

Audit Findings (ISA 260) Report for Lancashire Combined Fire Authority

Year ended 31 March 2025

11 December 2025

Appendix 1

Lancashire Combined Fire Authority

Garstang Road
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11 December 2025

Dear Members of the Audit Committee

Audit Findings for Lancashire Combined Fire Authority for the 31 March 2025

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 and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. 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.

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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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2024-.pdf \(grantthornton.co.uk\)](#).

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

Elizabeth Luddington

Director
For Grant Thornton UK LLP

Chartered Accountants

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Headlines and status of the audit

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Lancashire Combined Fire Authority (the 'Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2025 for the attention of 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), Narrative Report and, is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed as planned between September and November 2025. The findings are summarised on pages 14 to 27. We identified no financial adjustments to the financial statements but noted some disclosure amendments.

Audit adjustments are detailed from page 32. We have also raised recommendations for management as a result of our audit work. These are set out at page 35. Our follow up of recommendations from the prior year's audit are detailed at pages 36 and 37.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion Appendix C, subject to the following outstanding matters:

- receipt of evidence and responses to our enquiries to finalise our substantive testing of debtors, fees and charges income, employee benefits expenses, pension liabilities, related party transactions and disclosures;
- finalisation of our work on PFI liabilities (including IFRS 16), journals, creditors, investments, reserves and land and building revaluations
- final review of the audit file by the Engagement Lead and Audit Manager, in particular the areas set out above;
- update of our post balance sheet events review to the date of signing;
- receipt of management representation letter {see Appendix B}; and
- review of the final set of financial statements.

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

Our anticipated financial statements audit report opinion will be unmodified.

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 Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance.

We have completed our VFM work, which is summarised on page 39, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and have not identified any significant weaknesses in the Authority's arrangements.

Headlines

Statutory duties

The Local Audit and Accountability Act 2014 (the ‘Act’) also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work required under the Code. We cannot formally conclude the audit and issue an audit certificate for Lancashire Combined Fire Authority for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

Headlines

National context – audit backlog

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Headlines

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

- leases of low value assets
- short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

Impact on the Authority

- lease liabilities and right of Use Assets recognised on the balance sheet in respect of former operating leases
- additional accounting policies and disclosures in the financial statements
- related internal controls that required tailoring to reflect changes in accounting policies and processes
- identification of ‘low value’ and ‘short term’ leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate

Detail of assessment, the work undertaken, and key observations regarding the implementation of IFRS 16 can be found on page 20.

Materiality

Three decorative purple arcs of varying radii are positioned on the right side of the slide, starting from the bottom and curving upwards and to the right.

Our approach to materiality

As communicated in our Audit Plan, we determined materiality at the planning stage as £2.113m based on 2.5% of prior year gross operating expenditure. At year-end, we have reconsidered planning materiality based on the draft financial statements and we have maintained the threshold stated in our Audit Plan as we deemed the movement insignificant.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £2.113m based on professional judgement in the context of our knowledge of the Authority, including consideration of the level of misstatement which could reasonably be expected to influence the economic decisions of users of the financial statements.
- We have used 2.5% of gross operating expenditure as the basis for determining materiality.

Performance materiality

- We have determined performance materiality at £1.479m, this is based on 70% of headline materiality.

Specific materiality

- Senior officers remuneration – Due to the sensitive nature of this disclosure we have set a lower materiality of £0.042m. We have maintained the threshold stated in our Audit Plan.

Reporting threshold

- We will report to you all misstatements identified in excess of £0.106m, in addition to any matters considered to be qualitatively material.

Our approach to materiality

A summary of our approach to determining materiality is set out below.

	Authority (£)	Qualitative factors considered
Materiality for the financial statements	2.113m	In determining materiality, we have considered the level of misstatement which could reasonably be expected to influence the economic decisions of users of the financial statement. Materiality has been set at £2.113m being 2.5% of your 2023/24 gross operating expenditure.
Performance materiality	1.479m	Performance materiality has been set at £1.479m being 70% of your headline materiality.
Specific materiality for Senior Officer Remuneration	0.042m	This balance is material by nature due to the sensitivity of the disclosure. Materiality has been set at £0.042m.
Reporting threshold	0.106m	The amount below which findings would be clearly inconsequential both individually or in aggregate to any reader of the financial statements.

Overview of significant and other risks identified

Overview of audit risks

The below table summarises the significant and other risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor’s judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	● TBC
Valuation of land and buildings	Significant	↔	✗	High	●
Valuation of the pension fund net liability	Significant	↔	✗	High	● TBC
The revenue cycle includes fraudulent transactions	Significant – risk rebutted	↔	✓	Low	● TBC
The expenditure cycle includes fraudulent transactions	Significant – risk rebutted	↔	✓	Low	● TBC
Implementation of IFRS 16	Other	↔	✗	Medium	● TBC

- ↑ Assessed risk increase since Audit Plan
- ↔ Assessed risk consistent with Audit Plan
- ↓ Assessed risk decrease since Audit Plan

- Not likely to result in material adjustment or change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>Management override of controls</p> <p>Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p> <p>We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none">• evaluated the design and implementation of management controls over journals;• analysed the journals listing and determined the criteria for selecting high risk unusual journals;• identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration;• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.	<p>In performing the procedures above, we identified a population of journals to test using data analytic software to analyse journal entries and to split large batch journals into smaller sets of transactions that support targeted testing based on specific risk criteria assessed by the audit team.</p> <p>These criteria included:</p> <ul style="list-style-type: none">• Material journals across the year and at year end• Credits to expenditure codes <p>From our review of all journals posted during the year, we identified 33 higher risk or unusual journals that warranted detailed audit testing. Our audit work to date has not identified any significant issues in respect of management override of controls. The work is subject to final review by the Engagement Lead.</p>

Significant risks

Risk identified

Valuation of land and buildings

The Authority revalues its land and buildings on a rolling five-year basis.

This valuation £116.425m (as at 31/03/2025) 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.

Additionally, management will need to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value at the financial statements date (for surplus assets) at the financial statements date, where a rolling programme is used.

We have therefore identified valuation of land and buildings, particularly revaluations as a significant risk, which was one of the most significant assessed risks of material misstatement.

Audit procedures performed

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code were met;
- challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding;
- evaluated the valuer's report to identify assets that have large and unusual changes and/or approaches to the valuation. Substantively tested these to ensure the valuations are reasonable
- tested a selection of other asset revaluations made during the year to ensure they have been input accurately into the Authority's asset register, revaluation reserve and Comprehensive Income and Expenditure Statement; and
- evaluated the assumptions made by management for those assets not revalued in year and how management has satisfied themselves that these are not materially different from the current value at year-end.

Key observations

As part of our overall audit work, we tested 21 Land and Building asset valuations, including individually large assets or those with unusual movements, as well as a sample across the remainder of the total population of assets. In completing our work, we examined the accounting entries, data and assumptions used, relevant asset indices and considered those assets not revalued.

Our audit work to date has not identified any material issues in respect of valuation of land and buildings. We considered the level of disclosure in the financial statements to be appropriate, with only one minor amendment in disclosure noted on page 34 and two low level recommendations on page 35.

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>Valuation of the defined benefit pension net liability</p> <p>The Authority’s defined benefit pension net liability, as reflected in its balance sheet, represents a significant estimate in the core financial statements.</p> <p>The net pension fund liability is considered a significant estimate due to both the size of the amounts involved and the sensitivity of the valuation to changes in key assumptions. At 31 March 2025, the liability was £558.430m (prior year: £651.920m), comprising unfunded defined benefit obligations of £588.346m under the Firefighters’ Pension Scheme and £0.084m under the Local Government Pension Scheme. This is after the application of an asset ceiling of £32m under IFRIC14, which addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.</p>	<p>We have:</p> <ul style="list-style-type: none"> • 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; • evaluated the instructions issued by management to their management expert (the actuary) for this estimate and the scope of the actuary’s work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority’s pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; and • 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; 	<p>Our review of the processes and controls in respect of pensions and the instructions issued by management identified no issues, nor did our assessment of the competence, capability and objectivity of the actuary.</p> <p>We also confirmed the accuracy and completeness of the information provided by the Authority to estimate the liability. We challenged the actuary’s assumptions and used our auditor’s expert (PWC) to provide expert input on the assumptions that had been used. Page 23 provides a detailed assessment of the estimation process for the valuation of the pension fund net liability.</p> <p>We have reviewed the IAS19 assurances from the auditor of Lancashire County Pension Fund and have not identified any issues.</p> <p>(continued)</p>

Significant risks

Risk identified

Valuation of the defined benefit pension net liability (continued)

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with requirements set out in the Code. 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.

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.

Audit procedures performed

- 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, including confirmation of the scope of the actuary's work and reviewing the application of IFRIC 14 ;
- obtained assurances from the auditor of the Lancashire County 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.
- performed checks in respect of Firefighters' membership data and tested the accuracy and validity of movements since the most recent triennial valuation, where material changes were identified

Key observations

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>We completed a risk assessment of all revenue streams for the Authority. We rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the revenue streams both individually and collectively, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited;• most of the revenue received by the Authority comes from government grants; and• the culture and ethical frameworks of local authorities, including Lancashire Combined Fire Authority, mean that all forms of fraud are seen as unacceptable <p>Therefore, we do not consider these to be significant risks for Lancashire Combined Fire Authority.</p>	<p>We have rebutted the risk of fraud in revenue recognition.</p> <p>Despite revenue recognition not being a significant risk, we have undertaken the following procedures to ensure that revenue included within the accounts is materially correct:</p> <ul style="list-style-type: none">• reviewed and tested, on a sample basis, revenue transactions, ensuring that it remains appropriate to rebut the presumed risk of revenue recognition;• tested a sample of invoices issued and income received in the period prior to and following 31 March 2025 to determine whether income is recognised in the correct accounting period, in accordance with the amounts billed to the corresponding parties; and• evaluated the Authority’s accounting policy for recognition of income for appropriateness and compliance with the Code;	<p>Our audit plan confirmed that we considered it appropriate to rebut the fraud risk in relation to revenue and this remains appropriate.</p> <p>Whilst revenue recognition was not identified as a significant risk, we have carried out procedures and tested material revenue streams to gain assurance over this area and evaluated that it remained appropriate to rebut the presumed risk of revenue recognition.</p> <p>Our audit work to date has not identified any instances of fraudulent revenue recognition or inaccurate cut-off of revenue recorded around the year end. We have noted a presentational adjustment in respect of interest income as noted on page 34.</p>

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>The expenditure cycle includes fraudulent transactions</p> <p>Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.</p> <p>We have completed a risk assessment of all expenditure streams for the Authority. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.</p>	<p>We have rebutted the risk of fraud in expenditure recognition</p> <p>Despite expenditure recognition not being a significant risk, we have undertaken the following procedures to ensure that expenditure included within the accounts is materially correct:</p> <ul style="list-style-type: none">• evaluated the Authority’s accounting policy for expenditure recognition for appropriateness and compliance with the Code;• updated our understanding of the Authority’s system for accounting for expenditure and evaluating the design of relevant controls;• undertaken detailed substantive testing on the expenditure streams in 2024-25 including sample testing of material expenditure transactions; and• we have tested a sample of invoices received and payments made in the period prior to and following 31 March 2025 to determine whether expenditure is recognised in the correct accounting period, in accordance with the amounts paid to the corresponding parties.	<p>Our audit plan confirmed that we considered it appropriate to rebut the fraud risk in relation to expenditure and this remains appropriate.</p> <p>Whilst expenditure recognition was not identified as a significant risk, we have carried out procedures and tested material expenditure streams to gain assurance over this area and evaluated that it remained appropriate to rebut the presumed risk of expenditure recognition.</p> <p>Our audit work to date has not identified any instances of fraudulent expenditure recognition or inaccurate cut-off of expenditure recorded around the year end.</p>

Other risks

Risk identified

New accounting standards and reporting developments

IFRS 16 Leases is now mandatory for all Local Government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

In the public sector, the definition of a lease has been extended to include the use of assets for which little or no consideration is paid, often called “peppercorn” rentals. This is one instance where the right of use asset and its’ associated liability are not initially recognised at the same value. For peppercorn rentals, the right of use assets are initially recognised at market value. Any difference between market value and the present value of expected payments is accounted for as income. This has similarities with the treatment of donated assets.

Key judgements include

- determining what is deemed to be a low value lease. This is based on the value of the underlying asset when new and is likely to be the same as the authority’s threshold for capitalising owned assets;
- determining whether an option to terminate or extend the lease will be exercised. This is important as it affects the lease term and subsequently the calculation of the lease liability based on the expected payments over the lease term; and
- the valuation of the right of use asset after recognition. An expert valuer may be required to support management in this.

We have therefore identified completeness of the identification of relevant leases and valuation as a risk

Audit procedures performed

We have:

- obtained an understanding of the Authority's approach to implementing IFRS 16. This includes understanding the steps taken by the Authority to identify and classify leases including peppercorn leases, assess lease terms, and ensure the accounting treatment aligns with the accounting standards;
- reviewed the proposed accounting policy;
- reviewed the reconciliation of 31/03/2024 IAS 17 operating lease commitment disclosure to 01/04/2024 IFRS16 lease liabilities; and
- assessed how leases with options to extend or terminate have been identified and the likelihood of these options to be exercised.

Key observations

We have reviewed the transition adjustments and performed procedures to confirm the completeness of leases identified, and no issues have been noted in this respect. Work relating to Private Finance Initiative (PFI) arrangements, which fall within the scope of IFRS 16, is ongoing and will be reported upon completion.

Other findings

Other findings – key judgements and estimates

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

Assessment:

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] 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
- [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Valuation of land and buildings £116.425m Net carrying value at 31 March 2025	<p>Other land and buildings comprises 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. The remainder of other land and buildings are not specialised in nature and are required to be valued at EUV at year end.</p> <p>The Authority has engaged Amcat (UK) Limited to complete the valuation of properties as at 31 March 2025 on a five yearly cyclical basis. 16% of total assets were fully revalued during 2024/25 with the remaining 84% subject to a desktop valuation exercise.</p>	<p>We completed the following work.</p> <ul style="list-style-type: none">• We assessed the valuer used as management’s expert, Amcat Limited, as competent, capable and objective• We have confirmed the completeness and accuracy of the underlying information provided to the valuer used to determine the estimate• We have evaluated the method, data and assumptions used by management’s expert to derive the accounting estimate to be reasonable• We confirmed that the valuation method remains consistent with the prior year• We have agreed the General Fund valuation report to the Fixed Asset Register and to the Statement of Accounts• We have confirmed the adequacy of the disclosure of the estimate in the financial statements• We have confirmed the appropriateness of alternative site assumptions. <p>Our work to date has not identified any issues with management’s estimation process.</p>	<div>●</div> <div>Green</div>

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
<p>Valuation of Pension Fund Net Liability – £558.430m 31 March 2025</p> <p>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.</p> <p>We therefore identified valuation of the Authority’s pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatements.</p> <p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.</p> <p>IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.</p>	<p>The Authority’s net pension liability at 31 March 2025 is £558.430m (prior year: £651.920m), comprising unfunded defined benefit pension obligations of £588.346m under the Firefighters’ Pension Scheme and £0.084m under the Lancashire County Pension Scheme, after applying an IFRIC 14 assessment of £32m.</p> <p>The Authority uses Government Actuary’s Department (GAD) to provide actuarial valuations of the Authority’s liabilities derived from the Firefighters’ Pension Scheme, uses Mercers to provide actuarial valuations of the Authority’s assets and liabilities derived from the LGPS.</p> <p>A full actuarial valuation is required every three years.</p>	<p>We have completed the following work on the estimate:</p> <ul style="list-style-type: none"> assessed the Authority’s actuaries, GAD and Mercer, to be competent, capable and objective; confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate; reviewed the adequacy of disclosure of estimate in the financial statements; confirmed there have been no changes to the valuation methodology since the previous year, other than the updating of key assumptions above; and examined the IFRIC 14 assessment of the pension fund asset on the local government scheme. <p>(continued)</p>	<p>● Green</p>

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Valuation of Pension Fund Net Liability - £558.430m 31 March 2025 (cont.)		<ul style="list-style-type: none"> Used PwC as our auditors expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions: 	<div>●</div> <div>Green</div>
Assumption	Actuary value	PwC range	Assessment
Discount rate	Mercer: 5.80% GAD: 5.65%	Mercer 5.7-5.9% GAD 5.65%	●
Pension increase rate	Mercer: 2.70% GAD: 2.70%	Mercer: 2.6%-2.7% GAD: 2.70%	●
Salary growth	Mercer: 4.10% GAD: 3.45%	Mercer: 3.85%-4.1% GAD: 3.45%	●
Life expectancy – Males currently aged 45/65	Mercer: 22.4/21.1 GAD: 22.7/21.3	Mercer: 22.4-23/20.7-21.4 GAD: 22.7/21.3	●
Life expectancy – Females currently aged 45/65	Mercer: 25.3/23.5 GAD: 22.7/21.3	Mercer: 22.4-25.3/20.7-23.6 GAD: 22.7/21.3	●

Our audit work remains on-going as at the date of this report. Our audit work to date has not identified in respect of this testing.

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	ITGC control area rating				Related significant risks/other risks
		Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Oracle Fusion: Financial reporting	ITGC assessment (design effectiveness)	<div><div></div>Green</div>	<div><div></div>Green</div>	<div><div></div>Green</div>	<div><div></div>Green</div>	All significant risks

Assessment:

- [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- [Black] Not in scope for assessment

Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee and 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.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed, although our work is not yet complete.
Matters in relation to laws and regulations	You have not made use 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 set out at Appendix B.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Authority's banking and treasury partners. This permission was granted and the requests were sent. All confirmations have now been returned with positive confirmation.
Disclosures	Our review found no material omissions in the financial statements. A number of amendments were made to the financial statements to further enhance the transparency of the disclosures within the Accounts and improve compliance with reporting requirements. Further detail is set out at page 34.
Audit evidence and explanations	All information and explanations requested from management continue to be provided.
Significant difficulties	We have not encountered any significant challenges during the audit

Other responsibilities

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Statement on Annual Governance Arrangement, and Narrative, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none">• 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,• if we have applied any of our statutory powers or duties.• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<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. Note that detailed work is not required as the Authority does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We cannot formally conclude the audit and issue an audit certificate for Lancashire Combined Fire Authority for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025, as detailed in Appendix C.</p>

Other responsibilities

Issue	Commentary
Going concern	<p>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 2024). The Financial Reporting Authority 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.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none">• 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• 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. <p>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:</p> <ul style="list-style-type: none">• the nature of the Authority and the environment in which it operates;• the Authority's financial reporting framework;• the Authority's system of internal control for identifying events or conditions relevant to going concern; and• management’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none">• a material uncertainty related to going concern has not been identified; and• management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Audit adjustments

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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 and unadjusted misstatements

No adjusted or unadjusted misstatements have been identified at the date of issuing our report. We will provide an update to management and the Audit Committee should any issues be identified from the remaining testing. There are no unadjusted errors to consider from the prior year.

Audit adjustments

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	Misclassification or change identified	Adjusted?
Grants Received in Advance	The total disclosed for grants received in advance was included within other short term liabilities. Grants received in advance must be disclosed as a separate line on the face of the Balance sheet. This was a disclosure error only and the accounts have been updated accordingly.	✓
Creditors	The total disclosed for the short-term creditors on the balance sheet did not agree to the supporting note 11 (creditors) and note 8 (financial instruments). This error has now been corrected to reflect the accurate balance sheet figure.	✓
Interest Income	Within Note 27 - Expenditure and Income by Nature, Interest Income value of £2,291K has been included within the fees and charges Income line item and not disclosed as a separate line item as per CIPFA Code Ref - 2.7.2.35. This was a disclosure error only and the accounts have been updated accordingly.	✓
Assets Under Construction	Assets under construction should be included within Note 6 – Property, Plant and Equipment. According to CIPFA Code paragraph 4.1.4.3(e), a reconciliation of the carrying amount at the beginning and end of the period is required for each class of PPE, including additions, which covers assets under construction. This reconciliation must be presented in the PPE note, whereas initially it was included as a separate table.	✓
Throughout	As a result of our review of the accounts we identified a number of minor presentational and disclosure improvements. Management have amended the accounts for these matters.	✓

Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our 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
<div><div></div><div>Low</div></div>	As part of our testing of the useful economic lives assigned to assets, we noted that two assets were allocated asset lives upon being brought into use that fall outside the Authority’s approved accounting policy.	<p>We recommend that the Authority:</p> <p>Review the process for assigning useful economic lives to ensure compliance with the approved accounting policy and investigate the specific instances identified and make any necessary adjustments.</p> <p>Management response</p> <p>The accounting policy for asset life will be reviewed and updated to reflect the life of assets.</p>
<div><div></div><div>Low</div></div>	During our testing of assets recorded on the fixed asset register at a net book value of £nil, we noted that a number of vehicles and equipment are fully depreciated but remain in operational use. These assets continue to provide economic benefit despite being recorded at £nil value.	<p>We recommend that the Authority:</p> <ul style="list-style-type: none">• review its accounting policy for useful economic lives of equipment and vehicles to ensure it reflects the full expected period of use;• assess whether adjustments to useful lives are appropriate for similar asset categories going forward; and• review and update the fixed asset register to remove any assets that are no longer in existence or in operational use. <p>Management response</p> <p>The economic useful life of equipment and vehicles will be reviewed in 2025/26 and cleansing of the asset register.</p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Follow up of prior year recommendations

We identified the following issues in the audit of the Authority’s 2023/24 financial statements, which resulted in two recommendations being reported in our 2023/24 Audit Findings Report. We are pleased to report that management have implemented our recommendation.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>During our reconciliation between the general ledger transactions listing and trial balance, we identified variances in 2 account codes. The variances are below triviality and net to nil; therefore, they have no impact on the final accounts. However, the general ledger should always reconcile back to the trial balance to ensure the accuracy and completeness of the data.</p> <p>Recommendation</p> <p>For control purposes and best practices, we recommend that management run checks between the transaction listing and trial balance on a timely basis to identify and address any potential system errors.</p>	<p>Management response</p> <p>An additional monthly reconciliation has been introduced to identify any coding variances within customised reporting.</p> <p>Audit Response</p> <p>We confirmed that this recommendation has been fully implemented in 2024/25. Our reconciliation between the general ledger transaction listings and trial balance in the current years audit did not identify any variances and we have successfully reconciled all general ledger transitions to the trail balance and subsequently to the Statement of Accounts.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>During our sample testing of assets' useful economic life, we identified one asset that was recognised under Vehicle, Plant and Equipment in 23/24 but has not been brought into use. In this case, we would expect the assets to be recognised under Assets under construction instead.</p> <p>We reviewed the Fixed assets register and confirmed that no depreciation has been charged in year for this asset. Therefore, apart from the matter of classification, there is no impact on the net balance of the accounts.</p> <p>Recommendation</p> <p>For the best accounting practice , we would recommend the management review the fixed assets register on a regular basis and ensure that the assets have been classified in the correct categories.</p>	<p>Management response</p> <p>The asset register will continue to be reviewed on a regular basis and a classified category check will be introduced.</p> <p>Audit Response</p> <p>Our substantive testing of Property, Plant and Equipment found no assets in the current year's accounts that were incorrectly classified.</p>

Value for Money arrangements

Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30th November each year from 2024-25. Our draft AAR accompanies this audit findings report.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

In undertaking this work we have not identified any significant weaknesses in arrangements.

Independence considerations

Independence considerations

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council’s Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

As part of our assessment of our independence we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority or investments in the group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Authority/group, senior management or staff (that would exceed the threshold set in the Ethical Standard).

Fees and non-audit services

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services. The fees reconcile to the financial statements.

Total audit and non-audit fee

Scale fee as set by PSAA	£103,053
IFRS 16 *	£ 3,000
Total audit fee	£106,053

The above fees are exclusive of VAT.

*The fees agree to the financial statements without the IFRS16 fee, which is subject to approval by PSAA, see page 43.

This covers all services provided by us and our network to the group/Authority, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

Additional fee analysis – fee variation for in year work

The following table sets out further information on additional fees in respect of IFRS16

Grade	Rate (Determined by PSAA)	Hours	Fee variation for Audit 2024/25
Partner/Director	£428	1	£428
Senior Manager/ Manager	£236	2	£472
Senior Auditor	£153	13.7	£2,100
Other staff	£117		
Total		16.7	£3,000

The above is subject to review by PSAA who will make a final determination.





Appendices

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A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Group’s accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		
Non-compliance with laws and regulations		
Unadjusted misstatements and material disclosure omissions		
Expected modifications to the auditor's report, or emphasis of matter		

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (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.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

B. Management letter of representation

[**Prepare on client letterhead**]

Grant Thornton UK LLP

Landmark, St Peter's Square

1 Oxford Street

Manchester

M1 4PB

[**To be dated the same as the opinion**]

Dear Grant Thornton UK LLP

Lancashire Combined Fire Authority Financial Statements for the year ended 31 March 2025

This representation letter is provided in connection with the audit of the financial statements of Lancashire Combined Fire Authority ("the Authority") for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the Authority financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Authority's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of the pension fund net liability for Local Government Pension Scheme and the Firefighters Pension Schemes and the valuation of Land and Buildings. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. During the year we evaluated our estimation process for the valuation of the pension fund net liability for Local Government Pension Scheme and the Firefighters Pension Schemes and the valuation of land and buildings. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

B. Management letter of representation

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for International Accounting Standard 19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

- a. there are no unrecorded liabilities, actual or contingent;
- b. none of the assets of the Authority has been assigned, pledged or mortgaged; and
- c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. The financial statements are free of material misstatements, including omissions. xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiii. There are no prior period errors to bring to your attention.

xiv. We have updated our going concern assessment. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

- a. the nature of the Authority means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;
- b. the financial reporting framework permits the Authority to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements

xv. The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority's financial statements in the event of non-compliance

B. Management letter of representation

Information Provided

xvi. We have provided you with:

- a. access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters;
- b. additional information that you have requested from us for the purpose of your audit; and
- c. access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management is aware.

xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:

- a. management;
- b. employees who have significant roles in internal control; or
- c. others where the fraud could have a material effect on the financial statements.

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

B. Management letter of representation

Narrative Report

xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority's financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Audit Committee at its meeting on 11/12/2025.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Authority

C. Audit opinion - DRAFT

Our anticipated audit report opinion will be unmodified

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 2025, which comprise 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. 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 2024/25.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2025 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 2024/25; 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 (2024) ("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 2024/25 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 2024) 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.

C. Audit opinion - DRAFT

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.

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.

Our responsibilities and the responsibilities of the Treasurer's with respect to going concern are described in the relevant sections of this report.

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. The Treasurer's is responsible for the other information. 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.

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 themselves. 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 in November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Arrangements does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the 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, 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

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- 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 and the Treasurer

As explained more fully 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 2024/25, 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 they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2024 and the Local Government Act 2003.
- In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to the Fire and Rescue Services Act 2004, the Public Service Pensions Act 2013, the Firefighters' Pension Scheme (England) Regulations 2014 and the Firefighters' Pension Scheme (England) Order 2006).
- we enquired of management and the Audit committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations.

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- 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 management, 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 management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of potential management bias in determining accounting estimates for the valuation of land and buildings and the pension liability/asset, and management override of controls. We determined that the principal risks were in relation to processing of inappropriate journals.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that management 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, and
 - 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.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings and defined pension fund net liability valuations. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- 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.

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- 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.

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.

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 2025.

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

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

Auditor’s responsibilities for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in the Authority’s 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 issued by the Comptroller and Auditor General in November 2024. 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 have documented 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 have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

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Report on other legal and regulatory requirements – Audit certificate

We cannot formally conclude the audit and issue an audit certificate for Lancashire Combined Fire Authority for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025

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 85 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.

Signature:

Elizabeth Luddington, Key Audit Partner

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

Manchester

Date:



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