of the above as it considers the following issues:-

- The financial position of the Authority is reviewed throughout the year
- The committee will consider the full set of accounts at its meeting in June. As part of this process it will review not only the accounts but the covering report which explains the links between the revenue and capital outturn reports thus ensuring the accounts are consistent with in-year reporting. In addition, it challenges the Treasurer as appropriate on these, and other, reports.
- Included within the accounts is the Annual Governance Statement, and the Committee takes note of the Audit Committees recommendations in connection with this, and in particular the overall conclusion on the system of internal controls operating within the Authority.
- The Committee also monitors progress against all contracts in excess of £50,000.
- All Committee reports are reviewed by the Clerk to the Authority and the Treasurer to the Authority to ensure compliance with legal and financial regulations.

I am not aware of any entries in the accounting records that I believe or suspect are false or misleading

How has the Resources Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements

The annual budget process sets a budget for the following year, as well as including draft budgets for the following 3 years. These demonstrate that the Authority is able to set realistic and achievable budgets in the medium term to continue to deliver services in line with its IRMP. In addition the Authority reviews the purpose and level of reserves on an annual basis to ensure that these are sufficient to meet future requirements. Furthermore the annual budget presented to the Authority in February includes an assessment by the Treasurer of the robustness of the budget and the adequacy of reserves in the following year, as well as indicative figures for the following 4 years.

The on-going review of the Authority's financial position throughout the year provides strong evidence of the on-going viability of the Authority from a financial perspective, demonstrating that the Authority has appropriate arrangements in place to manage within its annual budget.

Furthermore the annual audit letter considers the financial resilience of the Authority and states that the Authority has proper arrangements in place to secure financial resilience.

The Authority has not identified any events which cast any doubt on the Authority's ability to continue as a going concern.

Yours sincerely

F DeMolfetta
Chair of the Resources Committee
Lancashire Combined Fire Authority