

**LANCASHIRE COMBINED FIRE AUTHORITY
AUDIT COMMITTEE**

Meeting to be held on 27 November 2020

**EXTERNAL AUDIT – AUDIT FINDINGS REPORT
(Appendix 1 refers)**

Contact for further information:

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Executive Summary

The external auditor is required to produce an Audit Findings Report summarising the conclusions from their work undertaken as part of the year-end audit of accounts.

The report for the financial year ended 31 March 2020 is attached which does not identify any significant issues or recommendations.

Recommendation

The Committee is asked to:-

- Note and endorse the matters raised in the report;
- Note the unqualified opinion on the financial statements;
- Note the value for money conclusion;
- Note that fees will increase as a result of additional work undertaken and authorise the Treasurer to agree an amended fee with the auditors.

Information

Under the statutory Code of Audit Practice for Local Government bodies our external auditors Grant Thornton are required to issue a report to those charged with governance summarising the conclusions from their audit work.

This report, known as the Audit Findings Report, is attached as Appendix 1, and will be presented by the Audit Manager. At the time of writing the report the audit work was substantially complete and there were no issues which they were aware of that would require further modification of the audit opinion or material change to the financial statements.

As such the anticipated audit opinions are:-

- Our anticipated audit report opinion will be unqualified
- We anticipate issuing an unqualified value for money conclusion

As reported earlier on the agenda (Revisions to the Statement of Accounts 2019/20) there were three adjusted mis-statements (as set out on page 21 of the Audit findings Report) relating to

- McCloud – IAS 19 adjustment for HM Treasury Consultation remedy
- Difference between valuers report and fixed asset register
- Backdating of pension contributions of day crew plus and other allowances

In addition there were seven minor disclosure changes which were required (as set out on page 22 of the Audit findings Report).

It is worth noting that the auditor report highlights

- All information and explanations requested from management was provided.
- The financial statements were received on 15 July 2020, and published in advance of the statutory deadline.
- The financial statements were prepared to a good standard with embedded quality review processes in place.
- Working papers were available at the start of the audit and were detailed, and clear to understand.
- The responses to our audit samples and queries were comprehensive and timely.

Audit Action Plan

Grant Thornton have not made any recommendations following the audit.

Financial Implications

A draft audit fee of £28.4k was originally agreed as part of the Audit Plan.

Additional audit work has been required to review the critical judgement on the backdating of pension contributions on day crew plus allowances.

In addition Covid-19 has impacted on the audit of your financial statements in several ways, including:

- Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has driven additional areas of audit work.
- Management's assumptions and estimates - there is increased uncertainty over many estimates including property, pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. There are similar challenges for management and ourselves on areas such as credit loss allowances, financial guarantees, and other provisions.
- Financial resilience assessment – we are required to consider the financial resilience of audited bodies. Whilst the impact on the Authority has not been as significant as on other parts of the local government sector, there has been a small increase in the amount of work that we need to undertake on going concern and value for money (financial sustainability).
- Remote working – the most significant impact in terms of delivery is the move to remote working (both our teams and yours). In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming. The Government's current expectation to work from home as the default position is now likely to make this a greater issue for the audit than if we had been able to gradually return to our offices and Authority premises over the autumn of this year, as originally anticipated

The auditors are currently reviewing the impact of this on fees, and it is proposed that the Treasurer is authorised to agree an amended fee with the auditors in due course, and to report this at the next Audit Committee.

Human Resource Risk Implications

None

Equality and Diversity Implications

None

Environmental Impact

None

Business Risk Implications

The report does not identify any new risk issues that the Authority needs to address.

Local Government (Access to Information) Act 1985

List of Background Papers

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