



County Councillor Matthew Tomlinson
Chair of the Audit Committee
Lancashire Combined Fire Authority
Garstang Road
Fulwood
Preston
PR2 3LH

Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS
T +44 (0)151 224 7200
F +44 (0)151 224 7201

15 May 2018

Dear Cllr Tomlinson

Lancashire Combined Fire Authority Financial Statements for the year end 31 March 2018

Understanding how the Audit Committee gains assurance from management

To comply with International Auditing Standards, each year we need to refresh our understanding of how the Audit Committee gains assurance over management's processes and arrangements.

I would be grateful, therefore, if you could respond to the questions on the attached schedule.

For information, we are also required to make enquiries of management and recently sent a letter and schedule of questions to Keith Mattinson. We suggested that it may be useful to co-ordinate your response with that of management.

If you are in agreement with this I would be grateful for your formal response by 24 July 2018, thus ensuring it covers the full twelve month period for 2017/18.

Please feel free to contact me if you wish to discuss anything in relation to this request.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Robin Baker', written in a cursive style.

Robin Baker
Director
For Grant Thornton UK LLP

Response from Audit Committee Chair of Lancashire Combined Fire Authority

Fraud risk assessment

| Auditor Question | Response |
|---|-----------------|
| Has the Authority assessed the risk of material misstatement in the financial statements due to fraud? | |
| What are the results of this process? | |
| What processes does the Authority have in place to identify and respond to risks of fraud? | |
| Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks? | |
| Are internal controls, including segregation of duties, in place and operating effectively? | |
| If not, where are the risk areas and what mitigating actions have been taken? | |
| Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? | |
| Are there any areas where there is a potential for misreporting? | |
| How does the Authority exercise oversight over management's processes for identifying and responding to risks of fraud? | |
| What arrangements are in place to report fraud issues and risks to the Authority / Audit Committee? | |

| Auditor Question | Response |
|--|-----------------|
| How does the Authority communicate and encourage ethical behaviour of its staff and contractors? | |
| How do you encourage staff to report their concerns about fraud? Have any significant issues been reported? | |
| Are you aware of any related party relationships or transactions that could give rise to risks of fraud? | |
| Are you aware of any instances of actual, suspected or alleged, fraud, either within the Authority as a whole or within specific departments since 1 April 2017? | |

Law and regulation

| Auditor Question | Response |
|---|-----------------|
| What arrangements does the Authority have in place to prevent and detect non-compliance with laws and regulations? | |
| How does management gain assurance that all relevant laws and regulations have been complied with? | |
| How is the Authority provided with assurance that all relevant laws and regulations have been complied with? | |
| Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2017? | |

| Auditor Question | Response |
|---|-----------------|
| What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims? | |
| Is there any actual or potential litigation or claims that would affect the financial statements? | |
| Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? | |

Going Concern

| Auditor Question | Response |
|--|-----------------|
| How will the Authority / Audit Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the 2017/18 financial statements? | |