

Joint Audit Findings for Police and Crime Commissioner for Lancashire and Chief Constable for Lancashire

Year ended 31 March 2019

29 July 2019



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key issues arising from the statutory audits of Lancashire Police and Crime Commissioner ('the PCC') and Lancashire Chief Constable and the preparation of the PCC and Chief Constable's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements	<p>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:</p> <ul style="list-style-type: none">the group, Police and Crime Commissioner's (PCC) and Chief Constable's financial statements give a true and fair view of the group's, PCC's and Chief Constable's financial position and of the group, PCC's and Chief Constable's expenditure and income for the year, andhave 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. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our final accounts audit work was performed on site during June and July. Our findings are summarised on pages 4 to 12.</p> <p>One adjustment to the primary financial statements has been made by management to reflect the impact of a national legal case where events occurring in June 2019 altered the PCC's and Chief Constable's initial accounting treatment. This resulted in a compensating balance sheet and comprehensive income and expenditure classification adjustment for £206.5 million in relation to the IAS19 Pension liability. There is no impact to the useable reserves of the PCC's and Chief Constable as a result of this adjustment.</p> <p>The financial statements were prepared to a good standard, and working papers were available on time at the start of the audit. Responses to our samples and other queries were comprehensive and timely.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the outstanding matters listed on page 4.</p> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>Our anticipated audit report opinion will be unmodified.</p>
Value for Money arrangements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the PCC and Chief Constable's value for money arrangements. We have concluded that PCC and Chief Constable's has proper arrangements to secure economy, efficiency and effectiveness in its use of resources</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D and E. Our findings are summarised on pages 13 to 16.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none">report to you if we have applied any of the additional powers and duties ascribed to us under the Act; andTo certify the closure of the audit.	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

Acknowledgements

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

Summary

Overview of the scope of our audit

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

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the PCC's 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 the components of the group based on a measure of materiality considering each as a percentage of gross revenue expenditure to assess the significance of the component and to determine the planned audit response; 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 or change our audit plan, as communicated to you in February 2019 .

Conclusion

We have substantially completed our audits of your financial statements and anticipate issuing a unqualified audit opinion in respect of the PCC's financial statements, including the group financial statements, which consolidate the financial activities of the Chief Constable (Appendix D).

We also anticipate providing a unqualified opinions in respect of the Chief Constable's financial statements (Appendix E). The key outstanding items include:

- receipt of management representation letters;
- completion of a small number of outstanding audit procedures and areas of testing; and
- review of the final set of 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 calculations remain the same as reported in our audit plan. We detail in the table below our determination of materiality.

	PCC/Chief Constable/Group Amount (£)	
Materiality for the financial statements	£6.0m	• This equates to 1.78% of your gross operating expenditure for 2017/18 year and is considered to be the level above which users of the financial statements would wish to be aware in the context of overall expenditure.
Performance materiality	£4.5m	• Based on 75% of materiality derived from the risk of misstatement
Trivial matters	£0.3m	• Based on a 5% of materiality
Materiality for specific transactions, balances or disclosures	Senior employees remuneration and disclosure of related party - £50,000 (PCC/Group/CC),	

Significant findings – audit risks

Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?	Commentary
<p>1 Improper revenue recognition</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	Both	<p>Auditor commentary</p> <p>As detailed in our Joint 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:</p> <ul style="list-style-type: none"> • 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 local authorities, including Lancashire PCC and Chief Constable, mean that all forms of fraud are seen as unacceptable. <p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p>2 Management override of controls</p> <p>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.</p> <p>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.</p>	Both	<p>Auditor commentary</p> <p>We have:</p> <ul style="list-style-type: none"> • gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness; • obtained a full listing of journal entries, identify and test unusual journal entries for appropriateness; and • evaluated the rationale for any changes in accounting policies or significant unusual transactions. <p>Our audit work to date has not identified any evidence of management over-ride of controls.</p>

Significant findings – audit risks

Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?	Commentary
<p>3 Valuation of land and buildings</p> <p>The PCC revalues its land and buildings on a three yearly basis. In the intervening years, such as 2018/19, to ensure the carrying value is not materially different from the current value at the financial statements date, the PCC requests a desktop valuation from its valuation expert to ensure that there is no material difference. The valuation of land and buildings represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	PCC	<p>Auditor commentary</p> <p>We have:</p> <ul style="list-style-type: none"> • reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • considered the competence, expertise and objectivity of any management experts used; • discussed with the valuer the basis on which the valuation was carried out and challenged key assumptions; • reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding; • tested revaluations made during the year to ensure they were input correctly into the PCC's asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value. <p>Our audit work has not identified any significant issues in relation to the risk identified. We have sought and received assurance from the valuer that for those assets not revalued during the year that they are not be materially misstated as at 31 March 2019.</p>

Significant findings – audit risks

Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?	Commentary
<p>4 Valuation of pension fund net liability</p> <p>The pension fund net liability, as reflected in the PCC's group balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	Both	<p>Auditor commentary</p> <p>We have:</p> <ul style="list-style-type: none"> • identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement; • reviewed of the competence, expertise and objectivity of the actuary who carried out the PCC and Chief Constable's pension fund valuations; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made; and • checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. <p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>We draw your attention to page 8 regarding a national issue relevant to all local authorities and Police bodies to consider and assess how the result of the McCloud case has impacted upon the valuation of the pension fund net liability and the pension reserve. The McCloud cases have a direct impact on the Police and LGPS Pension Schemes and are a significant development for the Police sector.</p>

Significant findings - other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Commentary
<p>1 Potential impact of the McCloud judgement</p> <p>The Court of Appeal has ruled in June 2019 that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other public sector pension schemes where they have implemented transitional arrangements on changing benefits.</p> <p>Discussion has been ongoing through June and July in the sector regarding the impact of the ruling on the financial statements of Local Government bodies.</p> <p>Many bodies had initially included the impact of the McCloud judgement as a contingent liability in their 2018/19 accounts. However as the picture has now become clearer there is now a general acceptance that the increased liability, where material, should be reflected in the IAS 19 figures in the balance sheet.</p>	<ul style="list-style-type: none"> • The PCC and CC has reviewed their judgement and accounting treatment for the McCloud ruling, as the draft financial statements did not include the impact of the case in the Pension liability figures provided by the Actuary. With the Government denied leave to appeal the ruling in June 2019, it is now probable that the McCloud judgement will impact upon the calculations as at 31 March 2019. • The PCC and Chief Constable requested the Actuary to perform a review of the impact of the McCloud case. This indicates an increase in past service costs of £207.4m, an additional adjustment for bringing up to date the impact of investment returns at 31 March 19 of £0.863m and therefore an increased in net liability of £206.5m. Additional narrative disclosure were also added to explain the McCloud case and the adjustment is reflected in the final version of the financial statements. • We have confirmed that the figures from the Actuary have accurately been reflected within the final set of financial statements. • We are reviewing work from our internal actuaries to provide us with assurance over the assumptions and methods employed by Mercers in compiling the McCloud liability estimates.

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments																												
Net pension liability – £3.472bn	<p>The PCC Group pension liability at 31 March 2019 is £3.472bn (PY £3.214bn) 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)</p> <p>The PCC and Chief Constable uses Mercers to provide actuarial valuations of the Council's assets and liabilities. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. 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.</p>	<p>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.</p> <p>For both the LGPA and the police schemes we have reviewed the information submitted to the actuaries to confirm that it is consistent with underlying records.</p> <p>We have used of PwC as auditors expert to assess actuary and assumptions made by actuary – use table to compare with Actuary assumptions</p>																												
		<table border="1"> <thead> <tr> <th data-bbox="830 571 1377 649">Assumption</th> <th data-bbox="1377 571 1570 649">Actuary Value</th> <th data-bbox="1570 571 1769 649">PwC range</th> <th data-bbox="1769 571 1962 649">Assessment</th> </tr> </thead> <tbody> <tr> <td data-bbox="830 649 1377 721">Discount rate</td> <td data-bbox="1377 649 1570 721">2.5%</td> <td data-bbox="1570 649 1769 721">2.4% - 2.5%</td> <td data-bbox="1769 649 1962 721">●</td> </tr> <tr> <td data-bbox="830 721 1377 792">Pension increase rate</td> <td data-bbox="1377 721 1570 792">2.3%</td> <td data-bbox="1570 721 1769 792">2.2% - 2.3%</td> <td data-bbox="1769 721 1962 792">●</td> </tr> <tr> <td data-bbox="830 792 1377 863">Salary growth</td> <td data-bbox="1377 792 1570 863">3.7%</td> <td data-bbox="1570 792 1769 863">3.1-3.7%</td> <td data-bbox="1769 792 1962 863">●</td> </tr> <tr> <td data-bbox="830 863 1377 935">Life expectancy future pensioners (LGPS)</td> <td data-bbox="1377 863 1570 935">25.5 (Men) 28.2 (Female)</td> <td data-bbox="1570 863 1769 935">23 -25.3% 25.9 – 28.1%</td> <td data-bbox="1769 863 1962 935">●</td> </tr> <tr> <td data-bbox="830 935 1377 1006">Life expectancy future pensioners (Police Officer Scheme)</td> <td data-bbox="1377 935 1570 1006">29.1 (Male) 31.1 (Female)</td> <td data-bbox="1570 935 1769 1006">23 -25.3% 25.9 – 28.1%</td> <td data-bbox="1769 935 1962 1006">●</td> </tr> <tr> <td data-bbox="830 1006 1377 1086">Life expectancy future pensioners (Injury Awards)</td> <td data-bbox="1377 1006 1570 1086">26.4 (Male) 28.4 (Female)</td> <td data-bbox="1570 1006 1769 1086">23 -25.3% 25.9 – 28.1%</td> <td data-bbox="1769 1006 1962 1086">●</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.5%	2.4% - 2.5%	●	Pension increase rate	2.3%	2.2% - 2.3%	●	Salary growth	3.7%	3.1-3.7%	●	Life expectancy future pensioners (LGPS)	25.5 (Men) 28.2 (Female)	23 -25.3% 25.9 – 28.1%	●	Life expectancy future pensioners (Police Officer Scheme)	29.1 (Male) 31.1 (Female)	23 -25.3% 25.9 – 28.1%	●	Life expectancy future pensioners (Injury Awards)	26.4 (Male) 28.4 (Female)	23 -25.3% 25.9 – 28.1%	●
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		<p>For both LGPS and the police pension schemes we have reviewed the assumptions used for each of these variables. Our own independent actuary has also confirmed that they are comfortable that the assumptions used by Mercers are reasonable for the purpose of valuing the liabilities at 31 March 2019.</p>																												

Assessment

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

Accounting Policies

	Summary of management's policy	Audit Comments
<p>Revenue recognition</p>	<p>PCC</p> <ul style="list-style-type: none"> Revenue is measured at fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business. Revenue from sale of goods recognised when significant risk and rewards of transfer are passed to the purchaser. Where revenue has been recognised but cash has not been received a debtor for the relevant amount is recorded in the balance sheet. <p>Chief Constable</p> <ul style="list-style-type: none"> The Chief Constable receives no income directly but is funded by a contribution from the PCC. 	<p>Our review of accounting policies for the PCC and Chief Constable has not highlighted any issues which we wish to bring to your attention.</p> <p>The policies are in accordance with the requirements of the CIPFA Code of Practice.</p>
<p>Going Concern</p>	<p>The Police and Crime Commissioner and Chief Constable both have a reasonable expectation that the services they provide will continue for the foreseeable future. For this reason, the bodies continue to adopt the going concern basis in preparing the financial statements.</p> <p>We have reviewed the PCC's and Chief Constable's assessments and are satisfied that the going concern basis is appropriate for the 2018/19 financial statements.</p>	<p>We have reviewed the PCC's and Chief Constable's assessments and are satisfied that the going concern basis is appropriate for the 2018/19 financial statements.</p>

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
1	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the PCC and Chief Constable. 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.
2	Matters in relation to related parties	<ul style="list-style-type: none"> From the work we have carried out we have not identified any related parties or related party transactions which have not been disclosed.
3	Matters in relation to laws and regulations	<ul style="list-style-type: none"> 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.
4	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from each of the PCC and Chief Constable.
5	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to the PCC's bank and investment counter-parties. This permission was granted and the requests were sent. All of these requests were returned with positive confirmations.
6	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements other than the adjustment highlighted on page 18 for the national issue associated with the McCloud judgement. A small number of disclosure, presentational and consistency amendments have been made to the financial statements arising from the audit.

Other responsibilities under the Code

Issue	Commentary
1 Other information	<ul style="list-style-type: none"> We are required to give an opinion on whether the other information published together with the 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. <p>No significant inconsistencies have been identified, a couple of changes are highlighted on page 18. We plan to issue an unmodified opinion in this respect – refer to Appendix D and E.</p>
2 Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
3 Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that work is not required as the PCC (on behalf of the group) does not exceed the £500m threshold.</p>
4 Certification of the closure of the audit	<p>We intend to certify the closure of the 2018/19 audits of Lancashire PCC and Lancashire Chief Constable in the audit opinion, as detailed in Appendices D and E.</p>

Value for Money

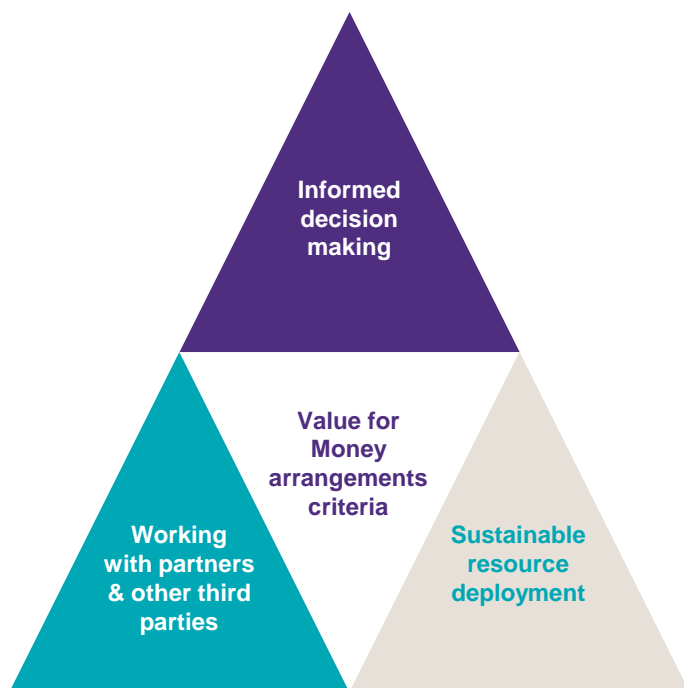
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in November 2017 and identified a significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated February 2019.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 15 to 16.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the PCC and Chief Constable each had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix D and E.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
<p>1 Financial Sustainability</p> <p>Lancashire along with many other forces continues to face increasing financial pressures and is currently forecasting a year end financial position that indicates a potential £3.3m overspend. In addition the Medium Term Financial Strategy identifies a cumulative £18m savings gap up to 2021/22.</p> <p>We will review the arrangements that are in place for the regular monitoring of the in year financial position in 2018/19 and assess how the future financial challenges including the need to deliver savings are being addressed.</p>	<p>Budget monitoring reports are produced quarterly and are taken to the Joint Management Board attended by both the PCC and Chief Constable and their respective senior management teams. Both the office of the PCC and the Constabulary also provide monthly monitoring reports that go to budget holders throughout the year.</p> <p>Review of the September 2018 and December 2018 quarterly budget monitoring reports, shows that the reports highlight the forecast year end position for the revenue budget compared to revised budget, as well as reporting the capital programme and forecasted reserves position at year end. There is suitable narrative around some of possible year end mitigations and the reports provide a useful breakdown of each individual earmarked reserve as well as the overall forecasted general reserves position as at 31/3/19.</p> <p>The outturn financial performance for 2018/19 shows an overspend for the PCC Group of £0.903m based on a Chief Constable overspend of £1.93m and a PCC underspend of £1.027m. This is an improvement compared to last year, which showed a group overspend of £2.8m. There has also been a significant increase in total borrowing of £44.9m - £25m of which was taken out at the end of March 2019. The increase in borrowing is aligned to the 2019/20 Medium Term Financial Strategy (MTFS) which made a conscious decision to undertake a major five year capital investment programme of £102m by 2023/34. The level of general fund reserves has reduced to £30.3m which represents 3.6% of the budget, however, the reduction is lower than was anticipated as part of the 2018/19 MTFS.</p> <p>Whilst financial challenges facing the PCC and CC exist, and the level of borrow and reserves need to be kept under review,</p>	<p>We conclude that there are appropriate arrangements in place for the in year reporting and monitoring of the financial position of both the Chief Constable and the Police and Crime commissioner.</p>

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
<p>1 Financial Sustainability</p> <p>Lancashire along with many other forces continues to face increasing financial pressures and is currently forecasting a year end financial position that indicates a potential £3.3m overspend. In addition the Medium Term Financial Strategy identifies a cumulative £18m savings gap up to 2021/22.</p> <p>We will review the arrangements that are in place for the regular monitoring of the in year financial position in 2018/19 and assess how the future financial challenges including the need to deliver savings are being addressed.</p>	<p>it is clear that there is a 5 year financial plan which aims to tackle such challenges. Levels of reserves have fallen in recent years but this is based on a conscious decision to move towards longer term borrowing to support the PCC and CC's capital strategy rather than using reserves. Recent decisions to increase borrowing is aligned to the MTFS. Whilst there is an element of the five year capital programme that is currently not yet financed (£9.9m), there is sufficient funding of the capital programme for the next 2 years, and given that the main element of the funding gap is in several years time this provides sufficient time for plans to be drawn up. It is important that the revenue implications of the increased borrowing is reflected in the forward financial plans and there is an appropriate approach to setting the minimum revenue provision.</p>	<p>We conclude that there are appropriate arrangements in place for the in year reporting and monitoring of the financial position of both the Chief Constable and the Police and Crime commissioner.</p>

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 December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. No non-audit services were identified.

Audit Adjustments

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

Impact of adjusted misstatements

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 2019.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total useable reserves £'000
1 McCloud judgement	207,408	(206,545)	0
The Council reviewed their judgements and accounting treatment for the McCloud legal ruling, as the draft financial statements did not include the potential impact of the case in the Pension liability figures provided by the Actuary. With the permission to appeal being unsuccessful in June 2019, the PCC and Group requested the Actuary to perform a review of the impact of the McCloud case.	Cost of Services (863)	Pension Liability	
	Other Comprehensive Income	206,545	0
	(206,545)	Pension Reserve	
The resultant effect was an increase in past service costs of £207.4m, an additional adjustment re bringing up to date the impact of investment returns at 31 March 19 of £0.9m and therefore an increased in net liability of £206.5m.	Reversal through allowable adjustments between accounting basis and funding basis in the general fund		
Overall impact	£0	£0	£0

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.

Detail	Auditor recommendations	Adjusted?
PCC Group Cash Flow	The prior year figure for investing activities had been incorrectly at £29,929m as opposed to £23.929m in the 2017/18 statements.	✓
Annual Governance Statement – PCC and CC	A small number of changes have been made to the Annual Governance Statements for both the Police and Crime Commissioner and the Chief Constable, as shown below: Police and Crime Commissioner AGS - the draft Annual Governance Statement made no reference to the Head of Internal Audit Opinion. Chief Constable AGS - the draft AGS made an incorrect reference to the Head of Internal Audit opinion being substantial assurance rather than moderate.	✓

Other matters

Other matters identified during the course of the audit are highlighted below:

Account Balance	Findings
Review of IT controls	A small number of IT control issues were identified from our review of Lancashire County Council's (LCC) Oracle system. The issues were in respect of passwords, database security profile and audit logs - none of the issues identified were deemed as representing a risk of significant misstatement. The issues have been shared with the Council's IT department and responses received.

Fees

We confirm below our final fees charged for the year.

Audit Fees

	Proposed fee	Final fee	2017/18 Fee
PCC audit fee	£24,769	£26,769	£32,168
Chief Constable audit fee	£14,438	£14,438	£18,750
Total audit fees (excluding VAT)	£39,207	£41,207	£50,918

- Additional work was undertaken due to a national accounting issue that impacted on all authorities and required additional audit time to be spent on the work carried out for the pensions IAS19 balances and disclosures. The £2,000 will be subject to PSAA approval, and this will be submit to PSAA at a future date.
- The audit fees note within the financial statements will not include the £2,000 additional fee as it has yet to be agreed with PSAA.

Audit opinion

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

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 2019 which comprise the PCC Group Comprehensive Income and Expenditure Statement, the PCC Comprehensive Income and Expenditure Statement, the PCC Group Movement in Reserves Statement, the PCC Single Entity Movement in Reserves Statement, the PCC Group Balance Sheet, the PCC Single Entity Balance Sheet, the PCC Group Cash Flow Statement, and the PCC Single Entity 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 Police Pensions Account Fund Account, the Net Assets Statement and notes to the financial statements. The notes to the financial statements include the EFA, Notes to the Core Statements, Policies and Judgements and Notes to the Group Accounts. 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 2018/19.

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 2019 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 prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; 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. 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 group and the Police and Crime Commissioner 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Police and Crime Commissioner's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, the Annual Governance Statement and the Annual Report, 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

Audit opinion

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 group and the Police and Crime Commissioner 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 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)' 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 gained through our work in relation to the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report, Annual Governance Statement for the financial year for which the financial

year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the 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 set out on page 12, 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 2018/19, for being satisfied that.

Audit opinion

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 group's and the Police and Crime Commissioner'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 group or the Police and Crime Commissioner 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.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Police and Crime

Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Police and Crime Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Police and Crime Commissioner has put in place proper arrangements for securing economy,

Audit opinion

efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Police and Crime Commissioner for Lancashire 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.

Robin Baker, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Liverpool Office

Audit opinion

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

Independent auditor's report to the Chief Constable for Lancashire

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Chief Constable for Lancashire (the 'Chief Constable') for the year ended 31 March 2019 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 Police Pension Fund Account, the Net Assets Statement and notes to the financial statements. The notes to the financial statements include the EFA, Notes to the Core Statements and Policies and Judgements. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; 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. 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 Include only the description of the financial statements 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Chief Constable's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, the Annual Governance Statement, 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

Audit opinion

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 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)' 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 gained through our work in relation to the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make a written recommendation to the 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 set out on page 15, 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 2018/19, 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

Audit opinion

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.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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 have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

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

Audit opinion

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.

Robin Baker, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Liverpool Office



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