

The Audit Plan for Lancashire Combined Fire Authority

Year ending 31 March 2026

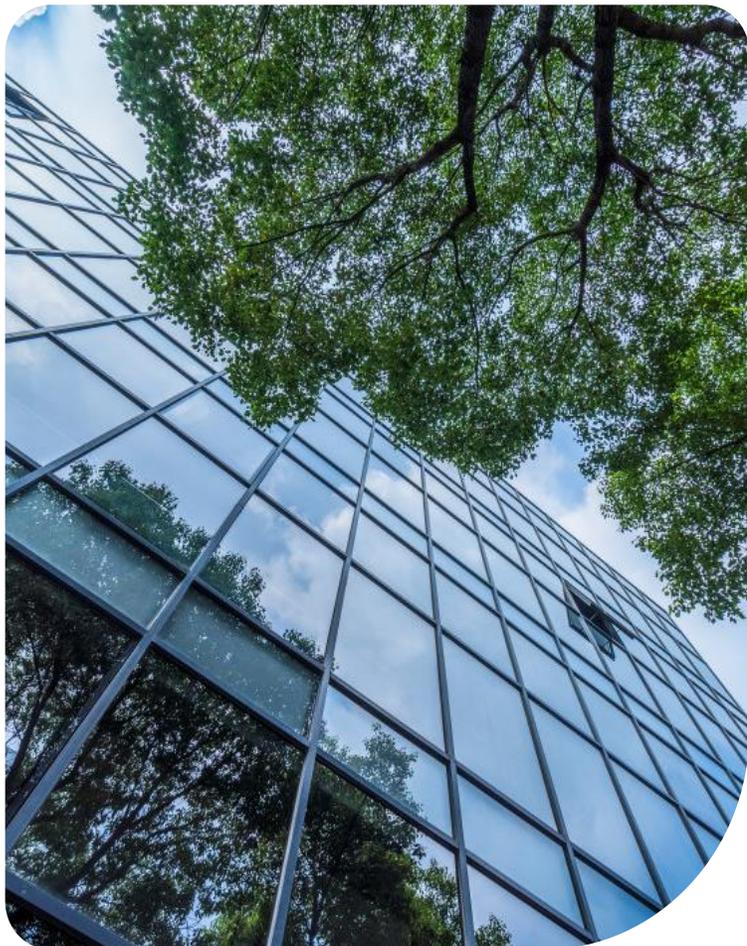
10 March 2026



Contents

Section	Page
Introduction and headlines	03
Risks identified and Other matters	05
Our approach to materiality	11
Progress against prior year recommendations	13
IT audit strategy	14
Value for money arrangements	15
Logistics, our team and communications	19
Fees and related matters	21
Independence considerations	23
Communication of audit matters with those charged with governance	24
Financial reporting changes	26
Appendix – Audit Timetable letter	27

Introduction and headlines



Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Lancashire Combined Fire Authority ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Lancashire Combined Fire Authority. We draw your attention to these documents.

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and we consider whether there are sufficient arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority and is risk based.

Introduction and headlines (continued)

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of Land and Buildings
- Valuation of the pension fund net liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £2.163m (PY 2.112m) for the Authority, which equates to 2.5% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

Clearly trivial has been set at £0.108m (PY £0.105m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any significant weakness areas or related risks, requiring separate attention. We will continue to monitor and update our risk assessment and responses until we issue our Auditor's Annual Report.

Audit logistics

Our interim visit will take place between February and April and our final visit will take place between July and November. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £105,938 (PY: £106,053) for the Authority, subject to the Authority delivering a good set of financial statements and working papers, no significant changes in scope to the Audit, management being responsive to audit requests and providing sufficient appropriate audit evidence when requested.

We have complied with the Financial Reporting Authority's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Audit team's assessment	Planned audit procedures
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk 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 will:</p> <ul style="list-style-type: none"> • review accounting estimates, judgements and decisions made by management; • review unusual significant transactions; • make enquiries of finance staff regarding their knowledge of potential instances of management override of controls; • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals and those falling into certain criteria determined by the audit team; and • test a sample of journals recorded during the year and after the draft accounts stage for appropriateness and corroboration.



“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<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 have completed a risk assessment of all revenue streams for the Authority. In doing so, we have rebutted the presumed fraud risk relating to the improper recognition of revenue across all revenue categories. This assessment reflects the low inherent risk of fraud, given the characteristics of the Authority's revenue transactions and the immateriality of certain income streams, both individually and in aggregate.</p> <p>Our rebuttal is based on the following factors:</p> <ul style="list-style-type: none"> • there is little incentive for management to manipulate revenue recognition; • opportunities to inappropriately recognise revenue are limited due to the nature of the Authority's income; • a significant proportion of revenue is derived from government grants, which are subject to defined conditions and recognition criteria; • and the ethical culture and governance frameworks within local authorities, including Lancashire Combined Fire Authority, strongly discourage all forms of fraud. <p>On this basis, we do not consider revenue recognition to represent a significant audit risk for Lancashire Combined Fire Authority. We will, however, continue to review material revenue transactions throughout the audit to ensure that our rebuttal of the presumed risk remains appropriate.</p>	<p>As we do not determine this to be a significant risk for the Authority, we will not be undertaking any specific work in this area other than carrying out our standard audit procedure.</p> <p>We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.</p> <p>We will:</p> <ul style="list-style-type: none"> • review and test, on a sample basis, revenue transactions, ensuring that it remains appropriate to rebut the presumed risk of revenue recognition; and • design and carry out appropriate audit procedures to ascertain the recognition of income is in the correct accounting period using cut-off testing.



Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<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 will, however, continue to review material expenditure transactions throughout the audit to ensure that our rebuttal of the presumed risk remains appropriate.</p>	<p>As we do not determine this to be a significant risk for the Authority, we will not be undertaking any specific work in this area other than carrying out our standard audit procedure.</p> <p>We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.</p> <p>We will:</p> <ul style="list-style-type: none"> • evaluate the Authority's accounting policy for recognition of expenditure for appropriateness and compliance with the Code; • agree on a sample basis relevant expenditure and year end creditors and accruals to invoices or other supporting evidence; and • carry out sample-based testing of invoices received and payments made in the periods immediately before and after 31 March 2026, to assess whether expenditure has been recognised in the correct accounting period and reflects the amounts billed by suppliers.

Table continues overleaf

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
Valuation of Land and Buildings	<p>The valuation of land and buildings represents a significant estimate in the financial statements due to the size of the assets involved, the complexity of the underlying valuation methodology, and the sensitivity of the valuation to changes in key assumptions. As a result, we have identified this as a significant risk for the audit.</p> <p>The Authority undertakes a rolling five-year revaluation programme for its land and buildings. The carrying value of these assets is material (approximately £116.426m in the prior period), and the valuation is inherently judgemental, relying on professional valuation expertise and a range of assumptions that can significantly affect the reported figures.</p> <p>The Code for 2025/26 now requires indexation in the intervening years between revaluations. The Authority will be adopting this for the first time and applying indexation to property plant and equipment.</p> <p>Given the magnitude of the assets and the level of estimation uncertainty, we have identified the valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • document our understanding of management's processes and controls for determining the valuation estimate; • evaluate the competence, capabilities and objectivity of management's expert (the valuer); • evaluate the valuation methodology, including the basis on which the valuations have been performed and the information and assumptions used by the valuer; • assess the reasonableness of key assumptions applied in forming the valuation estimate, considering sensitivity to changes in those assumptions; • review the valuation report to identify assets with significant or unusual movements or changes in valuation approach, and perform substantive testing on these assets to assess the appropriateness of the valuations; • evaluate the consistency of financial statement disclosures against the valuation report; • evaluate the appropriateness of key indices used by the Authority and check the basis of accounting entries; and • test the accounting entries arising from the valuation; and • test a sample of asset revaluations performed during the year to confirm they have been correctly recorded within the Authority's asset register, revaluation reserve, and the Comprehensive Income and Expenditure Statement.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
Valuation of the pension fund net liability	<p>The valuation of the pension fund net liability represents a significant estimate within the financial statements. This arises due to the size of the liability, the complexity of the underlying actuarial calculations, and the sensitivity of the valuation to changes in key assumptions. Accordingly, we have identified this area as a significant risk for the audit.</p> <p>As of 31 March 2025, the Authority reported a pension fund net liability of approximately £558.430m, comprising unfunded defined benefit obligations of £588.346m under the Firefighters' Pension Scheme and £0.084m under the Local Government Pension Scheme. This balance reflects the application of a £32m asset ceiling under IFRIC 14, which limits the extent to which an IAS 19 surplus can be recognised on the balance sheet and determines whether additional liabilities are required in respect of onerous funding commitments. The valuation is inherently judgemental and highly sensitive to changes in key actuarial assumptions, including discount rates, inflation, mortality, and salary growth.</p> <p>Given the magnitude of the figures involved and the estimation uncertainty, we have identified the valuation of the Authority's pension fund net liability as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding management's process and controls; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • evaluate the consistency of the disclosure with the actuarial report; • evaluate the reasonableness of the assumptions used to form the estimate; • obtain assurances from the pension fund auditor on the underlying data shared by the fund to the actuary which has been used in the calculation of this estimate; • review the IFRIC 14 assessment carried out by the actuary and evaluate the reasonableness of the assumptions used as part of the assessment; • obtain assurances from the auditor of 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 LGPS pension fund and the fund assets valuation in the pension fund financial statements. This relates to the local government pension fund liability only; and • perform appropriate data checks in respect of Firefighters' membership data and test the accuracy and validity of movements since the most recent triennial valuation, where material changes were identified.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
 - issuing a report in the public interest or written recommendations to the Authority under section 24 of the Local Audit and Accountability Act 2014 (the Act);

- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act; and
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Description

Determination

We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements

Planned audit procedures

We determine planning materiality in order to:

- establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements
- assist in establishing the scope of our audit engagement and audit tests
- determine sample sizes and
- assist in evaluating the effect of known and likely misstatements in the financial statements.

Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements

An item may be considered to be material by nature when it relates to instances where greater precision is required.

Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Our approach to materiality (continued)

Description	Amount (£)	Qualitative factors considered
Materiality for the Authority financial statements	£2,163,500	This equates to 2.5% of the Authority's prior year gross operating expenditure. This reflect that the Authority operates in a generally stable, regulated environment, although in recent years government policies have reduced the funding available, and this has increased the financial pressures. The audit of the prior year financial statements did not identify any significant deficiencies in the control environment. There has been no change in key stakeholders, and no other sensitivities have been identified that would require materiality to be reduced.
Performance Materiality	£1,622,625	This equates to 75% of Materiality.
Materiality for senior officer remuneration	£54,088	This equates to 2.5% of materiality and reflects higher stakeholder interest in these sensitive disclosures.



Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

Progress against prior year audit recommendations

We identified the following issues in our 2024/25 audit of the Authority's financial statements, which resulted in two recommendations being reported in our 2024/25 Audit Findings Report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
Addressed – to be confirmed during our testing stage	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>Management response</p> <p>The useful economic lives of assets have been reviewed in 2025/26 and policy amended to reflect.</p>
	We recommended that the Authority 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>Auditor Comment</p> <p>To be followed up during the 2025/26 audit.</p>
Addressed – to be confirmed during our testing stage	During our testing of assets recorded on the fixed asset register with a net book value of £nil, we identified a number of vehicles and items of equipment that, although fully depreciated, remain in operational use. These assets continue to provide economic benefit to the Authority despite being carried at a £nil value.	<p>Management response</p> <p>The useful economic lives of assets have been reviewed in 2025/26 and policy amended to reflect.</p>
	We have recommended that the Authority: <ul style="list-style-type: none"> • review its accounting policy for the useful economic lives of vehicles and equipment to ensure it reflects the full expected period of use; • consider whether adjustments to useful lives are appropriate for similar asset categories going forward; and • review and update the fixed asset register to remove assets that are no longer in existence or no longer operational. 	<p>Going forward any asset reaching £nil net book value will be reviewed by the asset owner for extended life consideration. Where the life of an asset is extended, the net book value of the asset will be recalculated on a cost basis and depreciation will be calculated over the revised expected life.</p> <p>Auditor Comment</p> <p>To be followed up during the 2025/26 audit.</p>

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audits and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach. We will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
Oracle Fusion	Financial reporting	Detailed ITGC assessment (design effectiveness only) to be performed at Lancashire County Council

Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2026

The National Audit Office updated its Code of Audit Practice in November 2024. The Code expects auditors to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report a commentary each year under the specific reporting criteria and where significant weaknesses in arrangements are identified. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement was introduced from November 2025. The three specified reporting criteria are set out below:

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.



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 will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our AAR. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. Any significant weaknesses identified will be reflected in our AAR and included within our audit opinion.

Risks of significant VFM weaknesses

As part of our initial planning work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources where we needed to perform additional procedures. The risks we have identified are detailed on the table overleaf along with the further work we will perform. We will continue to review the Authority's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the table below.

Potential types of recommendations



Statutory recommendation

Written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Authority to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Authority. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

Auditors may also include areas for improvement or to keep in view even if they do not identify any underlying significant weaknesses in arrangements. These recommendations set out actions for consideration which are not a result of identifying significant weaknesses in arrangements, but which if not addressed could increase the risk of a significant weakness in future periods.

Risks of significant weakness in VFM arrangements

Initial Risk assessment of the Authority's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2025/26. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
Financial sustainability	G No significant weaknesses in arrangements identified and no improvement recommendation made.	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code.

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendation(s) made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Risks of significant weakness in VFM arrangements

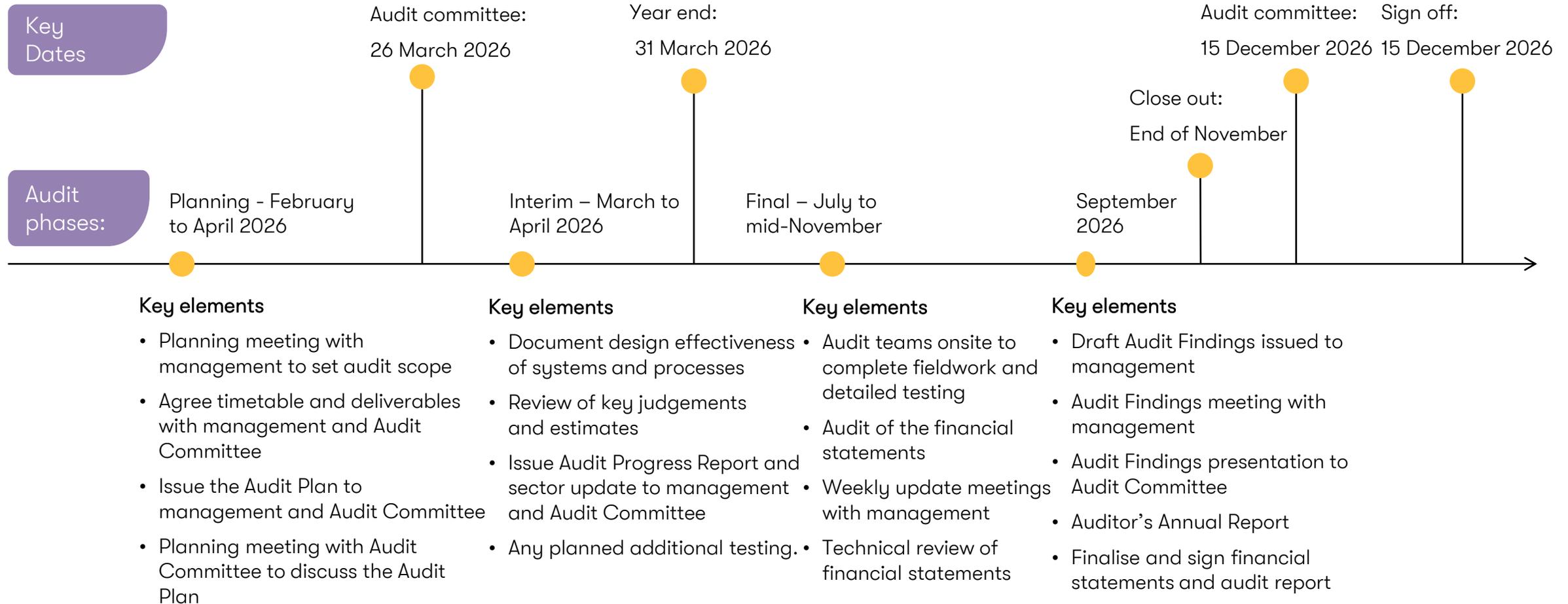
(continued)

Criteria	2024/25 Assessment of arrangements	2025/26 Risk assessment	2025/26 risk-based procedures planned
Governance	A No significant weaknesses in arrangements identified; two improvement recommendations retained in relation to Internal Audit Progress reporting and updating policies.	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in 2024/25.
Improving economy, efficiency and effectiveness	G No significant weaknesses in arrangements identified and no improvement recommendation made.	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code.

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendation(s) made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Logistics

The audit timeline



Our team and communications

Grant Thornton core team

Liz A Luddington

Engagement Lead/Key Audit Partner

- Key contact for senior management and Audit Committee
- Overall quality assurance

Curtis Wallace

Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Ryan Colclough

In-charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

Pool of local government sector specialists and other technical specialists (e.g. IT audit, tax, VAT)

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"> • Annual client service review 	<ul style="list-style-type: none"> • The Audit Plan • The Audit Findings • Auditor's Annual Report • Progress and Sector Update Reports 	<ul style="list-style-type: none"> • Audit planning meetings • Audit clearance meetings • Communication of issues log 	<ul style="list-style-type: none"> • Technical updates
Informal communications	<ul style="list-style-type: none"> • Open channel for discussion 		<ul style="list-style-type: none"> • Communication of audit issues as they arise 	<ul style="list-style-type: none"> • Notification of up-coming issues

Our fee estimate

Our fee estimate

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Authority will:

- prepare good quality sets of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant estimates made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Previous year

In 2024/25, the scale fee set by PSAA was £103,053. The actual fee charged for the audit was £106,053, which included additional fees relating to work undertaken on IFRS 16, identified as an “other risk” in 2024/25 due to the first-time adoption of the new accounting standard.

We do not consider IFRS 16 to represent an “other risk” for the 2025/26 audit, as the standard has now been implemented and is no longer new to the Authority’s financial reporting arrangements.

Company	Audit Fee for 2024/25 (£)	Proposed fee for 2025/26 (£)
Lancashire Combined Fire Authority – PSAA Scale Fee	103,053	105,938
Other – IFRS 16	3,000	Nil
Total (Exc. VAT)	106,053	105,938

Our fee estimate (continued)

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2022 PSAA awarded a contract of audits for the Authority to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2025/26 audit is £105,938.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year or opinion issued (but not before 1 December 2025)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Independence considerations (continued)

As part of our assessment of our independence at planning 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.
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's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence at planning 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 Authority's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

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	●	
Planned use of internal audit	●	
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	●	●

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 Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance (Continued)

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.

Our communication plan	Audit Plan	Audit Findings
Views about the qualitative aspects of the Authority 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		●
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		●

Financial reporting changes

Changes to the CIPFA Code of practice on local authority accounting for 2025/26

The main change is a revaluation expedient for property, plant and equipment. From 1 April 2025, revaluations are required once every five years or on a five year rolling basis with indexation in intervening years. This is a substantial change to the accounting for non current asset, that may require engagement with valuers, changes to underlying systems, asset records and accounting treatment.

New or revised accounting standards that are expected to be adopted by the CIPFA Code in future years.

Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity

The International Accounting Standards Board (IASB) issued amendments to IFRS 9 and IFRS 7 to improve the reporting of nature-dependent electricity contracts, such as power purchase agreements (PPAs). These contracts, which secure electricity from sources like wind and solar power, can vary due to uncontrollable factors like weather. The amendments clarify the 'own-use' requirements, permit hedge accounting for these contracts, and introduce new disclosure requirements to help users of the accounts understand their impact on an entity's financial performance and cash flows. The amendments are expected to be adopted by the CIPFA Code for [2026/27](#).

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities (including settling financial liabilities using an electronic payment system), adds guidance on the solely payment of principal and interest (SPPI) criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the CIPFA Code for [2026/27](#).

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the comprehensive income and expenditure statement as well as introduce specific disclosure requirements. Some of the key changes are:

- introducing new defined categories for the presentation of income and expenses
- introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal
- disclosure of management defined performance measures
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 will be effective in the UK from 1 January 2027 and so could impact the CIPFA Code from [2027/28](#).

Appendix

Letter regarding 2025-26 audit timelines

10 March 2026

Dear AC Chair

Copied to: S151 Officers

Proposals for the annual accounts and external audit timeframes from 2026 onwards

Ahead of us starting our work on your 2025-26 Accounts, we wanted to send you a letter to set out our plans for your audit timelines over the course of the next two years and what we will need from you as an Authority as part of these plans.

As I am sure you are aware, 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.

As you know, Lancashire Combined Fire Authority has always received a full, unqualified 'clean' audit opinion prior to any backstop dates. Whilst this places the Authority in a good place compared to a number of local authorities who are dealing with backstopped, disclaimed opinions, the audit has been completed in the November / December period in recent years. It will be important that the Authority works together with us to bring forward completion of the audit.

To be able to achieve the targets for the next two financial years, as a firm we are looking to put things in place to enable us to achieve the end of November 2027 deadline. In order to help make this achievable, we are going to undertake a 'dry run' of finishing our work on the 2025-26 Accounts by the end of November 2026. On this basis, we would like you to assist with this process by firstly setting an Audit Committee date in advance of the end of November 2026 (if not currently in place), to enable us to sign off our opinion by that date. We would note that the NAO has already set a requirement that our Value for Money (VfM) work is completed by 30 November each year which has been set to align with the upcoming 30 November accounts deadline.

One area which we see as crucial to supporting a November completion date is to make increased use of our planning and interim audit work. We are seeking to perform an enhanced interim audit involving early, advanced sample testing on a number of areas by the end of April 2026. We will be liaising with the finance team to support audit testing of transactions in the first nine to ten months of the financial year. This should reduce the level of detailed transactional testing from the year-end audit work in the Summer and Autumn.

Letter regarding 2025-26 audit timelines (cont.)

We are aiming to start our work on your accounts from the end of June 2026, following receipt of the Authority's draft accounts. We are committed to working closely with finance colleagues from the commencement of our audit and throughout, with weekly meetings expected to take place to monitor progress and achievement against key milestones, through to November's Audit Committee.

This plan should allow us as a firm to deliver all of our 2025-26 Local Government audits by the end of November 2026, which will then put us in a strong position ahead of the backstop formally moving to the end of November 2027. We appreciate this will require a change on how both sides will need to work to make this a reality, but we are committed to making this happen.

We will undertake early engagement with your finance team to clearly set out our expectations and what is needed to make a success of these plans. MHCLG have asked us as a firm to report by 31 July 2026, on a case by case basis, our assessment of the Authority's ability to both maintain and where necessary rebuild assurance. Having a clear and agreed project plan to complete all financial statements and VFM work by 30 November 2026 is a key part of this assurance.

If you have any queries or questions, then do not hesitate to let us know.

Yours sincerely

Elizabeth Luddington

Elizabeth Luddington, Key Audit Partner

Key Audit Partner & Engagement Lead for Lancashire Combined Fire Authority



© 2026 Grant Thornton. All rights reserved.

Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.