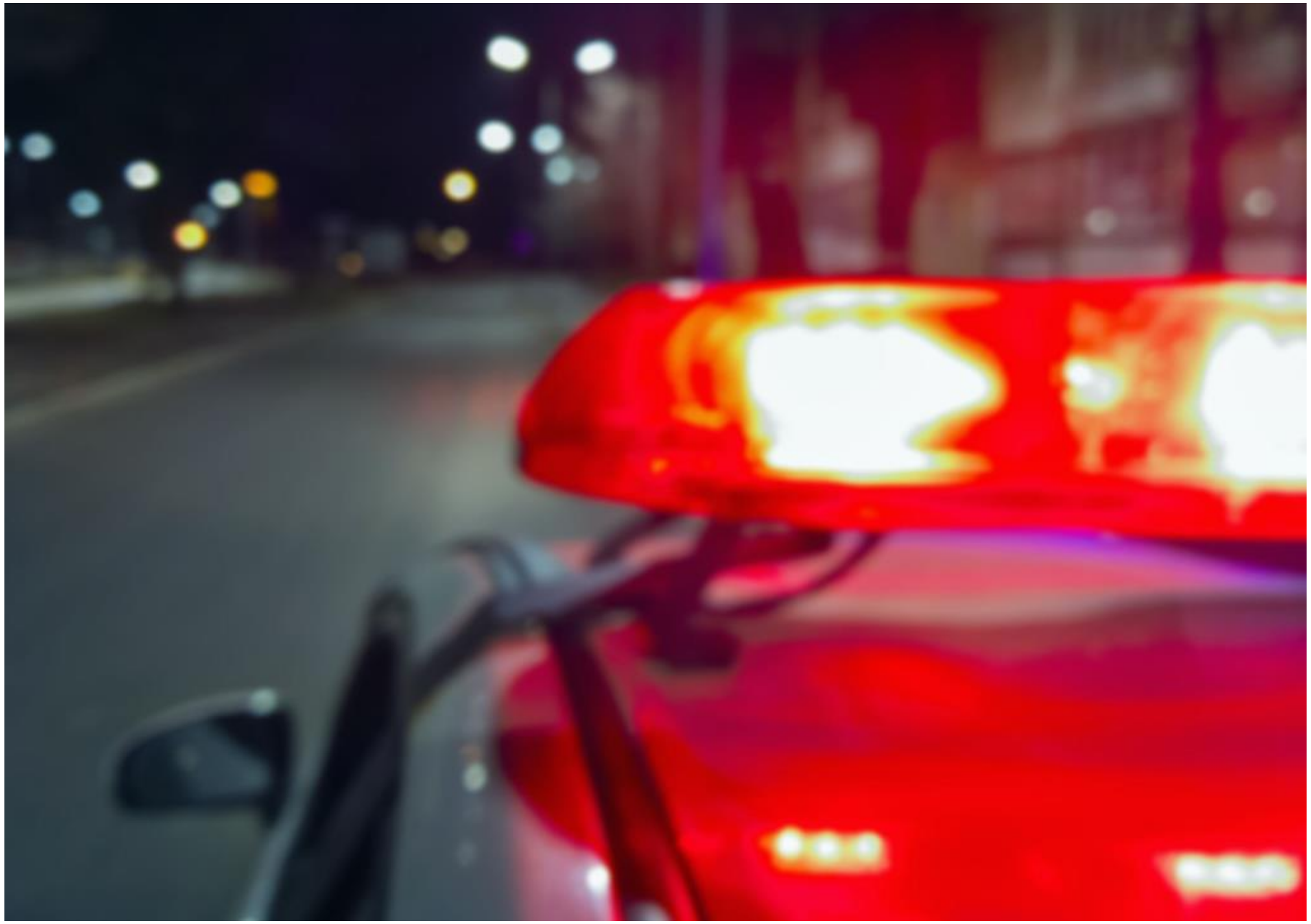
Grant Thornton

The Joint Audit Findings for The Police and Crime Commissioner for Lancashire and The Chief Constable of Lancashire Constabulary

Year ended 31 March 2022

13 December 2023



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the PCC and Chief Constable or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Michael Green

Name : Michael Green
For Grant Thornton UK LLP
Date : December 2023

1. Headlines

This table summarises the key findings and other matters arising from the statutory audits of Lancashire Police and Crime Commissioner ('the PCC') and The Chief Constable of Lancashire Constabulary financial statements for the year ended 31 March 2022 for 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 financial statements:

- give a true and fair view of the financial positions of the PCC and Chief Constable's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with each set of audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was undertaken during January – December 2023, with the majority of the audit was undertaken during the early part of 2023, however work was halted in April to allow us engage an auditors valuation expert to assist us with an issue relating to assets which the Constabulary had not had valued during 2021/22. Further detail is provided on page 9. Our findings for the audit are summarised on pages 5 to 18.

Management has made a number of amendments to the financial statements. These impact the PCC/CC and Group Balance Sheet and Comprehensive Income and Expenditure Statement, and are summarised in Appendix D. There are three unadjusted misstatements which management chose not to amend, with details provided on pages 28 and 29. Our follow up of recommendations from the prior year's audits are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion for the PCC's financial statements (including the financial statements which consolidate the financial activities of the Chief Constable) or the Chief Constable's financial statements in Appendices E and F or material changes to the financial statements, subject to the following outstanding matters:

- receiving a suitable response to our query with the valuer regarding external works allowance;
- receipt of management representation letter; and
- review of the final set of financial statements.

We have concluded that the other information to be published with each set of financial statements is consistent with our knowledge of your organisations and the financial statements we have audited.

Our anticipated audit report opinions will be unqualified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether in our opinion, both entities have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the 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 arrangements under the following specified criteria:

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

We have completed our VFM work, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the PCC and Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources.

Statutory duties

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

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

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

We have completed the majority of our work under the Code and expect to be able to certify the completion of the audits when we give our audit opinions.

Significant Matters

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

2. Financial Statements

Overview of the scope of our audit

This Joint Audit Findings Report presents the observations arising from the audits 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 and the Joint Audit Committee.

As auditor we are responsible for performing the audits, in accordance with International Standards on Auditing (UK) and the Code, which are directed towards forming and expressing an opinion on each set of 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 group's/PCC and Chief Constable's business and is risk based, and in particular included:

- An evaluation of the PCC's and Chief Constable's internal controls environment, including its IT systems and controls;
- An evaluation of materiality considering the 'PCC and Chief Constable's gross revenue expenditure; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter our audit plan, as communicated to you in August 2022.

Conclusion

We have substantially completed our audits of your financial statements and, subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion on the financial statements of both the PCC and the Chief Constable, as detailed in Appendix E and F. Outstanding items are detailed on page 3.

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

Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan in August 2022.

We detail in the table opposite our determination of materiality.

	Group (£)	PCC (£)	CC (£)	Qualitative factors considered
Materiality for the financial statements	7,770,000	7,761,000	7,629,000	Financial performance, focussing on the expenditure.
Performance materiality	5,439,000	5,433,000	5,340,000	Quality of working papers in prior year and client's response to audit processes.
Trivial matters	389,000	388,000	381,000	The amount below which matters would be considered trivial to the reader of the accounts.
Materiality for senior officer remuneration	32,000	32,000	32,000	Materiality has been reduced for remuneration disclosures due to the sensitive nature and public interest.

We have determined financial statement materiality based on a proportion of the gross expenditure of the group, the PCC and the Chief Constable for the financial year. In the prior year we used the same benchmark. For our audit testing purposes we apply the lowest of these materialities, which is £7,629,000 (PY £6,667,000), which equates to 2% of the Chief Constable's prior year gross expenditure or the year.

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	Relates to	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The PCC and Chief Constable face 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 control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	PCC / CC /Group	We have: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; and • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. In performing the procedures above, we identified a population of journals to test by targeting journals meeting specific risk criteria assessed by the audit team. These criteria included: • post year-end journals • material journals across the year • year-end journals • Journals moving revenue expenditure to capital • year-end accrual journals • journals reducing expenditure around the year-end • journals posted by senior management Application of these routines and supplementary procedures identified a total sample of 42 journals to test. Our testing did not identify any evidence of management override of controls or fraud.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
Improper revenue recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated 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.	CC / PCC / Group	As detailed in our Audit Plan, we do not consider this to be a significant risk for the PCC and the Chief Constable. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted for both the PCC and Chief Constable because: • there is little incentive to manipulate revenue recognition; • for the PCC opportunities to manipulate revenue recognition are very limited as revenue is principally grant allocations from central and local government; • for the Chief Constable opportunities to manipulate revenue recognition are very limited as revenue is principally an intergroup transfer from the PCC, with no cash transactions; and • the culture and ethical frameworks of both the PCC and Chief Constable, mean that all forms of fraud are seen as unacceptable. Whilst revenue and expenditure recognition was not identified as a significant risk, we have carried out procedures and detailed testing of material revenue streams to gain assurance over this area. We tested, on a sample basis, material revenue transactions, ensuring that it remained appropriate to rebut the presumed risk of revenue and expenditure recognition. We did not identify any matters to report to you or to change our assessment of the risk in this area.
Risk of fraud related to expenditure recognition - 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 may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). We have considered this risk for the Chief Constable, PCC and Group and have determined it to be appropriate to rebut this risk based upon the limited incentive and opportunity to manipulate expenditure.	CC / PCC / Group	Our Audit Plan highlighted that we consider that we are able to rebut the significant risk in relation to expenditure as we concluded that there is no risk of material misstatement due to fraud relating to expenditure recognition. We have performed procedures to understand and test material expenditure streams. Our work in this area has not identified any matters to report to you or that would lead to a change in our risk assessment.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
Valuation of land and buildings The PCC and Group revalue their land and buildings on a rolling three-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£183.7m as at 31 March 2022) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the PCC and Group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.	PCC / Group	We have: • reviewed management's processes and assumptions for the calculation of the estimate; • the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • written to the valuer (Aspin and Co.) to confirm the basis on which the valuation was carried out in order to ensure that the requirements of the Code are met; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and • tested revaluations made during the year to see if they had been input correctly into the PCC's asset register. Our review of the calculations performed by the valuer showed that the valuations had been based on realistic and sound assumptions supported by appropriate evidence including site plans verifying square meterage figures, building rate costs and rationale for various obsolescence factors applied. The annual valuation exercise covers a portion of the asset base as part of a cyclical approach, covering all assets over each cycle. The valuer revalued assets during 2021/22 of £44.9m, the remainder of the assets £138.8m were valued in 2019/20 and 2020/21. As part of our procedures we consider whether the potential movement in valuation for those assets not covered by the annual valuation could be material. In considering this, we identified that the movement in assets not revalued could be significant and challenged management to provide evidence that this would not materially impact the carrying value of assets at the year-end. In conjunction with the valuer, management undertook an exercise to assess those assets not revalued in 2021/22. This identified that the assets not valued in the year would increase by £15.5m and management have reflected the material adjustment in the updated financial statements. In assessing the work carried out by management and the valuer, we engaged our own expert valuer to review the approach taken and the underlying assumptions supporting asset valuation. We concluded that the assumptions and estimates were reasonable and in line with expectations and that therefore the revised valuation of land and buildings is materially correct. Page 27 summarises the audit adjustment undertaken to reflect the increase in value of those assets not revalued during 2021/22. The valuation expert made an observation regarding allowances for external works, leading to a recommendation on page 23. As a result we raised a query with management in August, and they contacted the valuer for an explanation and have yet to receive a response. We have identified this as one of the outstanding items to be concluded on page 3.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
Valuation of pension fund net liability The group's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£4,548 bn in the group's balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the group's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	CC / PCC / Group	We have: • updated our understanding of the processes and controls put in place by management to ensure that the PCC and CC's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management experts (actuaries) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuaries who carried out the pension fund valuations; • assessed the accuracy and completeness of the information provided by the PCC and CC to the actuaries; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports; and • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. Pages 12 provide a detailed assessment of the estimation process for the valuation of the pension fund net liability. The assumptions used in calculating the net pension liability/surplus of both schemes are considered to be in line with expectations and we have not identified any further issues with the estimation process. When the draft 2021/22 accounts were prepared, the 2019 Local Government Pension Scheme (LGPS) triennial valuation informed key judgements and estimates underpinning the measurement of the defined benefit liability, as permitted by the CIPFA Code of Practice on Local Authority Accounting (the Code), which adopts and adapts the requirements of IAS 19 Employee Benefits. The requirements of IAS 19 and the Code are such that valuations of an employer's pension obligations are to be updated for any material transactions and other material changes in circumstances up to the end of the reporting period. The publication of 31 March 2022 LGPS triennial valuations, in April 2023, is an event after the 2021/22 reporting period which needs to be considered in line with the requirements of Section 3.8 of the Code and the underlying requirements of IAS 10 Events After the Reporting Period. We asked that the PCC and CC requested that their actuary update IAS 19 reports for the 31 March 2022 year end, to take account of data now available following completion of 31 March 2022 triennial valuations. Updated figures identified that overall the LGPS Liability had reduced by £7.65m (net), which required an adjustment to the 2021/22 accounts. See pages 27 and 29 for details of the amendment to the financial statements. Additionally, the auditor of Lancashire County Pension Fund has reported an unadjusted error of £33m understatement in the value of the Fund's investments. The PCC and CC share of this error is £1.6m (4.75%) which is not considered to be material by management and therefore not adjusted. This matter is reported in the schedule of unadjusted errors at Appendix C.

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £183.7m	PCC / Group	Land and buildings comprises £172.6m of specialised assets such as police 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 (£11.1m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The PCC engaged Aspin and Company Limited to complete the valuation of properties as at 31/3/2022 on a three yearly cyclical basis. The total year end valuation of land and buildings was £183.722m, a net decrease of £5.983m from 2020/21.	The PCC's accounting policy on valuation of land and buildings is included in Note 18 to the financial statements. Key observations • We assessed the qualifications, skills and experience of the Valuer and determined the service to be appropriate; • The underlying information prepared by the PCC and supplied by the Valuer was considered to be complete and accurate; • The Valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates. Our review of the calculations performed by the valuer is complete, demonstrating that the calculations had been based on realistic and sound assumptions supported by appropriate evidence as outlined on page 9. We consider the level of disclosure in the financial statements to be appropriate. Our audit work did highlight that no depreciation for the year had been charged on assets revalued as at 31/3/22 with no subsequent reversal of that depreciation performed. We have quantified the total understatement at £0.953m and although there is a net nil impact on the balance sheet management has chosen to correctly account for this and this is included on page 27 within the summary of adjusted misstatements. We have made a recommendation on page 24 that all assets revalued should be depreciated up to the date of valuation.	Light purple

Assessment

- ● Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Relates to</th><th>Summary of management’s approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension liability –

LGPS : £147.6m

Police Officer Pension Scheme : £4,400.6m</td>
<td>PCC / CC / Group</td>
<td>The PCC’s and Chief Constable’s total net pension liability at 31 March 2022 is £4,548m (PY £4,422m) comprising the Local Government Pension Scheme (LGPS) (The LGPS is a funded defined benefit scheme for police staff, administered by Lancashire County Council) and Police Officers Pension Scheme (the Chief Constable operates three pension schemes for police officers, these are the 1987, 2006, 2015 Police Pension Schemes for officers)

The PCC and Chief Constable uses Mercers to provide actuarial valuations of the Group’s assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2022, and is detailed on page 10. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</td>
<td>For both the LGPS and the three police officer pension schemes we have undertaken a review of the relevant actuary’s work to satisfy ourselves that the pension liabilities are fairly stated in the financial statements. In doing so we engaged our own independent actuary to assess the methodology and assumptions used by the scheme’s actuaries.

For both the LGPS and the police schemes we have reviewed the information submitted to the actuaries to confirm that it is consistent with underlying records. We have used PwC as auditors expert to assess the key actuary and assumptions made by actuary.

<table>
<tr><th>Assumptions</th><th>Latest Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>2.8%</td><td>2.7% - 2.8%</td><td>● -Assumptions considered reasonable</td></tr>
<tr><td>Pension increase rate</td><td>3.3%/ 3.4%</td><td>3.0% - 3.5%</td><td>● - Assumptions considered reasonable</td></tr>
<tr><td>Salary growth</td><td>4.75 % (PCC)
4.80% (CC)</td><td>0.5% - 2.5% above pension increase</td><td>● - Assumptions considered reasonable</td></tr>
<tr><td>Life expectancy – Males currently aged 45 / 65</td><td>22.6 years / 21.4years</td><td>22.2 – 24.8 years/ 20.7 – 23.3 years</td><td>● - Assumptions considered reasonable</td></tr>
<tr><td>Life expectancy – Females currently aged 45 / 65</td><td>25.5 years / 23.7 years</td><td>25.7 – 27.5 years/ 23.8 – 25.5 years</td><td>●- Assumptions slightly outside the range but considered reasonable</td></tr>
</table>

Based on our review of assumptions, judgements and estimation practices for both schemes, we have gained assurance that they are reasonable and that the net pension liability is materially correct.</td>
<td>Light purple</td>
</tr>
</table>

2. Financial Statements - Internal Control

The following internal control issues were identified during our audit work, as highlighted below.

Assessment	Issue and risk	Recommendations
●	Proceeds of Crime The creditors and cash balance includes £2.1m representing cash seized by Police under the Proceeds of Crime Act 2002. This balance is not held in a separate bank account in line with best practice.	Management should seek to establish a separate bank account for all monies associated with the Proceeds of Crime Act, which is collected on behalf of the Home Office.

Assessment

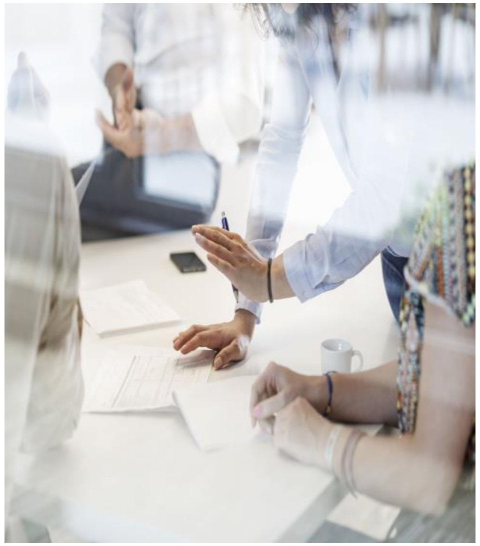
- ○ Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Joint Audit and Ethics Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	Letters of representation have been requested from both the PCC and the Chief Constable.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested third party confirmations in relation to cash and investment balances. All of these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the PCC's and CC's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements

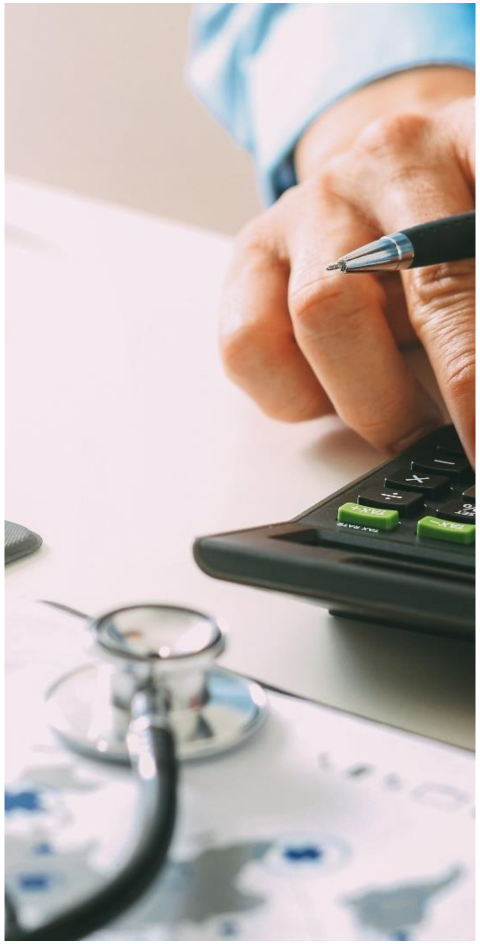
Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
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 may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities; and • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the PCC's and Chief Constable's financial sustainability is addressed by our value for money 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 by the PCC and Chief Constable meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the PCC and Chief Constable and the environment in which they operate; • the PCC's and Chief Constable's financial reporting framework; • the PCC's and Chief Constable's system of internal control for identifying events or conditions relevant to going concern; and • management’s going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified for either the PCC or the Chief Constable; and • management’s use of the going concern basis of accounting in the preparation of both sets of financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with each set of audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix E and F.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statements do not comply with disclosure requirements set out in CIPFA/SOLACE guidance or are misleading or inconsistent with the information of which we are aware from our audits, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. We have nothing to report on these matters.



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA audit instructions. However, in the case of Lancashire Police, no work is required as the entity is below the group reporting threshold of £2 billion determined by the NAO.
Certification of the closure of the audit	We intend to certify the closure of the 2021/22 in our audit opinions.

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report.

As part of our work, we considered whether there were any risks of significant weakness in the PCC and Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness, and have made improvement recommendations relating to financial sustainability and governance.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	🟨 No significant weaknesses in arrangements identified, but improvement recommendations made.	🟨 No significant weaknesses in arrangements identified, but improvement recommendations made.	⟷
Governance	No risks of significant weakness identified	🟨 No significant weaknesses in arrangements identified	🟨 No significant weaknesses in arrangements identified, but improvement recommendations made.	⟷
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	🟩 No significant weaknesses in arrangements identified, but improvement recommendation made	🟩 No significant weaknesses in arrangements identified.	⟷

We are satisfied that the PCC and Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources.

4. Independence and ethics

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

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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

Audit and non-audit services

No non-audit services were provided from the beginning of the financial year to April 2023.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 6 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	The PCC's valuer had to undertake an exercise to revalue a number of assets which had not been revalued during the year to ensure that there was no material misstatement in the assets values.	Management should consider the outcome of the annual valuation and assess the likelihood of assets not revalued being materially misstated. Consider annual valuation for some of the PCC's largest valued assets as these would be most likely to result in material differences. **Management response** We have agreed a new revaluation schedule which takes into account the recommendations and will ensure that the five highest value assets will be revalued on an annual basis. The remaining properties have been grouped together to give a better spread of both numbers and values of properties across the three year cycle.
Medium	As part of the valuation process the valuer had not made a specific allowance for external works.	Instructions should be provided to the valuer to ensure any specific allowances for external works are considered as part of future valuations. **Management response** We agreed with this recommendation and will ensure that the instructions to the valuer will include the requirement to ensure specific allowances for external works are taken into account.
Medium	Our work on property, plant and equipment closing balances highlighted that there were a number of assets which were fully depreciated but still held on the asset register with negative asset lives, yet the assets were still in use. There is a risk that the asset lives applied are not appropriate and that there is an incorrect profiling of depreciation.	Management should perform an exercise to review and update the asset register and assess whether asset lives are appropriate. **Management response** As part of the introduction of the new Asset Management Tool we have undertaken a review of the update register including the assessment of asset lives.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

A. Action plan – Audit of Financial Statements (Cont)

Assessment	Issue and risk	Recommendations
Medium	Included in the cash and cash equivalents balance is £2.1m related to seized cash held awaiting conclusion on investigations which will determine the outcome for the seized funds. Whilst there is no specific guidance on 3rd party assets in the CIPFA Code of Practice on local authority accounting 2021-22, the definitions make it clear that an asset (or economic resource) should only be accounted for if it has the potential to produce economic benefits or service potential. There is a need for an assessment as to whether such monies has the potential to produce economic benefits or service potential, if not it should be excluded from the cash and cash equivalent balance and should not be accounted for on the balance sheet.	Management should undertake an assessment of the likelihood that any seized monies has the potential to produce economic benefits or service potential when determining how it is accounted for. **Management response** We will review the issue of seized monies and will endeavour to publish a policy around seized monies which will include how to account for this.
Medium	Our audit work did highlight that no depreciation had been charged on assets during the year for assets revalued as at 31/3/22. On a revalued asset, a transfer between the revaluation reserve and capital adjustment account shall be carried out that represents the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's historical cost.	Depreciation should be charged on all assets before any revaluation adjustments are applied, in line with accounting standards and the CIPFA Code of Practice. **Management response** We accept that the current spreadsheet module was not fit for purpose and now that we have control of ORACLE we are currently aiming to install the Fixed Asset module within ORACLE. The new automated process will be tested to ensure that it meets the requirements of the accounting standards and the CIPFA Code of Practice.
Medium	The PCC chose to make a prior period adjustment of £0.317m and £2.395m in respect of issues identified during the 2020/21 audit relating to our audit of property, plant and equipment. The PCC chose to correct an immaterial prior period error by restating the previously reported results rather than by correcting it in the current period, as this is not required and is unnecessary under IAS 8.	Prior period adjustments should only be undertaken to correct material prior period errors in line with IAS 8. **Management response** The changes undertaken were made to aid comparability between years but we accept this as a general principle and will ensure that going forward that Prior Period Adjustments will only be undertaken to correct material prior period errors.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audits of Lancashire PCC and Chief Constable's 2020/21 financial statements, which resulted in recommendation being reported in our 2020/21 Audit Findings report. We are pleased to report that management has made progress with our recommendation.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Control Issues		Recommendation
✓	Our work on journals identified a control deficiency where staff at level LC9 are able to self approve journals. Testing has confirmed that the journals in question were appropriate and not unusual, however best practice is that all journals are authorised by another person.	It would be good practice to have posting and authorisation of journals by separate members of staff. **Update:** Arrangements have been strengthened to ensure self approved journals are no longer performed. All journals are now approved by an additional senior member of the finance team.
✓	Our audit work on the debtors balance identified that the supporting working papers and populations included historic data which needed to be cleansed and filtered prior to selecting samples to test.	There is a need to ensure that audit evidence including populations provided has been cleansed to remove historic debtors balances that are no longer outstanding. **Update:** The debtors population provided to support this year's debtors balance had been cleaned to ensure that historic transactions no longer outstanding had been appropriately removed.
Final Accounts		
Partial	Revaluation of Property, Plant and Equipment (PCC) Our audit work identified that the accounting treatment in respect of revalued assets was incorrect, with depreciation having been charged in the year of valuation and also netted off the revalued amount. In addition the asset register requires a review to ensure it lends itself to the correct accounting treatment and that it agrees with the figures included within the financial statements.	Undertake a review of the asset register to enable it to be fit for purpose, reconciling to the figures within the financial statements. Ensure that the accounting treatment for revalued assets is correct and in line with the CIPFA Code of Local Authority Practice. Depreciation should not be charged on revalued assets at year end or netted off against the valuation. **Update:** This year our audit work identified that depreciation was not being charged throughout the year on revalued assets. (See recommendation raised page 25).

Assessment

✓	Action completed
X	Not yet addressed

B. Follow up of prior year recommendations

We identified the following issues in the audits of Lancashire PCC and Chief Constable's 2020/21 financial statements, which resulted in recommendation being reported in our 2020/21 Audit Findings report. We are pleased to report that management has made progress with our recommendation.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Final Accounts		Recommendation
✓	**Quality Assurance check on draft financial statements (PCC and CC)** The draft financial statements provided for audit contained a number of basic errors including prior year figures being incorrect, and arithmetical errors.	Prior to submission for audit a rigorous quality assurance process should be undertaken on the draft financial statements. **Update:** We noticed a marked improvement in the quality of the financial statements. There was a considerable reduction in the number of basic errors this year.
Partial	Existence Testing In 2019/20 as part of our audit procedures we tested a sample of assets to Land Registry documentation to ensure that you have existence rights over the asset. For one asset (Hambledon Hill transmitter) the PCC was not shown as the owner of the asset.	We recommended that the Land Registry details are updated. Last year we reported that work was on-going to progress this with the information having been passed to solicitors to ensure this gets actioned. **Update:** Details have now been submitted by the solicitors , however there is a backlog at the Land Registry, so this may not be resolved until 2023/24.

Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments – PCC

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

Impact of adjusted misstatements - PCC

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Property Plant and Equipment Adjustment to increase asset values for those assets that had not been revalued in 2021/22.		PPE net book value +15,505 Total Unusable Reserves - Revaluation Reserve +15,505	-
Pension Liability Adjustment to account for the triennial valuation	Re-measurements of pension assets/liabilities +285	Pension Liability +285	-
Depreciation – revalued assets No depreciation had been charged on assets during the year for assets revalued as at 31/3/22. We have quantified the understatement of depreciation at £0.953m.	Net Cost of services +953	PPE net book value - 953 Total Useable Reserves – Capital adjustment account +953	-
PPE Additions Additions had been incorrectly stated within Note 18. Additions had been understated by £3.687m		PPE Additions +3,687 PPE - Revaluation increase/(decrease) recognised in the revaluation reserve- 3,687	
Overall impact	+£1,238	+£285	£nil

C. Audit Adjustments - PCC

Impact of unadjusted misstatements - PCC

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The PCC is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Prior Period Adjustment PCC made a prior period adjustment of £0.317m and £2.395m in respect of issues identified during the 2020/21 audit relating to our audit of property, plant and equipment. The PCC chose to correct an immaterial prior period error by restating the previously reported results rather than by correcting it in the current period.	Funding provided by PCC to CC (20/21 figure) -2,395 Funding provided by PCC to CC in 21/22 +2,395	Land and Building opening balances – 317 Correction of historic error +317 Accumulated depreciation opening balance -2,395 In year depreciation charge +2,395	Nil	Considered to reflect the correct timing of transactions
Overall impact	Nil	Nil	Nil	

Disclosure omission	Detail	Reason for not adjusting
Leases	The PCC utilises land and buildings and equipment assets under operating leases. Future minimum lease payments not later than one year, between one and 5 years and over 5 years should be disclosed as a disclosure note. There is no disclosure of the future minimum lease payments totalling £3.39m in the financial statements.	Not material

C. Audit Adjustments – CC

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

Impact of adjusted misstatements - CC

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Pension Liability Adjustment to account for the triennial valuation	Re-measurements of pension assets/liabilities – 7,939	Pension Liability – 7,939	
Overall impact	(£7,939)	(£7,939)	£nil

Impact of unadjusted misstatements – CC

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Reason for not adjusting
Defined Benefit Post Employment Benefits Understatement of pension fund asset valuation Dr Pension Investment Cr Remeasurement of net pension liability Note that this movement is reversed out to the Capital Adjustment Account under Local Authority accounting regulations so as not to impact the overall financial position.	(1,640)	1,640	Not material to the financial statements and based upon an estimated value
Overall impact	(1,640)	1,640	£nil

C. Audit Adjustments PCC and CC

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

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Typographical changes (PCC and CC) A small number of typographical and consistency changes were made to the statements.	Accounts to be updated.	✓
Cash and Cash equivalent Note 22 (PCC)	Additional disclosure has been added to disclose that within the Cash & Cash Equivalents Balance is £2.14m related to seized cash held awaiting conclusion on investigations which will determine the outcome for the seized funds.	✓
Financial Instruments Note 27 (PCC)	The note has been updated to remove creditors which are not financial instruments (£1.586m)	✓

D. Fees

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
PCC Audit	£39,656	£47,656
Chief Constable Audit	£20,688	£25,188
Total audit fees (excluding VAT)	£60,344	£72,844

The fees reconcile to the financial statements

Additional fees have been raised as agreed with management. These are summarised below and are subject to PSAA approval:

Area	Chief Constable	PCC
Use of auditor valuation expert	-	£2,000
Additional work to review land and building valuations	-	£3,000
Additional work relating to the net pension liability and the impact of the triennial valuation	£4,000	£2,000
Additional audit quality costs resulting from the audit becoming a Major Local Authority Audit	£500	£1,000
Total	£4,500	£8,000

E. Audit opinion - PCC

Our audit opinion is included below.

We anticipate we will provide the PCC with an unmodified audit report

Independent auditor's report to the Police and Crime Commissioner for Lancashire

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of the Police and Crime Commissioner for Lancashire (the 'Police and Crime Commissioner') and its subsidiary the Chief Constable (the 'group') for the year ended 31 March 2022 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies and include the police pension fund financial statements comprising the Fund Account, the Net Assets Statement and notes to the financial statements. The notes to the financial statements include the Notes to the Accounts, Annex A - Statement of Accounting Policies, Annex B Technical Annex – Financial Instrument Disclosures and Annex C – Pension Disclosures. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Police and Crime Commissioner as at 31 March 2022 and of the group's expenditure and income and the Police and Crime Commissioner's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Police and Crime Commissioner and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Financial Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Police and Crime Commissioner and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Police and Crime Commissioner and the group to cease to continue as a going concern.

In our evaluation of the Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Police and Crime Commissioner and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services

E. Audit opinion - PCC

provided by the Police and Crime Commissioner and the group. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Police and Crime Commissioner and group and the Police and Crime Commissioner and group's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Police and Crime Commissioner's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Financial Officer's with respect to going concern are described in the 'Responsibilities of the Police and Crime Commissioner and the Chief Financial Officer's for the financial statements' section of this report.

Other information

The Chief Financial Officer's is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Police and Crime Commissioner and group financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Police and Crime Commissioner and the group obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Police and Crime Commissioner, the other information published together with the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

E. Audit opinion -PCC

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Police and Crime Commissioner under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Police and Crime Commissioner and the Chief Financial Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Police and Crime Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Police and Crime Commissioner's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Police and Crime Commissioner and the group will no longer be provided.

The Police and Crime Commissioner is Those Charged with Governance. Those charged with governance are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material

E. Audit opinion - PCC

misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

• We obtained an understanding of the legal and regulatory frameworks that are applicable to the Police and Crime Commissioner and the group and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Police Reform and Social Responsibility Act 2011). We also identified the following additional regulatory frameworks in respect of the police pension fund, Public Service Pensions Act 2013, The Police Pension Fund Regulations 2007, The Police Pensions Regulations 2015, and The Police Pensions Regulations 2006.

• We enquired of senior officers and the Police and Crime Commissioner, concerning the Police and Crime Commissioner and group's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;

- the detection and response to the risks of fraud; and

- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

• We enquired of senior officers, internal audit and the Police and Crime Commissioner, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

• We assessed the susceptibility of the Police and Crime Commissioner and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to

- non-routine journal entries, and key accounting estimates around the valuation of land and buildings and the pension liability.

• Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Chief Financial Officer has in place to prevent and detect fraud;

- journal entry testing, with a focus on non-routine transactions;

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings and the pension liability;

- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

• These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

• The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of land and buildings and the LGPS and Police pension liability.

E. Audit opinion - PCC

• Our assessment of the appropriateness of the collective competence and capabilities of the Police and Crime Commissioner and group's engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

- knowledge of the police sector

- understanding of the legal and regulatory requirements specific to the Police and Crime Commissioner and group including:

- the provisions of the applicable legislation

- guidance issued by CIPFA, LASAAC and SOLACE

- the applicable statutory provisions.

• In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Police and Crime Commissioner and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Police and Crime Commissioner and group's control environment, including the policies and procedures implemented by the Police and Crime Commissioner and group to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements - the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

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

Responsibilities of the Police and Crime Commissioner

The Police and Crime Commissioner is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

E. Audit opinion - PCC

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Police and Crime Commissioner plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Police and Crime Commissioner ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Police and Crime Commissioner uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Police and Crime Commissioner has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements - certification of completion of the audit

We certify that we have completed the audit of the financial statements of the Police and Crime Commissioner for Lancashire for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited.

Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

F. Audit opinion - CC

Independent auditor’s report to the Chief Constable of Lancashire Constabulary

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of the Chief Constable of Lancashire Constabulary (the ‘Chief Constable’) for the year ended 31 March 2021 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of significant accounting policies, and include the Police Officer Pension Fund financial statements comprising the Fund Account, the Net Assets Statement and notes to the financial statements. The notes to the financial statements include the Notes to the Accounts, Annex A - Statement of Accounting Policies, Annex B Technical Annex – Financial Instrument Disclosures and Annex C – Pension Disclosures. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) (“the Code of Audit Practice”) approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report. We are independent of the Chief Constable in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Chief Constable’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor’s opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Chief Constable to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer’s conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Chief Constable’s financial statements shall be prepared on a going concern basis, we considered the

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inherent risks associated with the continuation of services provided by the Chief Constable. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Chief Constable and the Chief Constable's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Chief Constable's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Finance Officer with respect to going concern are described in the 'Responsibilities of the Chief Constable and the Chief Finance Officer for the financial statements' section of this report.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Chief Constable obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Chief Constable, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

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- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Chief Constable under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Chief Constable and the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Constable is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Chief Constable will no longer be provided.

The Chief Constable is Those Charged with Governance. Those charged with governance are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

• We obtained an understanding of the legal and regulatory frameworks that are applicable to the Chief Constable and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Police Reform and Social Responsibility Act 2011. We also identified the following additional regulatory frameworks in respect of the police pension fund, Public Service Pensions Act 2013, The Police Pension Fund Regulations 2007, The Police Pensions Regulations 2015, and The Police Pensions Regulations 2006.

• We enquired of senior officers and the Chief Constable, concerning the Chief Constable's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;

- the detection and response to the risks of fraud; and

- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

• We enquired of senior officers, internal audit and the Chief Constable, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

• We assessed the susceptibility of the Chief Constable's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of control. We determined that the principal risks were in relation to:

- non-routine journal entries, and key accounting estimates around valuation of net pension liability.

• Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Chief Finance Officer has in place to prevent and detect fraud;

- journal entry testing, with a focus on non-routine transactions;

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings and the pension liability;

- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

• These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

• The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the LGPS and Police pension liability.

• Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar

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nature and complexity through appropriate training and participation

- knowledge of the police sector

- understanding of the legal and regulatory requirements specific to the Chief Constable including:

- the provisions of the applicable legislation

- guidance issued by CIPFA, LASAAC and SOLACE

- the applicable statutory provisions.

• In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Chief Constable's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Chief Constable's control environment, including the policies and procedures implemented by the Chief Constable to ensure compliance with the requirements of the financial reporting framework .

Report on other legal and regulatory requirements - the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

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

Responsibilities of the Chief Constable

The Chief Constable is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

• Financial sustainability: how the Chief Constable plans and manages its resources to ensure it can continue to deliver its services;

• Governance: how the Chief Constable ensures that it makes informed decisions and properly manages its risks; and

• Improving economy, efficiency and effectiveness: how the Chief Constable uses information about its costs and performance to improve the way it manages and delivers its services.

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We document our understanding of the arrangements the Chief Constable has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We certify that we have completed the audit of the financial statements of the Chief Constable of Lancashire Constabulary for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the Chief Constable, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Chief Constable those matters we are required to state to the Chief Constable in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable as a body, for our audit work, for this report, or for the opinions we have formed.

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