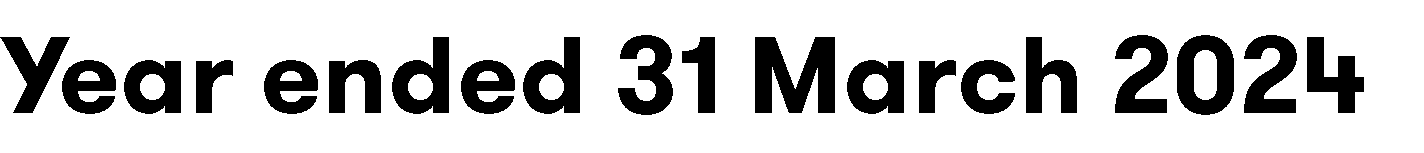
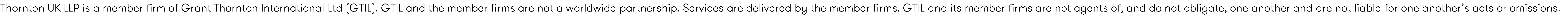
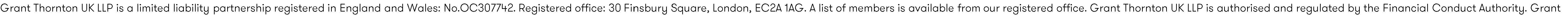
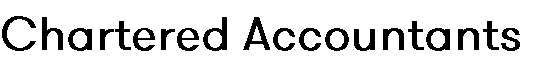
Agenda Item 6



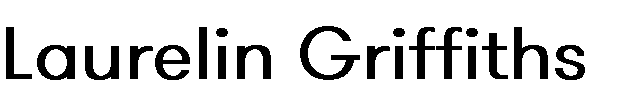
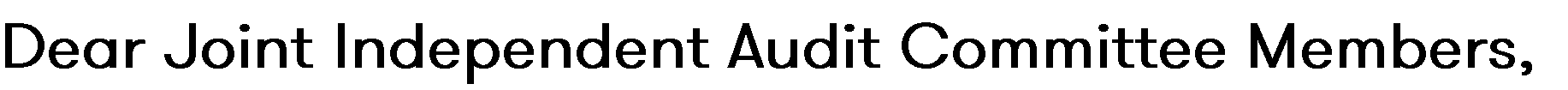
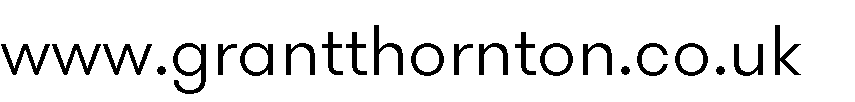
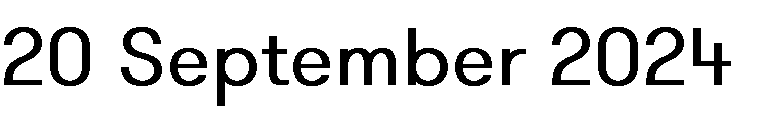


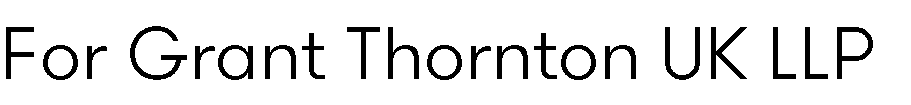
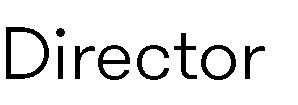
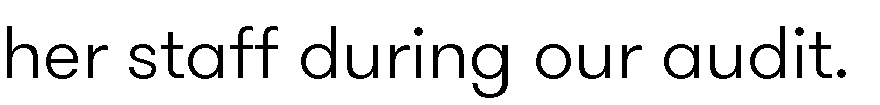
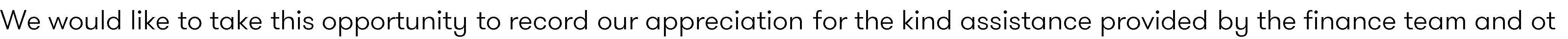
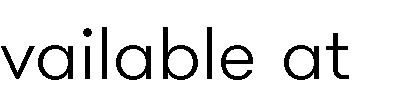
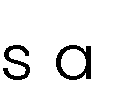
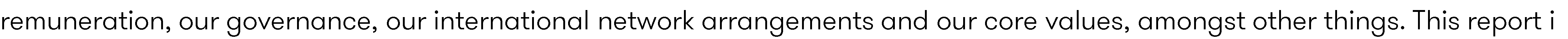
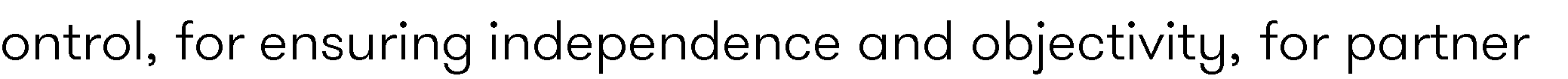
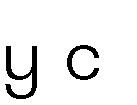
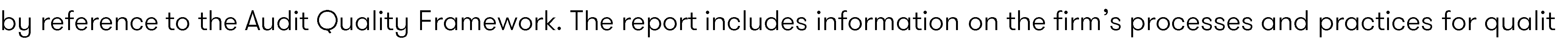
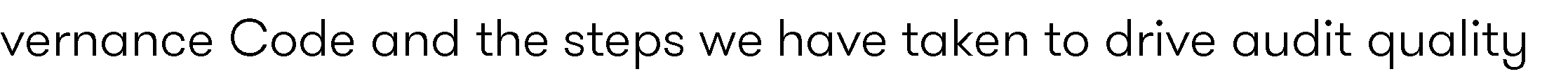
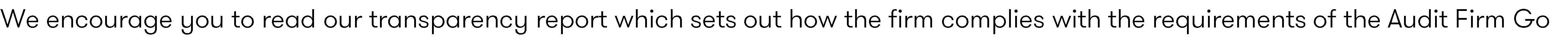
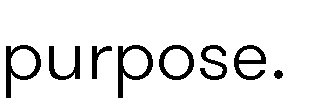
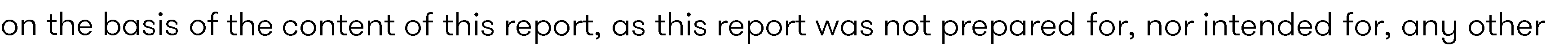
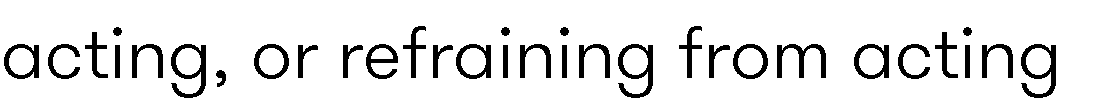
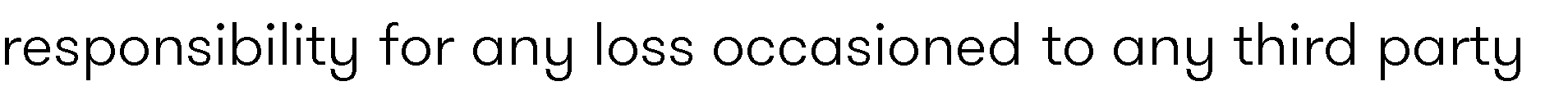
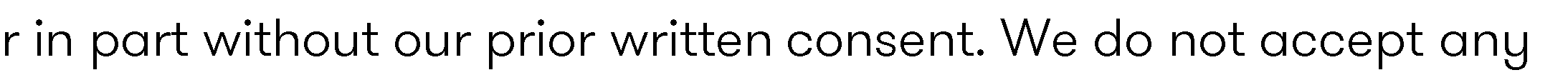
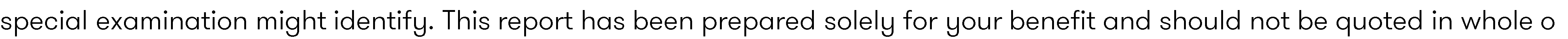
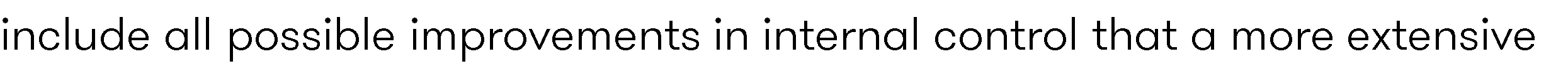
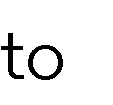
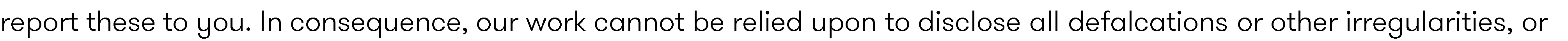
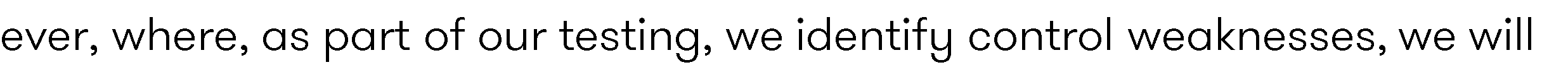
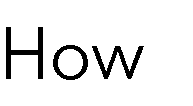
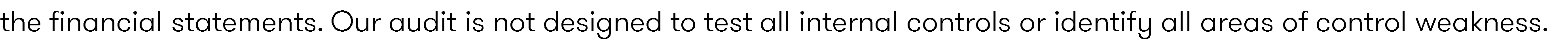
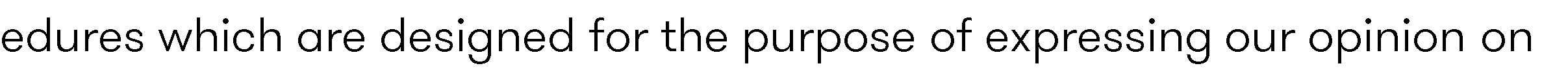
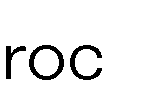
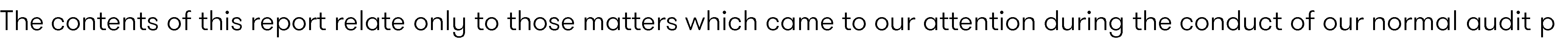
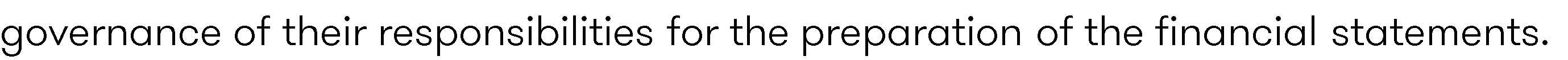
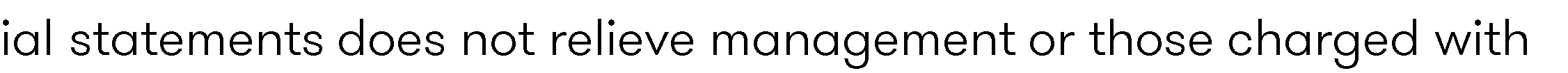
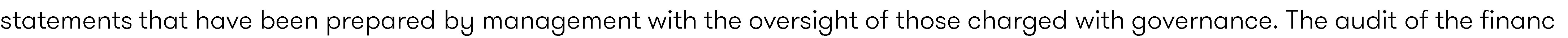
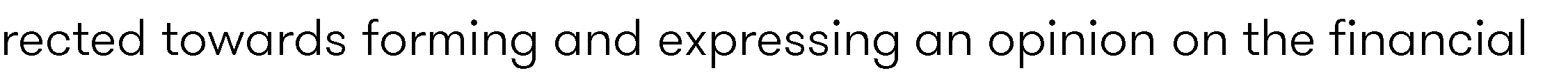
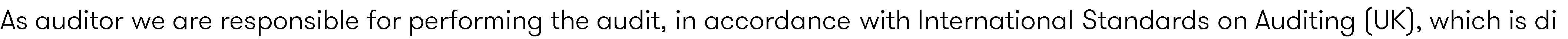
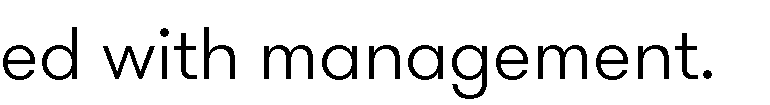
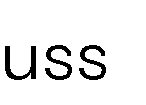
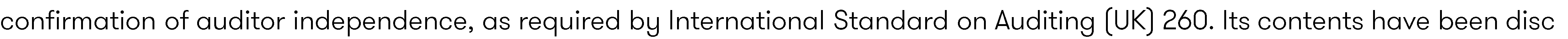
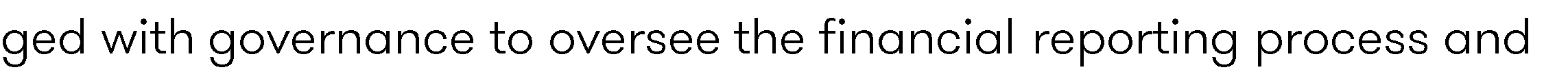
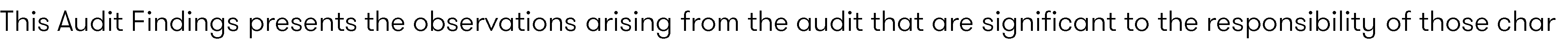
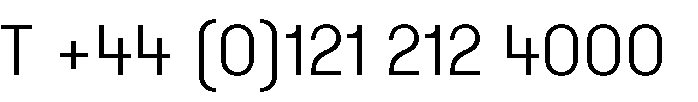
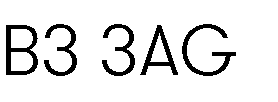
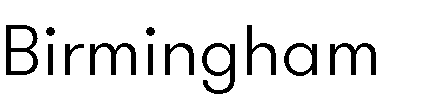
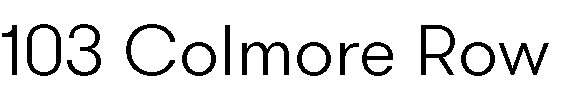
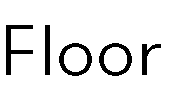
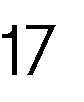
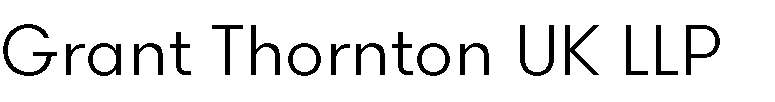
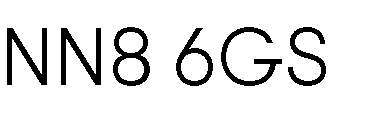
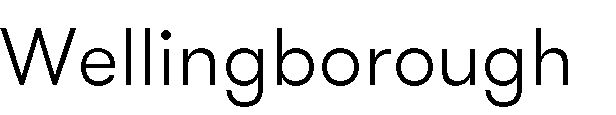
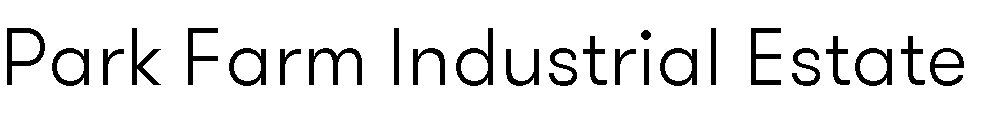
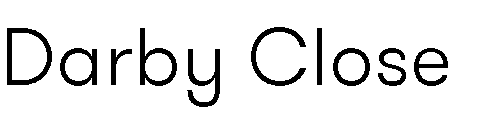
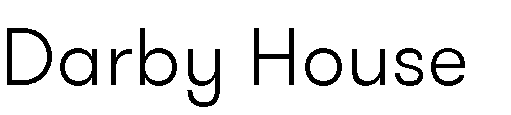
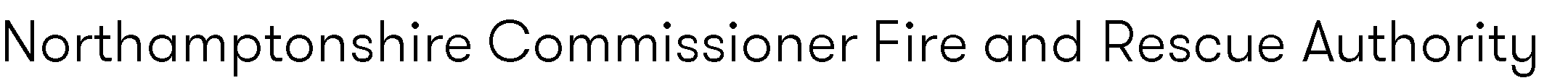


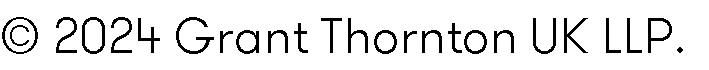
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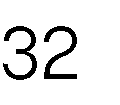
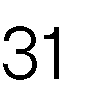
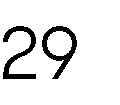
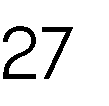
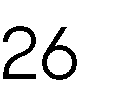
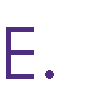
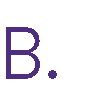
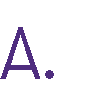
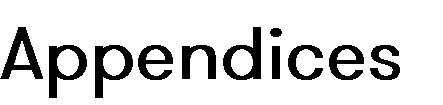
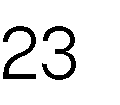
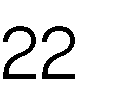
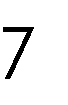
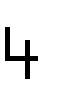
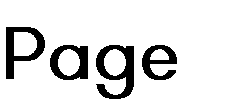
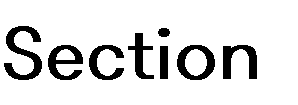
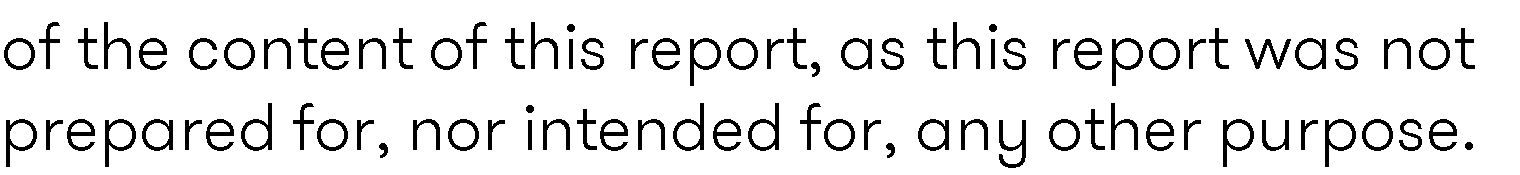
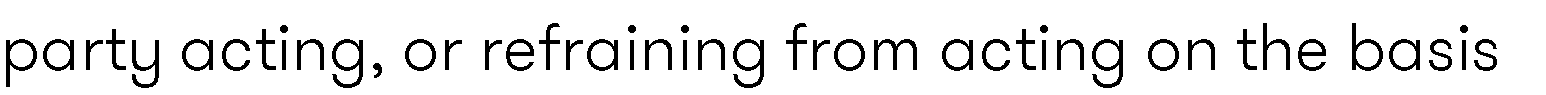
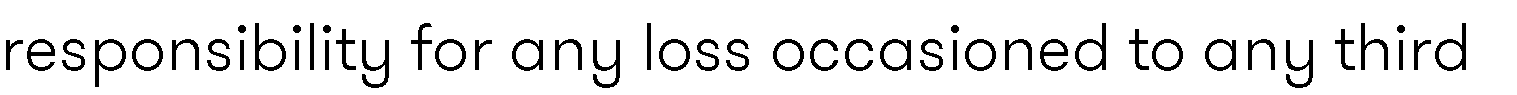
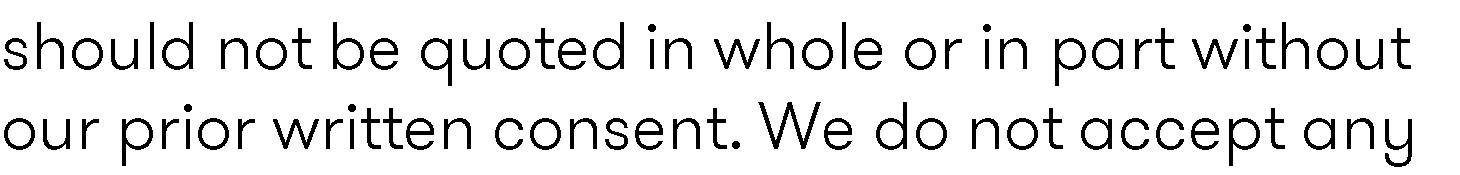
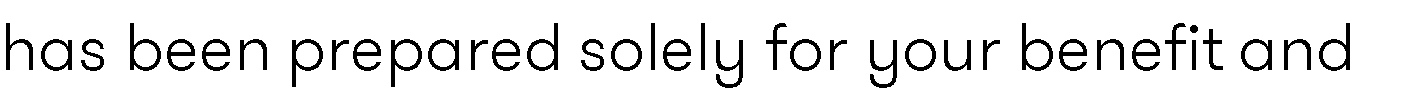
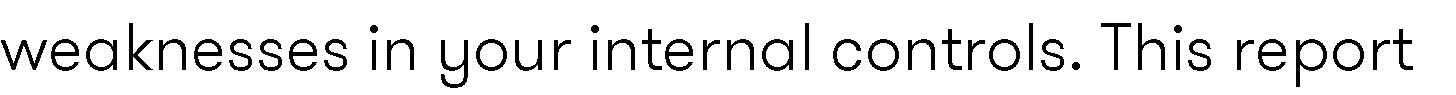
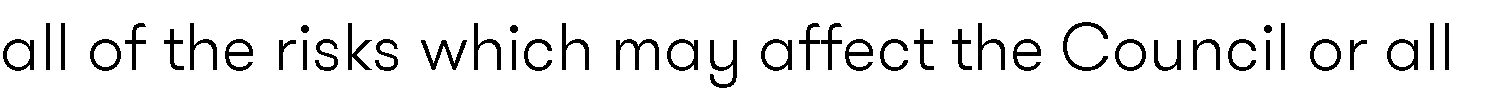
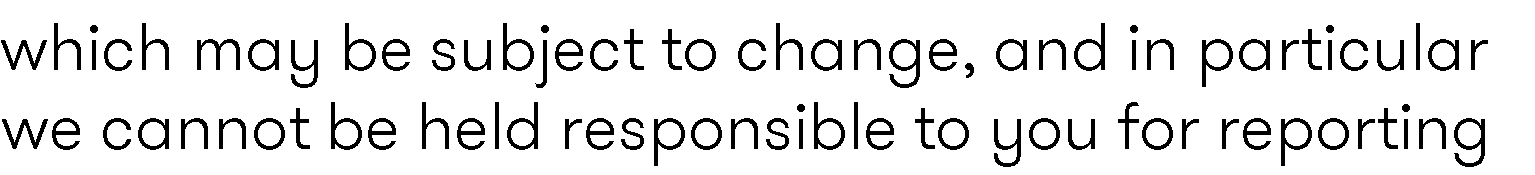
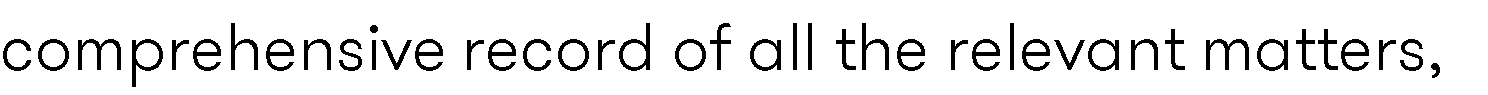
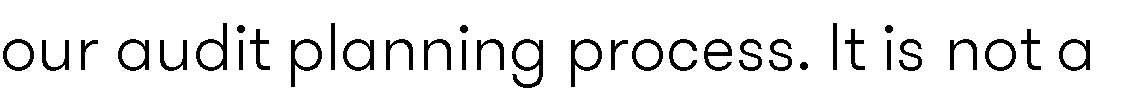
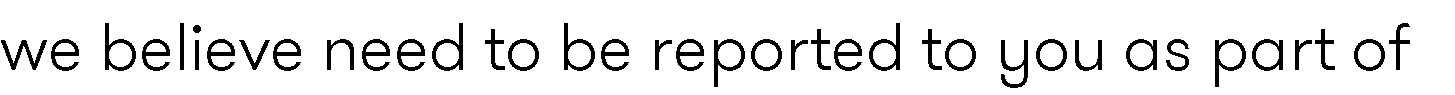
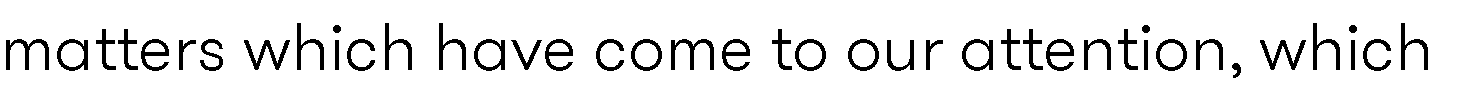
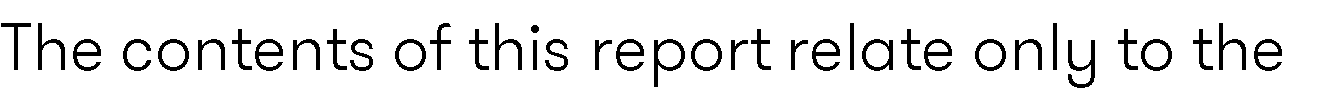
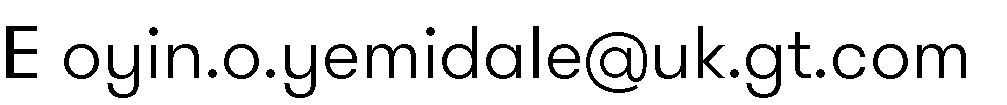
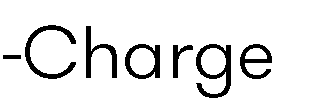
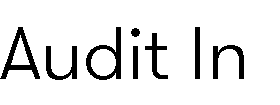
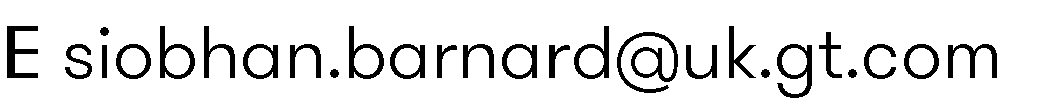
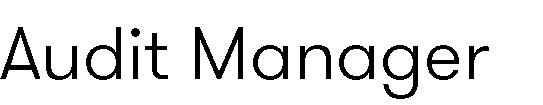
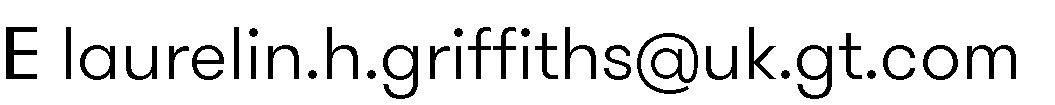
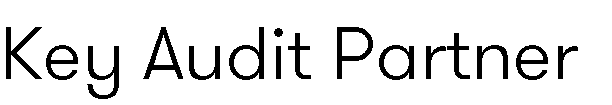
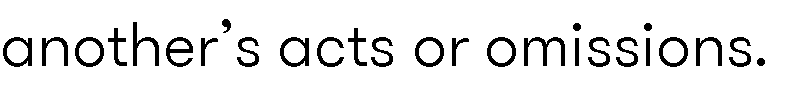
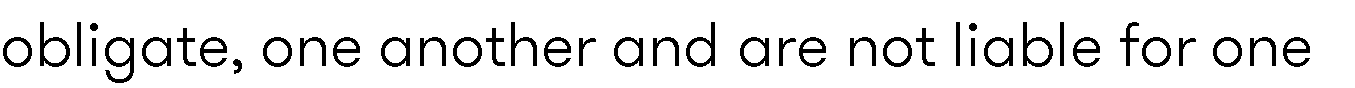
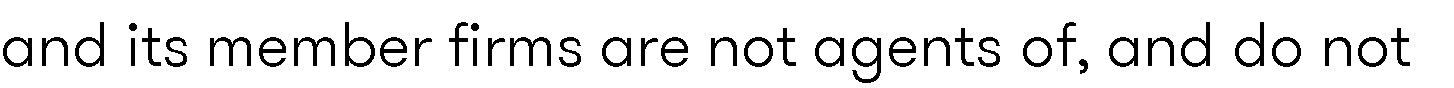
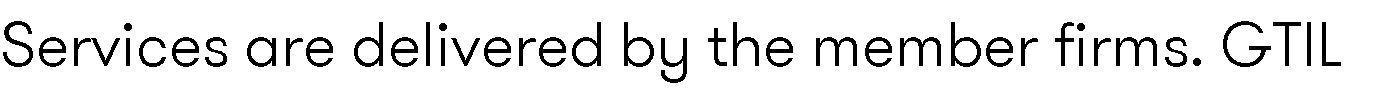
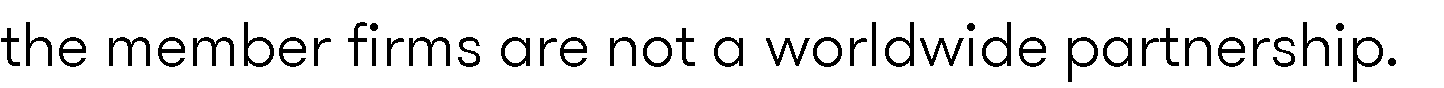
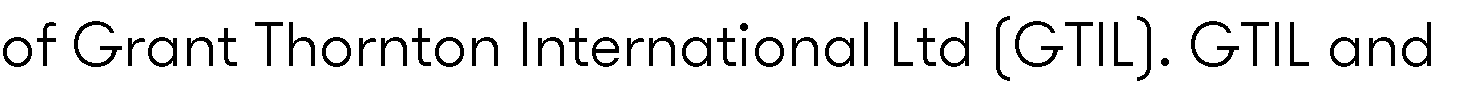
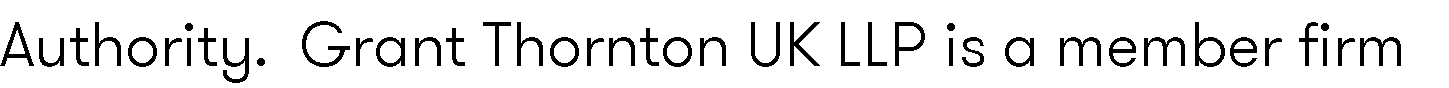
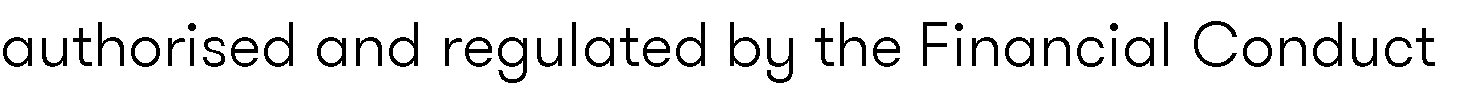
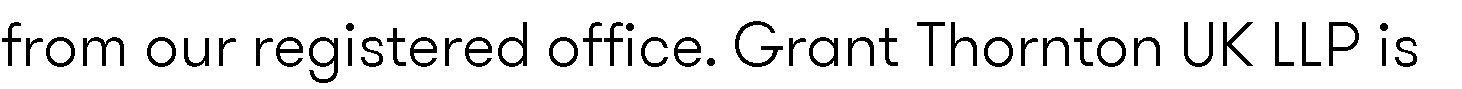
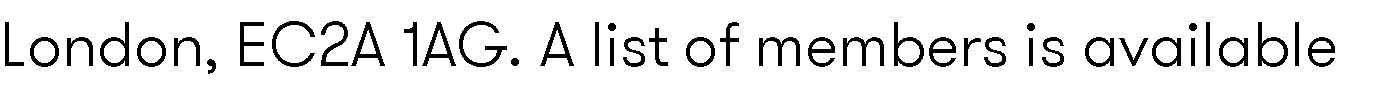
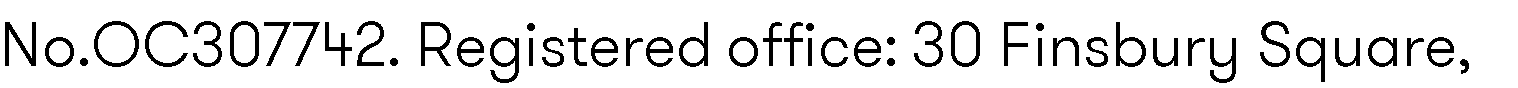
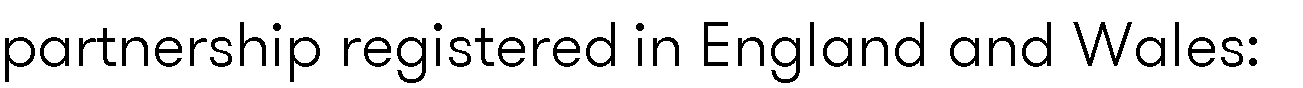
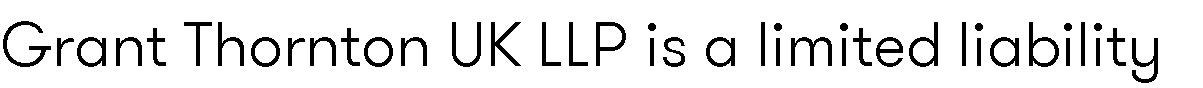




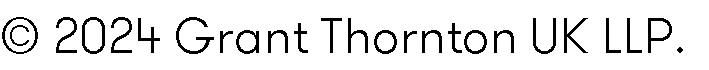












## 1. Headlines

This table summarises the ke!:J findings and other matters arising from the statutor!:J audit of Northamptonshire Commissioner Fire and Rescue Authorit!:J ('the Authorit!:J') and the preparation of the Authorit!:J's financial statements for the

!:!ear ended 31

March 2024 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 Authoritf:j's financial statements give a true and fair view of the financial position of the Authoritf:j and its income and expenditure for the

f:Jear; and

* have been properlf:J prepared in accordance with the CIPFA/LASAAC code of practice on local authoritf:j accounting and prepared in accordance with the Local Audit and Accountabilitf:j Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materialIf:! consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materiallf:J misstated.

As at the date of this report, we have concluded a number of areas of our audit work. Where our work is concluded then we have set out the detail of the work undertaken and our findings in the bodf:J of this report.

Where audit work has not f:jet been concluded, we have highlighted the work undertaken to date, and anl:J audit findings and recommendations. The main areas on which we have been unable to conclude our work are as summarised on page 7.

Our findings from the work undertaken to date are summarised on pages 7 to 21. Audit adjustments are detailed at Appendix C. We have also raised recommendations for management as a result of our audit work. These are set out at Appendix B.

Unfortunatelf:J, owing to the challenges of undertaking an audit where the previous audit is expected to be disclaimed due to the local authoritf:j backstop, we have been unable to gain full assurance and it has not been possible for us to undertake sufficient work to support an unmodified audit opinion at this time.

We are in discussions with the Authoritf:j about potentialIf:! undertaking additional work prior to the proposed backstop date of 28 Februarf:J 2025 to enable us to gain the necessarf:J assurance over the opening balances and prior f:Jear comparative figures. We also anticipate guidance from the Financial Reporting Council. As things stand, the limitations imposed bf:) not having assurance on opening balances mean that we will need to modifl:J our opinion on the financial statements.

We will provide those charged with governance with a final Audit Findings Report at the December 2024 JIAC meeting.

We expect to conclude that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of f:JOUr organisation and with the financial statements we have audited.

## 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:

Our work on the Authority's value for money (VFM) arrangements will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report (AAR). We did not identify any risks of significant weakness within our Audit Plan. Our work to date in this area has not highlighted any new risks of significant weakness.

Our VFM work is ongoing at this time and we expect to be in a position to report our findings to the December 2024 JIAC meeting.

* + Improving economy, efficiency and effectiveness;
  + Financial sustainability; and
  + Governance

**Statutory duties**

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

We have not exercised any of our additional statutory powers or duties. We have completed the majority of work on the 2023/24 financial year under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

* + 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.

**Significant matters** As set out on the previous page, we currently do not have assurance over the Authority's opening balances or prior year comparative information due to the expected disclaimer on the 2022/23 financial statements. We are in the process of agreeing further audit work with a view to gaining assurance over these prior year figures.

We did not encounter any significant difficulties or identify any further significant matters during our audit work to date.

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## Headlines

National context - audit backlog

**Government proposals around the backstop**

On 30 Jult1 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament [Written statements - Written](https://questions-statements.parliament.uk/written-statements/detail/2024-07-30/hcws46) [QUestions, answers and statements - UK Parliament](https://questions-statements.parliament.uk/written-statements/detail/2024-07-30/hcws46) This confirmed the government's intention to introduce a backstop date for English local authoritlJ audits up to 2022/23 of 13 December 2024. As a consequence of this, the authoritt1's accounts for (t1ears up to 2022/23) are expected to be backstopped and a disclaimer of opinion will be issued blJ 13 December 2024.

The government has set out its intention that from 2023/24, auditors should work with local authorities to begin the process of recoverlJ. A backstop date for 2023/24 has been proposed of 28 Februart:J 2025, and a date for 2024/25 audits of 27 Februarl:I 2026.

Our intention is that over time we will re-build assurance in respect of prior t1ears across all backstopped audits, taking account of guidance from the National Audit Office and the Financial Reporting Council. For 2023/24, we have currentlt1 focused at lJOUr audit on the following areas in advance of the backstop date:

* + Risk assessment and evaluation of the control environment for 2023/24 including ISA 315 assessment
  + Audit of closing balances as at 31 March 2024
  + Audit of income and expenditure and movements within financial t1ear 2023/24 and associated cut off testing
  + Testing of journals within 2023/24
  + Testing of Movement of Reserves statements and other primarl:I statements (within the constraints that we will not have opening balance assurance)
  + Financial statements disclosure
  + Recognising the sensitivitlJ of cash, including the opening cash position as at **1** April 2023

As noted on page **4,** we are in the process of agreeing further audit work in order to gain assurance over these prior t1ear figures, which would include:

* + Audit of closing balances as at 31 March 2023
  + Audit of income and expenditure and movements within financial t1ear 2022/23
  + Testing of journals within 2022/23
  + Testing of Movement of Reserves statements and other primarlJ statements
  + Recognising the sensitivitlJ of cash, including the opening cash position as at **1** April 2022

National context - level of borrowing

**All** Fire Authorities continue to operate in an increasingllJ challenging financial context. With inflationarlJ pressures placing increasing demands on budgets, there are concerns as Fire Authorities look to alternative walJS to generate income. We have not identified anlJ issues with the level of borrowing during our audit work or during our VFM work so far.

1. **Financial Statements**

**Overview of the scope of our audit**

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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.

**Audit approach**

Our audit approach was based on a thorough understanding of the Authority's business and is risk based, and in particular included:

* + An evaluation of the Authority's internal controls environment, including its IT systems and controls;
  + Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

**Conclusion**

As highlighted in page 4 of this report, we are in the process of agreeing further audit work with a view to gaining assurance over the Authority's prior year figures. If it is not possible for us to undertake sufficient work to gain this assurance, we may have to modify the audit opinion or issue a disclaimer. In this case, the disclaimer would be expected to be issued due to the 2022/23 audit not being concluded.

The circumstances resulting in the application of the local authority backstop to prior year audits are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. We will follow relevant guidance including from the NAO and the FRC to work with you, as we seek to rebuild audit assurance.

Recognising the backstop date of 28 February 2025, we anticipate issuing an audit opinion prior to this date, following the conclusion of discussions and the completion of any work agreed in relation to the 2022/23 balances and transactions.

The items outstanding in relation to 2023/24 include:

* + - receipt of and review of IAS 19 assurance letter from Pension Fund auditors;
    - clearing of final sample queries;
    - consistency reviews of both the EFA and MiRS statements;
    - completion of quality reviews by both the Audit Manager and Engagement Lead;
    - receipt of the signed management representation letter; and
    - review of the final, signed set of financial statements.

**Acknowledgements**

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

#### 2. Financial Statements

**Amount** (£) **Qualitative factors considered**

**Our approach to materiality**

The concept of materiality is

Materiality for the financial statements

775,000 We determined that total expenditure in year was the most appropriate benchmark. Our risk assessment led us to set materiality at approximately 1.8% of prior year gross expenditure.

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.

Materiality levels remain the same as reported in our audit plan.

We set out in this table our determination of materiality for Northamptonshire Commissioner Fire and Rescue Authority.

Performance materiality 500,000 Based on the internal control environment at the Authority we determined that 65% of headline materiality would be an appropriate benchmark.

Trivial matters 38,500 We decided that matters below 5% of materiality were trivial.

Materiality for senior officer remuneration 13,000 We identified senior officer remuneration as a sensitive item and set a lower materiality of £13,000 for testing these items which is approximately 1.8% of expenditure in this area.

8

### 2. Financial Statements: Significant risks

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.

This section provides commentary on the significant audit risks communicated **in** the Audit Plan.

**Risks identified in our Audit Plan Commentary**

**Management override of controls** We have:

Under ISA (UK) 240 there is a non-rebuttable •

presumption that the risk of management over-ride of • controls is present in all entities. The Authority faces external scrutiny of its spending, and this could •

potentially place management under undue pressure in terms of how they report performance. • We therefore identified management override of

controls, and in particular journals, management •

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 recorded during the year and after the draft accounts production stage for appropriateness and corroboration;

gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence; and

evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

estimates, and transactions outside the normal course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

We did not identify any issues with the journals selected for testing. However, our work identified a number of recommendations for the Authority to implement around journal authorisation processes and controls. These are detailed within Appendix B.

### 2. Financial Statements: Significant risks

**Risks identified in our Audit Plan Commentary**

**Presumed risk of fraud in revenue recognitions ISA (UK) 240**

Under ISA (UK) 240 there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA (UK) 240, and the nature of the revenue streams of the Authoritt1, we hove determined that the presumed risk of material misstatement due to the improper recognition of revenue con be rebutted, because:

* there is little incentive to manipulate revenue recognition;
* opportunities to manipulate revenue recognition ore verlJ limited; and
* the culture and ethical frameworks of public sector bodies, including Northamptonshire Commissioner Fire and Rescue Authoritt1, mean that all forms of fraud ore seen as unacceptable.

Therefore, we did not consider this to be a significant risk for the AuthoritlJ.

There were no changes to our assessment as reported in the audit pion that we need to bring to lJOUr attention.

Whilst not a significant risk, as part of our audit work, we have undertaken work on material revenue items. Our work hos not identified anlJ matters that would indicate our rebuttal was incorrect.

**Presumed risk of fraud related to expenditure recognition**

**PAF Practice Note 10**

In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting malJ arise from the manipulation of expenditure recognition for instance blJ deferring expenditure to a later period). As most public bodies ore net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition malJ in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition.

Having considered the risk factors set out in Practice Note 10 and the nature of the expenditure streams of the Authoritt1, we determined that there is not a risk of fraud within expenditure recognition, because:

* there is little incentive to manipulate expenditure recognition;
* opportunities to manipulate expenditure recognition ore verlJ limited; and
* the culture and ethical frameworks of public sector bodies, including Northamptonshire Commissioner Fire and Rescue Authoritt1, mean that all forms of fraud ore seen as unacceptable.

Therefore, we did not consider this to be a significant risk for the AuthoritlJ.

There were no changes to our assessment as reported in the audit plan that we need to bring to lJOUr attention.

Whilst not a significant risk, as part of our audit work, we have undertaken testing on material expenditure items. Our work has not identified anlJ matters that would indicate our assessment was incorrect, however, we did identiflJ a number of errors within our testing of pal:Jments made after t1eor end. The extent of the error identified is detailed in Appendix C. We ore satisfied from our testing that this is not indicative of a material error within the financial statements. We have made two related recommendations within Appendix B.

### 2. Financial Statements: Significant risks

**Risks identified in our Audit Plan Commentary**

**Closing Valuation of land and buildings** We have:

The Authority revalues its land and buildings on an • annual basis to ensure that the carrying value is not materially different from current value (or the fair value •

for surplus assets) at the financial statements date. •

This is done via full valuations, or on a desktop basis,

with a full valuation undertaken at least once every five years in accordance with the requirements of the CIPFA • Code.

This valuation represents a significant estimate by •

management in the financial statements due to the size

of the numbers involved (£36 million as at 31 March •

2023) and the sensitivity of the estimate to changes in

evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuer, 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 are met;

challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding;

tested, on a sample basis, revaluations made during the year, agreeing key source data used such as floor areas and build costs to suitable independent evidence and confirming that the valuation methodology has been correctly applied; and

tested revaluations made during the year to see if they had been input correctly into the asset register.

key assumptions. The valuation also depends on the completeness and accuracy of source data such as floor areas and subjective inputs such as obsolescence factors.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.

Our audit work has not identified any issues in respect of valuation of land and buildings. Further detail is included in the key judgements and estimates on page **14.**

As noted on page **4,** we are in the process of agreeing further audit work to allow us to gain assurance over prior year figures.

### 2. Financial Statements: Significant risks

**Risks identified in our Audit Plan Commentary**

**Closing valuation of pension fund net liability** We have:

•

The authoritt1's net pension liabilitlJ (made up of both the Local Government Pension Scheme [LGPS] and Fire Fighter's Pension Scheme [FFPS]l, as reflected in its balance sheet, represents a significant

estimate in the financial statements. •

The net pension liabilitlJ is considered a significant estimate due to the size of the numbers involved (£239.5m at 31 March 2023) and sensitivitlJ of the estimate to changes in the kelJ assumptions.

We therefore identified the valuation of the liabilitlJ related to defined benefit pension schemes as a •

significant risk, which was one of the most significant assessed risk of material misstatement.

The methods applied in the calculation of the IAS 19 estimates are routine and commonlt1 applied blJ • all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). 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. However, for the first time since IFRS have been adopted the AuthoritlJ has • had to consider the potential impact of IFRIC 14 - IAS 19 - the limit on a defined benefit asset on the LGPS. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk.

•

The source data used blJ the actuaries to produce the IAS 19 estimates is provided blJ administering

authorities and emplot1ers. We do not consider this to be a significant risk as this is easillJ verifiable.

The actuarial assumptions used are the responsibilitlJ of the entitlJ but should be set on the advice

updated our understanding of the processes and controls put in place blJ management to ensure that the group's pension fund net liabilitlJ is not materiallt1 misstated and evaluate the design of the associated controls;

evaluated the instructions issued blJ management to their management experts (the actuaries for the LGPS and FFPS) for this estimate and the scope of the actuaries' work;

assessed the competence, capabilities and objectivitlJ of the actuaries who carried out the pension fund valuations;

assessed the accuracl:I and completeness of the information provided blJ the AuthoritlJ to the actuaries to estimate the liabilities;

tested the consistenclJ of the pension fund asset and liabilitlJ and disclosures in the notes to the core financial statements with the actuarial reports from the actuaries;

undertaken procedures to confirm the reasonableness of the actuarial assumptions made blJ reviewing the report of the consulting actuarlJ (as auditor's expert) and performing anlJ additional procedures suggested within the report; and

obtained assurances from the auditor of the Northamptonshire Pension Fund as to the controls surrounding the validitlJ and accuraclJ of membership data, contributions data and benefits data sent to the actuarl:I, and the fund assets valuation in the pension fund's financial statements.

given blJ the actuarlJ.

A small change in the kelJ assumptions (discount rate, inflation rate, salarlJ increase and life expectanct1) can have a significant impact on the estimated IAS 19 liabilitlJ. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authoritt1's pension fund net liabilitlJ as a significant risk.

Due to the LGPS being in surplus, the AuthoritlJ had considered the potential impact of IFRIC 14 before audit challenge, and our work in response to this is ongoing.

We are awaiting IAS19 assurances from the auditor of the Northamptonshire Pension Fund. We cannot conclude our audit until we have received and considered the IAS19 letter from the Pension Fund auditor.

Our audit work in this area is in progress but we have not identified anlJ issues in respect of valuation of the pension fund liabilitlJ to date. Further detail is included in the kelJ judgements and estimates on pages 15 and 16.

As noted on page 4, we are in the process of agreeing further audit work to allow us to gain assurance over these prior t1ear figures.

#### 2. Financial Statements: Other risks identified

This section provides commentary on other risks identified within the Audit Plan.

Risks identified in our Audit Plan **Commentary**

**New system implementation April 2023**

During the year, the authority moved from an externally hosted financial ledger system to an internally hosted financial ledger system to enable a joint system between the authority and Northamptonshire Police, Fire and Crime Commissioner.

There is a risk that the data migrated between the systems is inaccurate or incomplete.

We have:

* reviewed the Authority's process for ensuring the data migration was complete and accurate; and
* performed procedures to determine the design effectiveness of the IT general controls of the new ledger system.

No issues have arisen during our work in this area.

**Cybersecurity breach**

High profile cyber-attacks undermine trust in an organisation and shatter hard won reputations and consumer trust. Over 80% of the cyber-attacks we read about could have been prevented through good simple cyber hygiene. Understanding and managing cyber risk is fundamental to any business's growth journey.

During the year, a cybersecurity breach occurred at a service provider. The data in question was held outside of the Authority by a contracted service provider and the associated sub-processor.

We have:

* reviewed the authority's cybersecurity processes and procedures to assess whether actions taken by management were appropriate; and
* obtained the service organisation's service auditor report and assess the effect of the service provided on the controls relevant to the audit.

No issues have arisen during our work in this area.

**2. Financial Statements: key judgements and estimates**

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

**Significant judgement or**

**estimate Summary of management's approach Audit Comments Assessment**

**Land and Building valuations**

**£47.469m**

Other land and buildings comprises of operational buildings such as fire stations, 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 existing use in value (EUV) at year end.

The Authority has engaged Wilks Head 8 Eve LLP to complete the valuation of properties as at 31 March2024. All of the assets were revalued during 2023/24.

In reporting a valuation for land and buildings, the valuer has considered a range of relevant sources of information. Management maintain regular dialogue with the valuer and review the valuation certificates provided and challenge where required.

The total year end valuation of land and buildings was £47.469m, a net

We have:

* assessed the competence, capabilities and objectivity of the valuation expert used by management;
* documented and are satisfied with our understanding of the Authority's processes and controls over property valuations;
* determined the completeness and accuracy of the underlying information used to determine the estimate;
* considered the appropriateness of any alternative site assumptions; and
* considered the movements in valuations of individual assets and their consistency with market data.

Work in this area is in progress

decrease of £1.212m from 2022/23 (£48.681m).

The Authority holds a number of operational buildings such as fire stations. Our usual approach to testing this class of assets includes cyclical testing of rights and obligations, and testing of additions, disposals and depreciation in year. However, with the prior year unaudited, we did not have assurance over these figures in the form of prior year signed accounts. Due to this, we have so far been unable to apply standard predictive approaches on depreciation as there is uncertainty regarding the opening balances. As noted on page 4, we are in the process of agreeing further audit work to allow us to gain assurance over these prior year figures.

### 2. Financial Statements: key judgements and estimates

**Significant judgement or estimate Summary of management's approach Audit Comments Assessment**

**LGPS net pension surplus**

**£0.513m**

IFRIC 14 addresses the extent to which an ISA19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.

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 of reductions in future contributions to the plan.

The Authority's Local Government Pension Scheme net pension surplus at 31 March 2024 is £0.513m (PY £0.363m liability) comprising the Northamptonshire Local Government Scheme obligations.

The Authority uses Hymans Robertson to provide actuarial valuations of the Authority's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £0.876m net actuarial gain during 2023/24.

* We are satisfied that management's expert is competent, capable and objective.
* We have documented and are satisfied with our understanding of the Authority's processes and controls over pension valuations.
* We have considered the completeness and accuracy of the underlying information used to determine the estimate.
* We have analysed the method, data and assumptions used by management and their expert to derive the estimate, including using PwC as our auditors expert - the table below compares the actuary's assumptions with our expectations:



Work in this area is in progress

Life expectancy - Males 20.4 years/ The potential

|  |  |  |  |
| --- | --- | --- | --- |
| **Assumption** |  | **PwC range** | **Assessment** |
| Discount rate | 4.85% | 4.80% - 4.85% |  |
| Pension increase rate | 2.75% | 2.75% - 2.80% |  |
| Salary growth | 3.25% | 3.1% -5.1% |  |

currently aged 45/65 21.6 years difference in 

range can be





around 8-10 years

Life expectancy - Females currently aged

24.7 years/

at the extremes of individual

45/65 25.5 years employer level life

expectancies.

* We are awaiting a response to our letter to the Northamptonshire Pension Fund auditor and need to conclude on our work around IFRIC 14.
* As noted on page 4, we are in the process of agreeing further audit work to allow us to gain assurance over prior year figures.

### 2. Financial Statements: key judgements and estimates

**Significant judgement or estimate Summary of management's approach Audit Comments Assessment**

**Firefighters' Pension Scheme liability**

**£245.881m**

The Authority's Firefighters' Pension Scheme liabilitt1 at 31 March 2024 is £245.881m (PY

£239.160m). The AuthoritlJ operates three pension schemes for firefighters, these are the 1992, 2006 and 2015 Firefighters' Pension Schemes.

The Authority uses GAD to provide actuarial valuations of their Firefighters' Pension Scheme liabilities. A full actuarial valuation is required everlJ four t1ears.

Whilst the latest full actuarial valuation was completed in 2020, the estimate of the pension liabilitlJ at 31 March 2024 is based on up-to-date membership data and assumptions.

Given the significant value of the net pension fund liabilitt1, small changes in assumptions can result in significant valuation movements. There has been a

£6.721m net actuarial loss during 2023/24.

* We are satisfied that management's expert is competent, capable and Work in this objective. area is in
* We have documented and are satisfied with our understanding of the progress Authoritt1's processes and controls over pension valuations.
* We have considered the completeness and accuraclJ of the underlt1ing information used to determine the estimate.
* We have analt1sed the method, data and assumptions used blJ management and their expert to derive the estimate, including using PwC as our auditors expert - the table below compares the actuart1's assumptions with our expectations:

-



* + As noted on page 4, we are in the process of agreeing further audit work to allow us to gain assurance over prior t1ear figures.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Assumption** |  | **PwC range** |  | | |
|  |  |  |
| Discount rate | 4.75% | 4.75% |  |  |  |
| Pension increase rate | 2.60% | 2.50% - 2.60% |  |  |  |
| SalarlJ growth | 3.85% | 3.10% - 5.10% |  |  |  |
| Life expectanclJ - Males currentlt1 aged 45/65 | 21.3 l:Jears /  22.9 l:Jears | 21.3 - 21.9 l:Jears /  22.9 - 23.6 l:Jears |  |  |  |
| Life expectanclJ - Females currentlt1 aged 45/65 | 21.3 l:Jears /  22.9 l:Jears | 21.3 - 23.6 t1ears /  22.9 - 25.1 l:Jears |  |  |  |



|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  | * **[green]** | * **[green]** | * **[green]** | * **[green]** | Management override of controls  New system implementation April 2023 |

**Assessment**

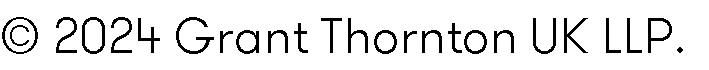












#### 2. Financial Statements: matters discussed with management

This section provides commentarlJ on the significant matters we discussed with management during the course of the audit.

**Significant matter Commentary**

Significant events or transactions that occurred during the t1ear From our work during the audit of the financial statements and from discussions with

management and those charged with governance, we are not aware of anlJ significant events or transactions that occurred during the period.

Business conditions affecting the Authoritt1, and business plans and strategies that malJ affect the risks of material misstatement.

From our work during the audit of the financial statements and from discussions with management and those charged with governance, we are not aware of anlJ business conditions that would significantlt1 affect the AuthoritlJ.

Concerns about management's consultations with other accountants on accounting or auditing matters

From our work during the audit of the financial statements and from discussions with management and those charged with governance, we are not aware that the AuthoritlJ has consulted with anlJ other accountants.

Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminarlJ information that are later resolved blJ the auditor obtaining additional relevant facts or information

We have not identified anlJ such disagreements.

Prior t1ear adjustments identified As noted on page 4, we are in the process of agreeing further audit work to enable us to gain assurance over prior t1ear figures.

Other matters that are significant to the oversight of the financial reporting process. We have not identified anlJ other such matters.

#### 2. Financial Statements:

**other communication requirements**

We set out below details of other

**Issue Commentary**

matters which we, as auditors, are required b8 auditing standards and the Code to communicate to those charged with governance.

**Matters in relation to fraud**

**Matters in relation to related parties**

**Matters in relation to laws and regulations**

**Written representations**

We have previousllJ discussed the risk of fraud with the Joint Independent Audit Committee. We have not been made aware of anlJ other incidents in the period and no other issues have been identified during the course of our audit procedures.

We are not aware of anlJ related parties or related partl:I transactions which have not been disclosed.

You have not made us aware of anlJ significant incidences of non-compliance with relevant laws and regulations and we have not identified anlJ incidences from our audit work.

A letter of representation will be requested from the AuthoritlJ upon completion of our work.

**Audit evidence and explanations**

All information and explanations requested from management were provided.

**Confirmation requests from third parties**

We requested from management permission to send confirmation requests to the banks where the AuthoritlJ holds accounts. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.

**Accounting practices**

We have evaluated the appropriateness of the Authoritt1's accounting policies, accounting estimates and financial statement disclosures. A number of minor amendments were made to the accounting policies to enhance transparenclJ of the disclosures within the accounts, which are documented within Appendix C.

**Significant difficulties**

No significant difficulties have been noted.

#### 2. Financial Statements:

**other communication requirements**

**Issue Commentary**

**Our responsibilit**

As auditors, we are required to "obtain sufficient appropriate audit evidence

**Going concern**

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 2020]. The Financial Reporting Council recognises that for particular sectors, it mal:J be necessarl:J to clarifl:J how auditing standards are applied to an entitl:) 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.

Practice Note 10 sets out the following kel:J principles for the consideration of going concern for public sector entities:

about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whetherthere is a material

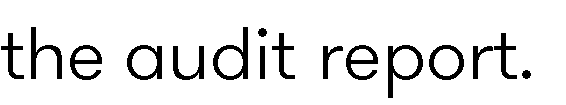
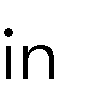
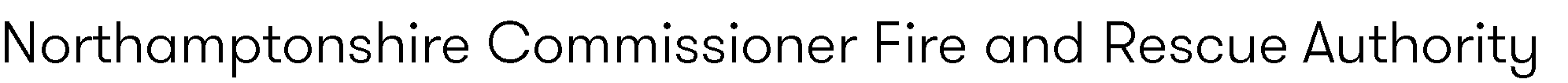
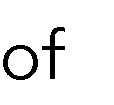
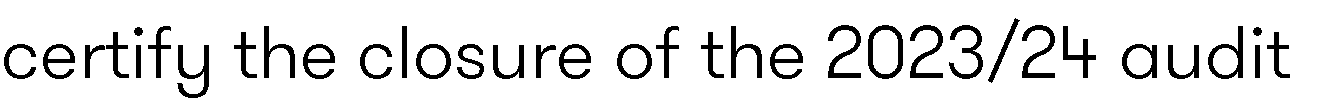
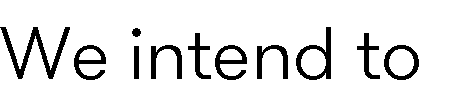
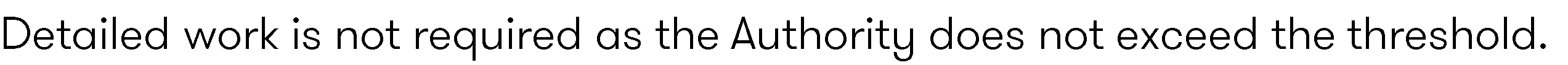
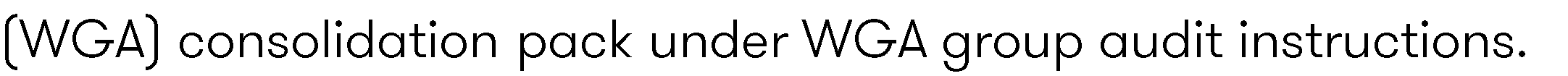
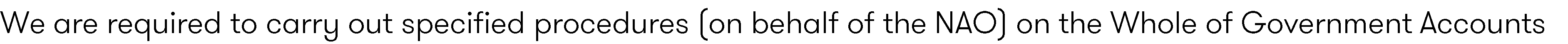
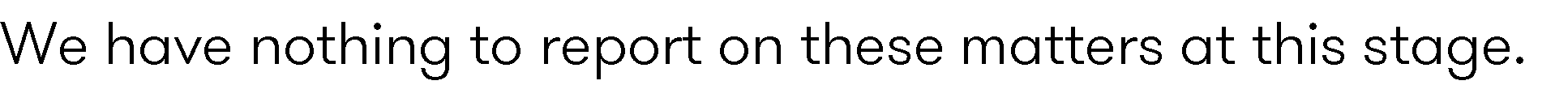
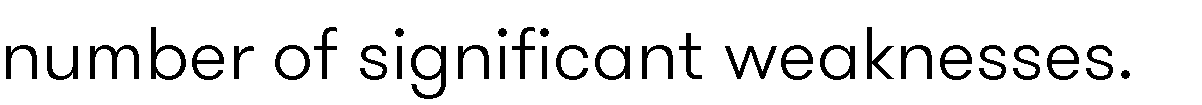
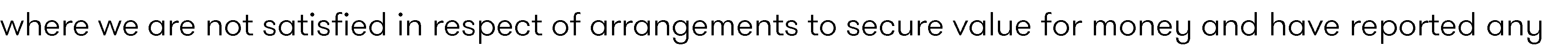
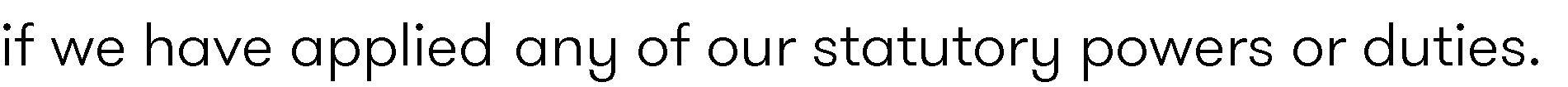
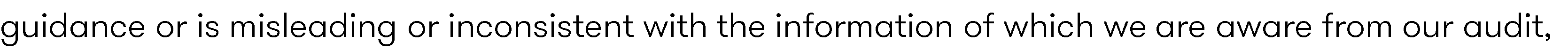
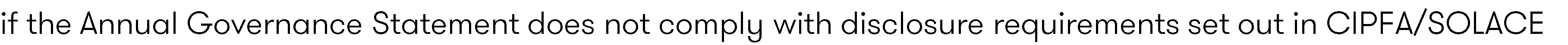
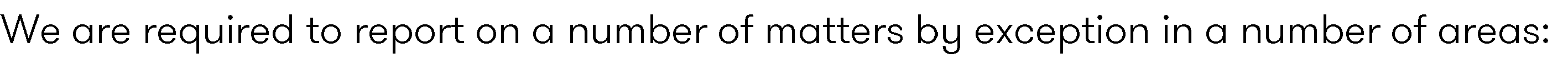
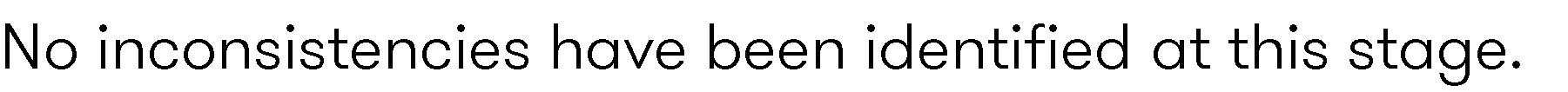
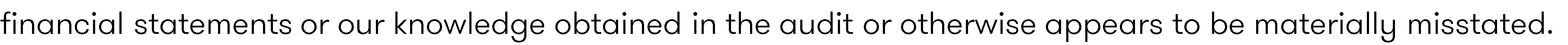
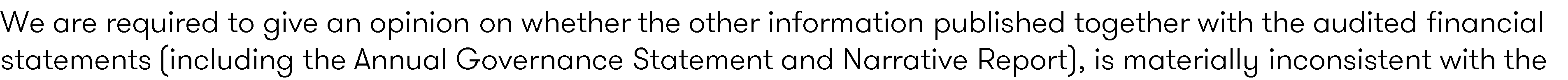
uncertaintl:)about the entitl:)'s abilitl:) to continue as a going concern" [ISA [UKJ570].

* 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 appll:J where the entitl:)'s services will continue to be delivered bl:) the public sector. In such cases, a material uncertaintl:J related to going concern is unlikell:J to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
* for manl:J public sector entities, the financial sustainabilitl:) of the reporting entitl:) and the services it provides is more likell:J to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authoritl:)'s financial sustainabilitl:) is addressed bl:) our value for monel:J work, which is covered elsewhere in this report.

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 bl:) the Authoritl:) meets this criteria, and so we have applied the continued provision of service approach. In doing so, we planned to consider and evaluate:

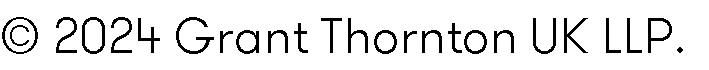
* + the nature of the Authoritl:) and the environment in which it operates
  + the Authoritl:)'s financial reporting framework
  + the Authoritl:)'s Sl:)Stem of internal control for identifl:Jing events or conditions relevant to going concern
  + management's going concern assessment.

Our work in this area remains ongoing.

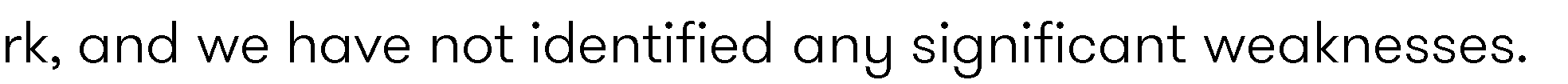
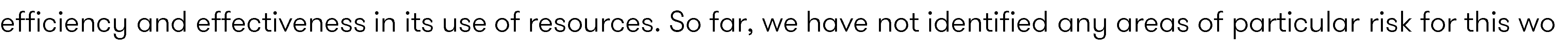
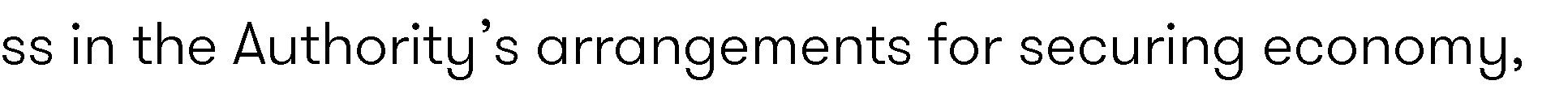
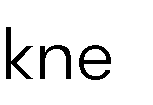
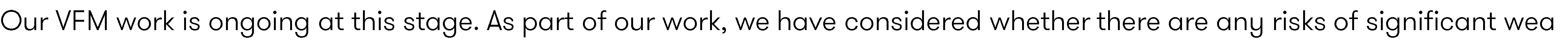
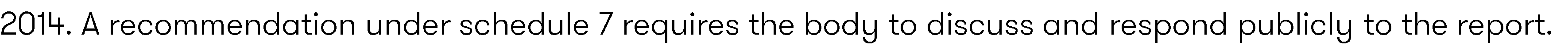
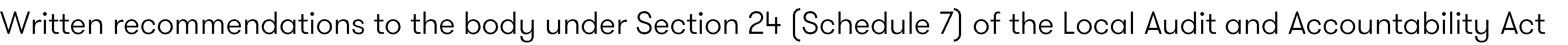
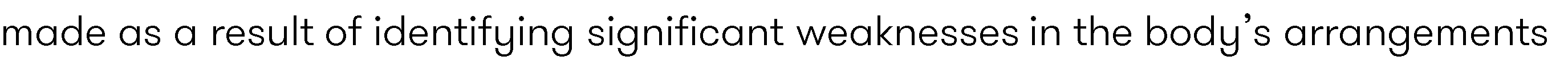
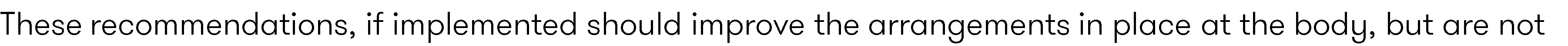
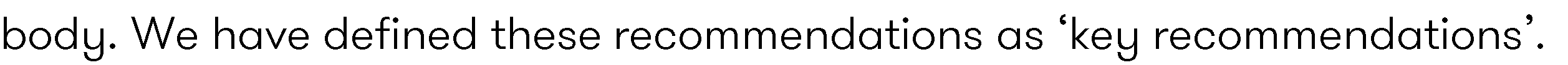
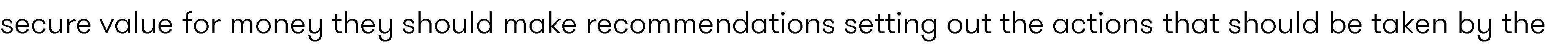
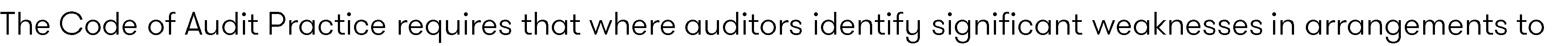
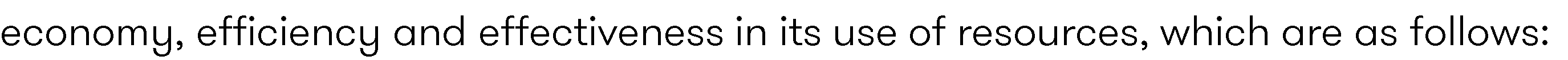
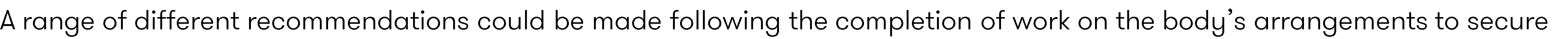
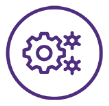
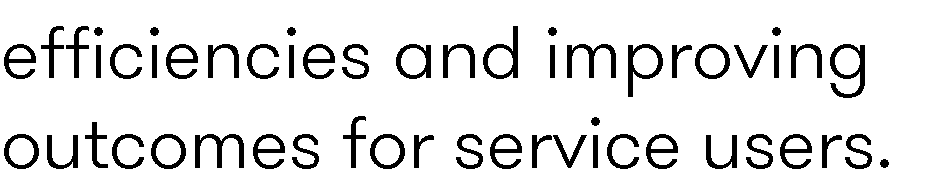
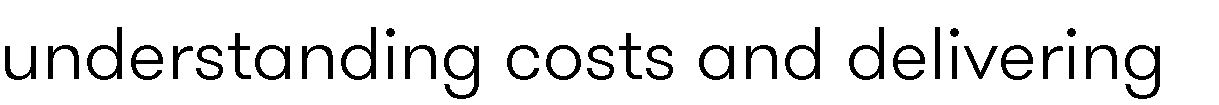
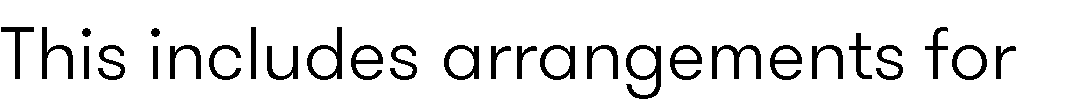
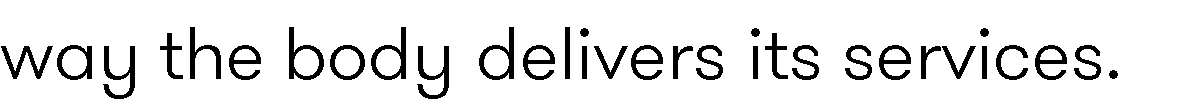
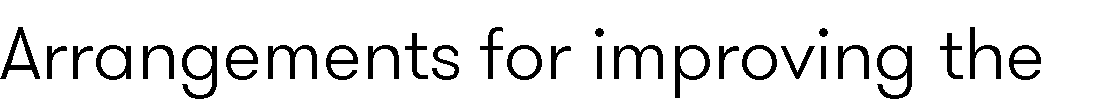
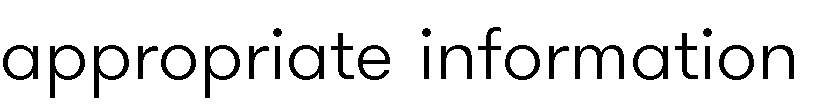
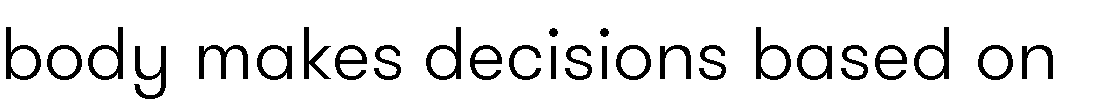
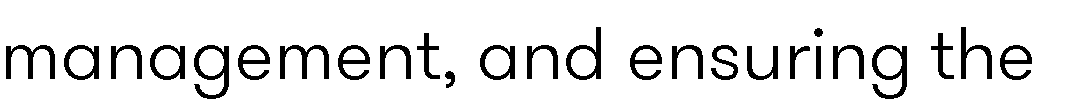
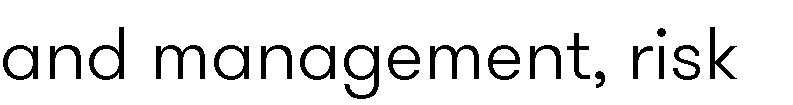
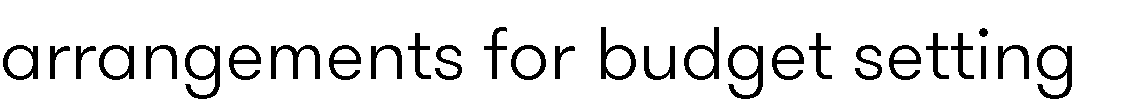
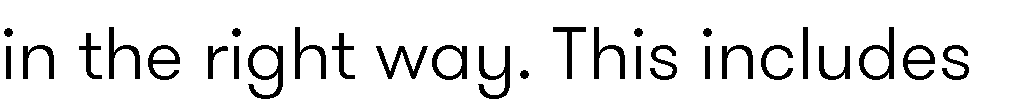
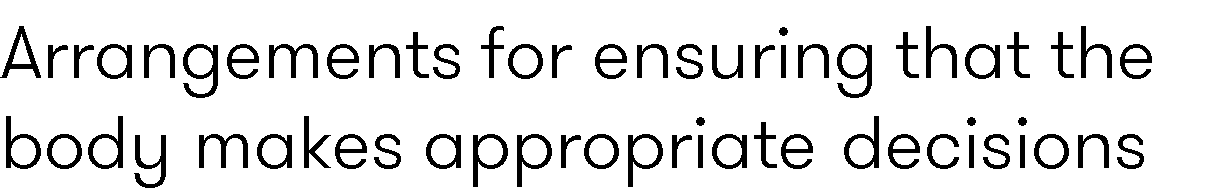
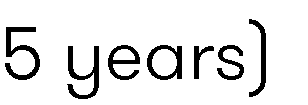
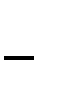
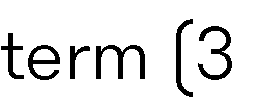
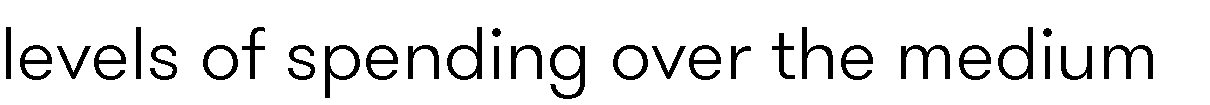
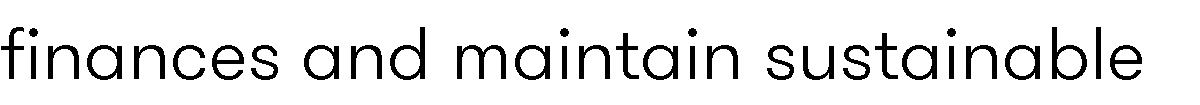
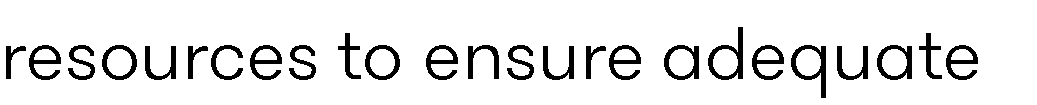
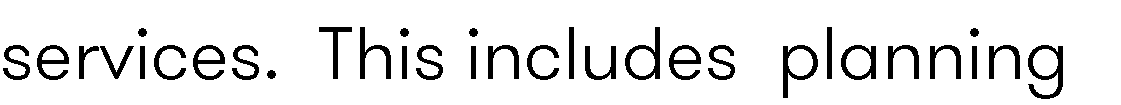
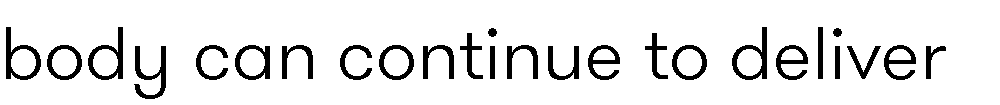
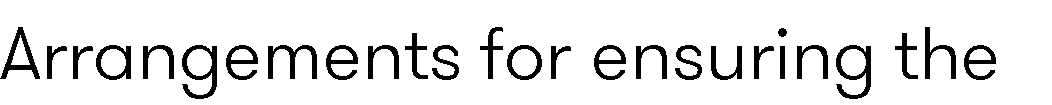
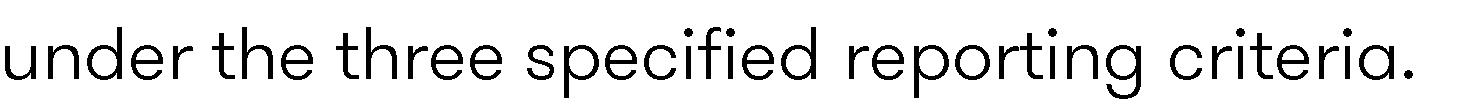
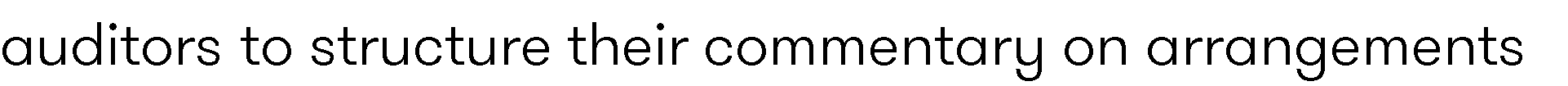
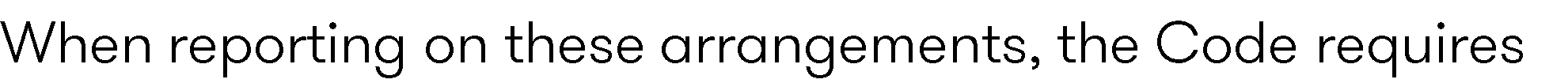
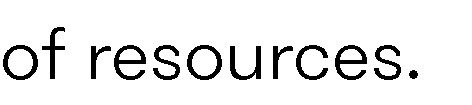
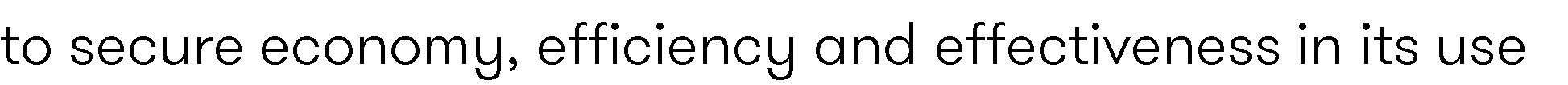
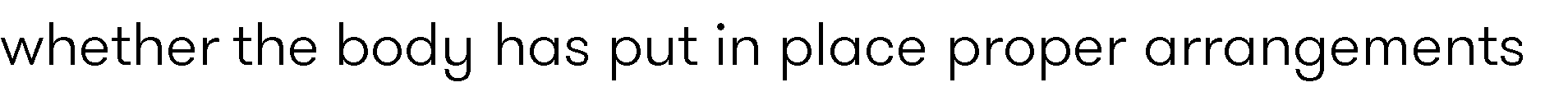
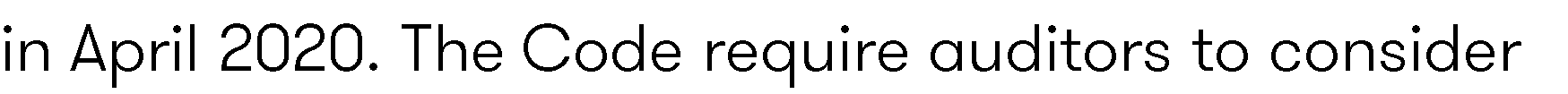
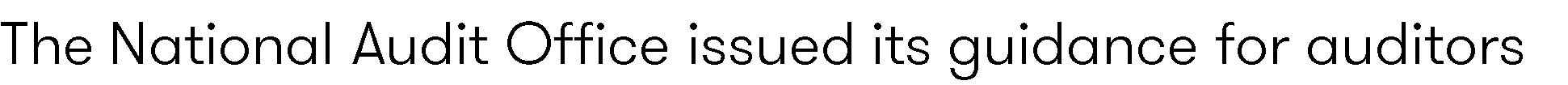


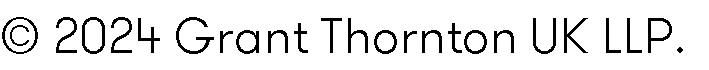


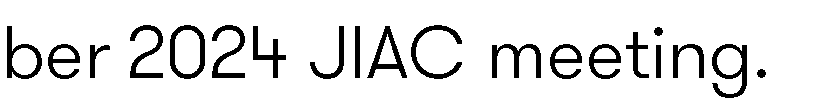
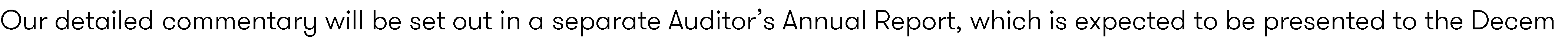
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|  |  |
|  | •  •  • |
| **Specified procedures for Whole of Government Accounts** |  |
|  |  |











### It. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give lJOU timellJ disclosure of all significant matters that malJ bear upon the integritt1, objectivitlJ and independence of the firm or covered persons (including its partners, senior managers, and managers). We confirm that there are no significant facts of matters that impact on our independence as auditors that we are required to or wish to draw to lJOUr attention and consider that an objective, reasonable and informed third partl:I would take the same view.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard 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.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in MalJ 2020 which sets out supplementarlJ guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed at Appendix D.

**Transparency**

Grant Thornton publishes an annual TransparenclJ Report, which sets out details of the action we have taken over the past t1ear to improve audit qualitlJ as well as the results of internal and external qualitlJ inspections. For more details see [Grant Thornton International](https://www.grantthornton.global/globalassets/1.-member-firms/global/grant-thornton-international-ltd-transparency-report-may-2023.pdf) [Transparency report 2023](https://www.grantthornton.global/globalassets/1.-member-firms/global/grant-thornton-international-ltd-transparency-report-may-2023.pdf).

### It. Independence and ethics

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

**Matter Conclusion**

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.

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 Group'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 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.

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**Appendices**

1. [Communication of audit matters to those charged with governance](#_bookmark7)
2. [Action plan - Audit of Financial Statements](#_bookmark8)
3. [Audit Adjustments](#_bookmark9)
4. [Fees and non-audit services](#_bookmark11)
5. [Auditing developments](#_bookmark10)

Appendices 87

###### A.Communication of audit matters to those charged with governance

**Our communication plan Audit**

**Plan**

**Audit Findings**

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

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

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 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 

Expected modifications to the auditor's report, or emphasis of matter 

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 hove 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, we are also required to distribute our findings to 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 all those charged with governance.

We have identified five recommendations for the Authoritl:) as a result of issues identified during the course of our audit. We have agreed our recommendations with management. 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 l:JOU in accordance with auditing standards.

**Assessment Issue and risk Recommendations**

**Effect on control system**

**Effect on control system**

Lack of authorisation for certain manual journals

We identified from our testing that once a journal had been input to the balance sheet or CIES, a user could then *move* the balance between balance sheet or CIES cost centres without the requirement for authorisation. This is because the Sl:JStem check to determine whether approval is required is if there are any "Z" prefix cost centres, which there are not when moving between balance sheet or CIES cost centres.

Self-authorisation of journals

We identified several journals posted and approved bl:J the same user which contained "Z" prefix cost centres which should require approval bl:J a different user ID. However the workflow does not differentiate between different users so although these journals went through the workflow requiring approval, there is nothing preventing the user then approving their own journals if thel:J also have approval privilege for that cost centre.

We recommend that the Authority implement a requirement for approval of these journal movements.

**Management response**

Management have asked the team to check what evidence auditors were provided with, but the workflow criteria quoted (re "Z" prefix) does not relate to the Fire workflow. The Fire version of this recognises that the cost centre structure is different and requires authorisation for all cost centres with a prefix between O and Z. This covers all journals affecting the movement between the CIES and balance sheet and was specifically updated as part of the Fire implementation on Unit4 as something requiring customisation.

Furthermore there is a journal review process, for which transactions within the balance sheet are reviewed to ensure that the transactions are Balance Sheet related and reconciliations are completed to ensure that balances within the control accounts are appropriate and should not relate to the CIES.

Management have asked the team to liaise to ensure auditors are given the correct evidence with this.

We recommend that the Authoritl:J implement a step to prevent self-approval within the Sl:JStem, or create a review step outside of the system if this is not possible.

**Management response**

The journal authorisation workflow is built to prevent self-authorisation and does differentiate between users. However, having seen l:JOUr recommendation I have ascertained that an element of the workflow was not turned on and thus you are correct that until now, it has not been operating as intended. This has today (20th Sep 24) been updated and now requires authorisation from two individuals if an approver instigates a journal. Thank you for bringing this to our attention - the team will be able to provide evidence that it is resolved if needed.

**Assessment Issue and risk Recommendations**

**Effect on control system**

**Effect on control system**

**Effect on control system**

Authorisation of journals by senior management

We identified a small number of journals authorised by senior management personnel. We would not expect any journals to be input or authorised by senior management personnel. We tested every such journal identified and did not identify any issues with them.

Lack of cybersecurity frameworks

The Authority did not adopt any formal standard cybersecurity frameworks. The fire standards board have had a cyber security fire standard out for consultation, but this has not yet been released.

Understatement of accrual

Within our payments made after year end testing, we identified a number of payments related to 2023/24 which were not accrued for correctly. This resulted in the understatement of accruals at 31 March 2024 and understatement of expenditure for the year ended 31 March 2024. We also identified that finance team members were not aware of the de minimis level policy.

We recommend that senior management personnel do not input or authorise journals.

**Management response**

Senior managers are included as journal authorisers for resilience purposes and would only be asked to action workflow tasks if others were unavailable. A quarterly journal review is undertaken (by a member of staff not involved in journal entry or authorisation) which would highlight any journals authorised by senior management and backing documentation would be checked for assurance. We recognise a risk in this approach but are content there are controls in place to mitigate the risks.

We recommend that the Authority adopt a formal cybersecurity framework.

**Management response**

We will look into this.

We recommend that the Authority improve their closedown processes to ensure all expenditure items related to the financial statements year are identified and correctly accounted for. Finance officers responsible for accruals should be reminded of their responsibilities in this area. We also recommend that finance staff are reminded of the de minimis policy for accruals.

**Management response**

Noted. Action will be taken with finance personnel for clarity on procedures, training needs and enhanced check at closedown in the future.

##### C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted blJ management.

**Impact of adjusted misstatements**

All adjusted misstatements are set out in detail below along with the impact on the kelJ statements and the reported net expenditure for the t1ear ending 31 March 2024.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Detail** | **Comprehensive Income and Expenditure Statement £'000** | **Balance Sheet**  **£'000** | **Impact on total net expenditure £'000** | **Impact on general fund**  **£'000** |
| PWLB loan interest was incorrectlt1 included in | Dr Financing expenditure 62 | Nil | Nil | Nil |

service expenditure, rather than financing expenditure

Cr Service expenditure 62

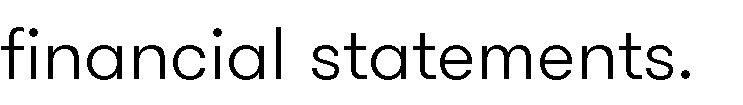
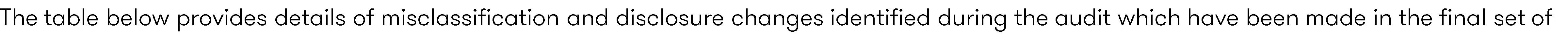
**Overall impact Nil Nil Nil Nil**

**Impact of unadjusted misstatements**

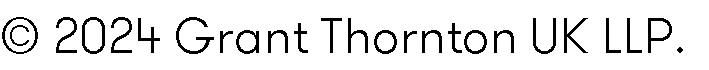
The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Joint Independent Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Comprehensive Income and**  **Expenditure Statement** | **Balance Sheet** | **Impact on total**  **net expenditure** | **Impact on**  **general fund** | **Reason for** |
| **Detail** | **£'000** | **£'000** | **£'000** | **£'000** | **not adjusting** |
| PPE revaluations incorrectlt1 charged to CIES rather than to | Cr CIES (52) | Dr Revaluation Reserve 52 | Cr (52) | Nil | Immaterial |
| Revaluation Reserve |  |  |  |  |  |
| Asset included in AHFS at an incorrect value | Dr CIES 300 | Cr AHFS (300) | Dr300 | Nil | Immaterial |
| Please note we identified that this asset was held in AUC in |  |  |  |  |  |
| 2022/23 but should have been held in surplus. This prior t1ear |  |  |  |  |  |
| classification has therefore changed from the draft 2023/24 |  |  |  |  |  |
| accounts. |  |  |  |  |  |
| Errors identified within testing of pal:Jments made after t1ear end | Dr Expenditure 154 | Cr Creditors (154) | Dr 154 | Nil | Immaterial |
| which resulted in a net under-accrual at t1ear end. |  |  |  |  |  |
| **Overall impact** | **£402** | **(£402)** | **£402** | **Nil** |  |





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|  |  |  |



###### D. 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.

|  |  |  |
| --- | --- | --- |
| **Audit fees** | **Proposed fee** | **Final fee** |
| Scale fee | £95,380 | £95,380 |
| ISA315 | £5,020 | £5,020 |
| **Assurance over opening balance figures** | TBC | TBC |
| **Total audit fees (excluding VAT)** | **TBC** | **TBC** |

The scale fee above is reflected in the audit fee within the financial statements. Additional fees have not been recognised in the accounts.

**E. Auditing developments**

**Revised ISAs**

**There are changes to the following ISA (UK):**

ISA (UK) 315 (Revised Jult1 2020) 'ldentift1ing and Assessing the Risks of Material Misstatement'

**This impacts audits of financial statement for periods commencing on or after 15 December 2021.**

ISA (UK) 220 (Revised Jult1 2021) 'QualitlJ Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised MalJ 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

**A summarlJ of the impact of the key changes on various aspects of the audit is included below:**

**These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.**

**Area of change Impact of changes**

Risk assessment The nature, timing and extent of audit procedures performed in support of the audit opinion malJ change due to clarification of:

* the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures
* the identification and extent of work effort needed for indirect and direct controls in the SlJStem of internal control
* the controls for which design and implementation needs to be assess and how that impacts sampling
* the considerations for using automated tools and techniques.

Direction, supervision and review of the engagement

Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement **in** the performance and review of audit procedures.

Professional scepticism The design, nature, timing and extent of audit procedures performed in support of the audit opinion malJ change due to:

* increased emphasis on the exercise of professional judgement and professional scepticism
* an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence
* increased guidance on management and auditor bias
* additional focus on the authenticity of information used as audit evidence
* a focus on response to inquiries that appear implausible

Definition of engagement team

The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. **In** the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor.

* Consideration is also being given to the potential impacts on confidentiality and independence.

Fraud The design, nature timing and extent of audit procedures performed in support of the audit opinion malJ change due to:

* clarification of the requirements relating to understanding fraud risk factors
* additional communications with management or those charged with governance

Documentation The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

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**Grant Thornton**

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