

Joint Audit Findings

Year ending 31 March 2018

Police and Crime Commissioner for Lancashire
and Chief Constable for Lancashire
20 July 2018



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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 2018 for those charged with governance.

Financial Statements	<p>Under International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">the group, PCC's 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 Statements of Accounts, Annual Governance Statements (AGS) and Narrative Reports), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June and July. Our findings are shown on pages 4 to 21. We have identified no adjustments to the financial statements and no impact on the financial position of the PCC, Chief Constable or the Group. A small number of disclosure adjustments have been agreed with officers as detailed in Appendix B.</p> <p>We have substantially completed our audits of your financial statements and subject to outstanding queries being resolved, we anticipate providing unqualified audit opinions 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 an unqualified opinion in respect of the Chief Constable's financial statements (Appendix E). The key outstanding items include:</p> <ul style="list-style-type: none">finalising our testing on journals, creditors and cut off, final completion of employee remuneration analytical review and Police Officer Pension Scheme;receipt of management representation letters; andreview of the final set of financial statements. <p>We have concluded that the other information published with the financial statements, which includes the Annual Governance Statements and Narrative Reports are consistent our knowledge of your organisation and with the financial statements we have audited.</p>
Value for Money arrangements	<p>Under 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 PCC and Chief Constable have each made proper arrangements to secure economy, efficiency and effectiveness in their use of resources ('the value for money (VFM) conclusion')	<p>We have completed our risk based review of the PCC and Chief Constable's value for money arrangements. We have concluded that the PCC and Chief Constable each have proper arrangements to secure economy, efficiency and effectiveness in their use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion to both entities, as detailed in Appendices D and E. Our findings are summarised on pages 15 to 18.</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; andcertify the closure of the audits	<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 audits when we give our audit opinions.</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 audits.

Summary

Overview of the scope of our audit

This Joint Audit Findings 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 Chief Constable and the Police and Crime Commissioner.

As auditor we are responsible for performing the audits, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on both sets of financial statements that have been prepared by management with the oversight of those charged with governance. The audits of the financial statements do 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 components of the group based on a measure of materiality considering each as a percentage of total group assets and revenues to assess the significance of the component and to determine the planned audit response;

- full scope audits of both the PCC and Chief Constable financial statements;
- an evaluation of the PCC's and Chief Constable's internal controls environment including its IT systems and controls; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audits of your financial statements and subject to outstanding queries being satisfactorily resolved, we 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:

- finalising our testing on journals, creditors and cut off, final completion of employee remuneration analytical review and Police Officer Pension Scheme;
- receipt of management representation letters; 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.

Our assessment of the value of materiality has been updated to reflect the actual gross expenditure. We detail in the table below our assessment of materiality for Lancashire PCC and Chief Constable.

Group, PCC and Chief Constable Amount £

Materiality for the financial statements	£6.74m (2% of gross expenditure) based on the lowest for the Group, PCC and Chief Constable
Performance materiality	£5.06m (75% of overall materiality).
Trivial matters	£0.34m (5% of materiality).
Materiality for specific transactions, balances or disclosures	Senior employees remuneration - £24,833 (PCC/Group), £16,343 (CC) (2% of senior employees expenditure) Disclosure of related party transactions based on 2% of total related party transactions expenditure.

Significant 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 faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</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. We set out later in this section of the report our work and findings on key accounting judgements and estimates.</p>

Significant audit risks (continued)

	Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?	Commentary
3	<p>Valuation of property, plant and equipment</p> <p>The PCC revalues its land and buildings on an annual basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</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 would not be materially misstated as at 31 March 2018.</p>

Significant audit risks (continued)

Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?	Commentary
<p>4 Valuation of pension fund net liability</p> <p>The Local Government Pension Scheme (LGPS) pension net liability, the Police Officer Pension schemes fund liability and associated disclosure notes in the financial statements, represent significant estimates in the financial statements.</p> <p>These estimates by their nature are subject to significant estimation uncertainty, being very sensitive to small adjustments in the assumptions used.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</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 he 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>

Reasonably possible audit risks

Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?	Commentary
<p>5 Employee remuneration Payroll expenditure represents a significant percentage (65%) of the Chief Constable's (and therefore the group's) operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and an interface with a number of different sub-systems there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention</p>	Both	<p>Auditor commentary</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> gained an understanding of the PCC's and Chief Constable's systems for accounting for payroll expenditure and evaluate the design of the associated controls; obtained the year end payroll reconciliation and ensured the amount in the accounts reconciled to the general ledger and through to payroll reports; investigated any significant adjusting items; and agreed payroll related accruals (e.g. unpaid leave accrual) to supporting documents and reviewed any estimates for reasonableness. <p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p>6 Operating expenses Non-pay expenses on other goods and services also represents a significant percentage (35%) of the Chief Constable's (and therefore the group's) operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention:</p>	Both	<p>Auditor commentary</p> <p>We have:</p> <ul style="list-style-type: none"> gained an understanding of the PCC's and Chief Constable's systems for accounting for non-pay expenditure and evaluate the design of the associated controls; tested the reconciliation of operating expenditure recorded in the general ledger to the subsidiary systems and interfaces; and tested payments made after the year-end to identify potential unrecorded liabilities and gain assurance over the completeness of the payables balance in the accounts. <p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Reasonably possible audit risks (continued)

Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?	Commentary
<p>7 Police pension schemes benefits payable</p> <p>The Chief Constable administers three police pension schemes, with the Police Pension Fund Account being included in the Chief Constable's and therefore the group's financial statements.</p> <p>We identified completeness and accuracy of pension benefits payable as a risk requiring particular audit attention.</p>	Chief Constable (and group)	<p>Auditor commentary</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> gained an understanding of the Chief Constable's systems for calculating, accounting for and monitoring pension benefit payments and evaluated the design of the associated controls; tested the reconciliation of pension benefit payments recorded in the general ledger to the subsidiary systems and interfaces and agreed to the accounts; undertaken an analytical review of pensions paid with reference to changes in pensioner numbers and increases applied in the year together with a comparison of pensions paid on a monthly basis to ensure that any unusual trends were satisfactorily explained; substantively tested monthly pension benefit payments and lump sum pension benefit payments made in the year. <p>We are currently finalising our work on police officer pension scheme benefits payable. No issues have been identified to date from our detailed testing.</p>

Accounting policies

Accounting area	Summary of policy	Comments
Revenue recognition	<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>
Judgements and estimates	<p>PCC:</p> <p>Key estimates and judgements are disclosed in notes 3 and 5 and included:</p> <ul style="list-style-type: none"> – uncertainty about future levels of funding – the need to produce group accounts – property, plant and equipment (PPE) valuations – pension fund valuations and settlements. <p>Chief Constable:</p> <p>Key estimates and judgements are disclosed in notes 3 and 5 and included:</p> <ul style="list-style-type: none"> – uncertainty about future levels of funding – pension fund valuations and settlements. 	<p>We have reviewed the PCC and Chief Constable's judgements and estimates against the requirements of the Code of Practice.</p> <ul style="list-style-type: none"> • PCC and Chief Constable's judgements and estimates in the financial statements are supported with methodologies and a clear explanation of the assumptions applied. • Our work on IAS 19 figures has included specific enquiries to the auditor of Lancashire County Council, the pension fund's administering body. We have also considered work carried out centrally by PWC as consulting actuary to review the actuaries used by the Local Government Pension Scheme (LGPS). No issues identified. • PPE valuations and pension fund valuations are considered separately on pages 6 and 7.

Accounting policies

Accounting area	Summary of policy	Comments
Judgements – pension fund liability	<p>PCC & Chief Constable</p> <p>Local Government Pension Scheme (LGPS)</p> <p>The LGPS is the pension scheme for police staff. This is a funded defined benefit scheme. The scheme is administered by Lancashire County Council.</p> <p>The liability showing the underlying long term commitment to fund future retirement benefits is shown on the relevant PCC and CC balance sheet with a corresponding pension reserve.</p> <p>Police Officers Pension Schemes</p> <p>The Chief Constable operates three pension schemes for police officers. These are the 1987, 2006, 2015 Police Pension Schemes for officers.</p> <p>All of these schemes are unfunded defined benefit schemes.</p> <p>The liabilities relating to these schemes decreased by £485m in 2017/18. The liability at the 31st March 2018 stood at £3.124bn.</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 LGPS we have confirmed with the external auditor of the pension fund that the controls over membership data were operating as intended. For the three police pension schemes we have performed audit procedures on membership data to ensure it is consistent with our expectations.</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>The pension fund liabilities are most sensitive to changes in the following key assumptions:</p> <ul style="list-style-type: none"> • discount rates • mortality • inflation; and • future salary increases. <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 2018.</p>
Judgements – property, plant and equipment	<p>The CIPFA Code requires that authorities revalue their land and building assets on a regular basis. The PCC engaged Lancashire County Council Estates, to provide land and building valuations for financial reporting purposes.</p> <p>The PCC revalues its PPE assets on a rolling programme.</p>	<p>We have undertaken a review of the work performed by Lancashire County Council Estates to provide land and building valuations for financial reporting purposes. We are satisfied from our review that the methodology and assumptions used were reasonable.</p> <p>For the land and building assets not revalued in 2017/18, the external valuer undertook an assessment to determine whether it was necessary to increase or decrease the value of all properties in aggregate. The valuer concluded that those assets not revalued in 2017/18 are not materially misstated at 31 March 2018.</p> <p>We are satisfied that the PCC's property, plant and equipment assets are not materially misstated as at 31 March 2018.</p>

Accounting policies

Accounting area	Summary of policy	Comments
Going Concern	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.	We have reviewed the PCC's and Chief Constable's assessments and are satisfied that the going concern basis is appropriate for the 2017/18 financial statements.
Other critical policies	PCC & Chief Constable We have reviewed the PCC's and Chief Constable's policies against the requirements of the CIPFA Code of Practice. The accounting policies are appropriate and consistent with previous years.	Our review of accounting policies for each of the PCC and Chief Constable has not highlighted any issues which we wish to bring to your attention.

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. A small number of disclosure presentational amendments have been made to the financial statements arising from the audit.
⑦ Significant difficulties	We did not identify any issues with accounts closedown, production of draft accounts or quality of the working papers.

Other responsibilities under the Code

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

Issue	Commentary
1 Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statements of Accounts, Annual Governance Statements (AGS) and Narrative Reports), is materially consistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue unqualified opinions in this respect – refer to appendices 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 Statements do not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or are 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 discussed with officers the format of the Annual Governance Statement. We are satisfied that all key issues have been addressed however going forward it has been agreed that the AGS should use the new seven principles of good governance as set out in the latest guidance.</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 threshold.</p>
4 Certification of the closure of the audit	<p>We intend to certify the closure of the 2017/18 audits of Lancashire PCC and Lancashire Chief Constable in the audit opinions, as detailed in Appendices E and F.</p>

Value for Money

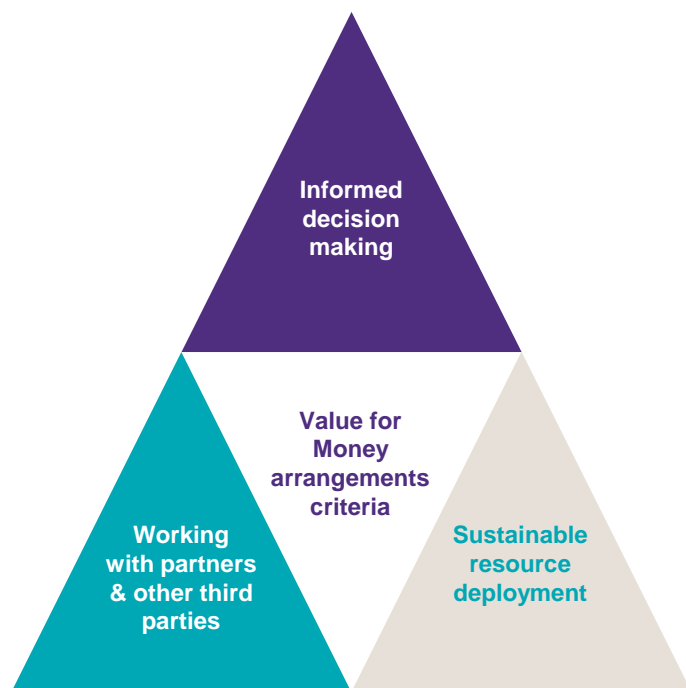
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for police bodies, auditors are required to give a conclusion on whether each of the PCC and Chief Constable has proper arrangements in place.

The guidance 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 February and identified two significant risks 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 26th February 2018 which are summarised below:

• Financial Sustainability

The PCC and Chief Constable continue to operate within a challenging financial environment. Savings of £13.4m are required for the period up to 2019/20 to bridge the funding gap, which represents a significant challenge. The overall risk is around the ability to regularly monitor the financial performance and keep management.

We will update our assessment of the monitoring arrangements in place to keep management and the PCC informed of the in year financial performance and long term financial plans.

• New Initiatives

The Chief Constable has been driving a number of new initiatives including increased collaboration and partnership working with other organisations as a means of helping deliver savings, such as the strategic partnership with UCLan to create the Lancashire Forensic Science Academy.

We will update our assessment of the Constabulary’s oversight of new initiatives to ensure they have been properly considered and that robust options appraisals are in place.

Since our initial risk assessment there has not been any new finalised initiatives. We have therefore focused our work on the financial sustainability risk.

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 each of the PCC and Chief Constable'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 17 and 18.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that the PCC and Chief Constable each had proper arrangements in all significant respects to ensure they delivered value for money in their use of resources. The Constabulary was assessed as 'good' in the most recent assessment by the Inspectorate and has appropriate arrangements in place to manage its financial position.

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

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

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>I The PCC and Chief Constable continue to operate within a challenging financial environment. Savings of £13.4m are required for the period up to 2019/20 to bridge the funding gap, which represents a significant challenge.</p> <p>The overall risk is around the ability to regularly monitor the financial performance and keep management.</p> <p>We will update our assessment of the monitoring arrangements in place to keep management and the PCC informed of the in year financial performance and long term financial plans.</p>	<p>Chief Constable:</p> <p>The year end financial position compared to the revenue budget showed that there had been an overspend of £4.2m during the year. The additional policing costs associated with the anti-fracking demonstrations in Lancashire has been the main contributory factor in this overspend. The total cost during the year was estimated at £7m for which a special government grant of £1.4m was received during the year. Other additional costs contributing towards the overspend was the government announced 2% pay award, which was double the amount anticipated, leading to additional costs of £1.4m.</p> <p>Police and Crime Commissioner:</p> <p>The year end financial position for the Police and Crime Commissioner compared to its revenue budget was a underspend for the year of £1.4m. Factors contributing to the underspend include vacancies during the year and lower than budgeted pension costs.</p> <p>The overall net financial position for the Police and Crime Commissioner, including the figures for the Chief Constable is an overspend of £2.826m.</p> <p>Budget monitoring reports covering the financial position of the Chief Constable and the Police and Crime Commissioner are produced quarterly. These are taken to the Joint Management Board attended by both the PCC and the Chief Constable and their respective senior management teams.</p> <p>Both the office of the PCC and the Constabulary also provide monthly monitoring reports that go to budget holders throughout the year.</p> <p>A review of the reports covering the financial position at the end of December 2017 and the year end 2017/18 outturn position showed that the level of detail provided to the Joint Management Board (JMB) allows members of the Board to be fully briefed on the current revenue and capital financial position. There is also useful commentary on the key factors contributing to the under or overspends during the year.</p>	<p>We conclude that there are appropriate arrangements in place for reporting and monitoring 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 The PCC and Chief Constable continue to operate within a challenging financial environment. Savings of £13.4m are required for the period up to 2019/20 to bridge the funding gap, which represents a significant challenge.</p> <p>The overall risk is around the ability to regularly monitor the financial performance and keep management.</p> <p>We will update our assessment of the monitoring arrangements in place to keep management and the PCC informed of the in year financial performance and long term financial plans.</p>	<p>The reports also highlight the anticipated reserves position at year end based on forecasted use of reserves during the year. The reports provide a useful breakdown of each individual earmarked reserve as well as the overall general reserves position as at 31/3/18. At year end the PCC's total of usable reserves reduced by £8.2m compared to 2017/18 and stands at £38.9m. The main reasons for the reduction relates to £2.2m being used from the Operational Policing Reserve to meet the overspend arising from anti fracking protests, and the General Fund being used to meet the remaining costs of the Constabulary's overspend. Other factors contributing to the reduction in reserves included £1.5m of usable reserves being used to fund capital expenditure and use of the transition reserve during the year.</p> <p>The year end outturn report provides a useful assessment of the adequacy of reserves which considers future demands as well as highlighting future risks and opportunities.</p> <p>Given the increased financial challenges facing the PCC and the anticipation that £17m additional savings will be required by 2021/22 there is a need for the PCC to keep the level of its reserves under review going forward.</p>	<p>We conclude that there are appropriate arrangements in place for reporting and monitoring the financial position of both the Chief Constable and the Police and Crime commissioner.</p>

Independence and ethics

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 each of the PCC and Chief Constable. No non-audit services were identified.

Follow up of prior year recommendations

We identified the following issue in the audits of Lancashire PCC's and Lancashire Chief Constable's 2016/17 financial statements, which resulted in 1 recommendation being reported in our 2016/17 Joint Audit Findings report. We have followed up on the implementation of our recommendations and note a number are still to be completed.

Issue and risk previously communicated

Update on actions taken to address the issue

1

IT control issues

A small number of IT control issues were identified from our review of Lancashire County Council's (LCC) Oracle system. We have shared the issues with the Council's IT department. The issues related to excessive number of administrators and access to critical functions in Oracle E-Business Suite.

Management should seek assurance that actions are undertaken to address the Oracle IT issues.

Progress has been made in addressing some of the issues raised last year, however a number of issues have yet to be fully addressed. The outstanding issues should be addressed as soon as possible.

Audit Adjustments – PCC and Chief Constable

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. We have not identified any adjustments to the PCC's, Chief Constable's or Group draft accounts during the audit process. No adjustments have been required 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	Detail	Adjusted?
Property, Plant and Equipment (Note 17)	The Property Plant and Equipment note included £8.166m worth of assets classified as disposals. Our work has identified that £5.970m of these actually related to the cost write down of IT and furniture assets that are no longer in operational use and are more suited to being classified under the heading of de-recognition other, rather than as disposals. There is also a corresponding change for the accumulated depreciation. This is a classification issue only.	✓
Expenditure and Funding Analysis (Note 1) – PCC Single Entity	The figure for other income and expenditure within the PCC Single Entity Expenditure and Funding Analysis note on page 24 of the PCC statements has been amended by £0.834m to £11.634m to agree to the figure elsewhere in the note on page 27. This is a consistency and disclosure error and has no impact on the overall financial position.	✓

Impact of unadjusted misstatements

There are no unadjusted items as a result of our audit.

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
Police and Crime Commissioner Audit	£32,168	£32,168
Chief Constable Audit	£18,750	£18,750
Total audit fees (excluding VAT)	£50,918	£50,918

The proposed fees for the year are in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Non Audit Fees

No non-audit or audited related services have been undertaken for each of the PCC and Chief Constable.

Audit opinion – PCC

We anticipate we will provide the PCC and Group 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 2018 which comprise the Group and Police and Crime Commissioners Comprehensive Income and Expenditure Statement, the Group and Police and Crime Commissioners Movement in Reserves Statement, the Group and Police and Crime Commissioners Balance Sheet, the Group and Police and Crime Commissioners Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the police pension fund financial statements of Lancashire Pension Fund comprising the Fund Account, the Net Assets Statement and the notes to the financial statements. 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 2017/18.

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 2018 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 2017/18; 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.

Who we are reporting to

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.

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 to the Police and Crime Commissioner's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer to the Police and Crime Commissioner 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 to the Police and Crime Commissioner is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the Group and Police and Crime Commissioner's 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 group and the Police and Crime Commissioner obtained in the course of our work including that gained through work in relation to the Police and Crime Commissioner's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its.

resources 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 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 have reported a matter 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 have made 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 have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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 13, 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 2017/18, which 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 the group or the Police and Crime Commissioner lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the group or the Police and Crime Commissioner.

The Police and Crime Commissioner is Those Charged with Governance.

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 2018.

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 2018.

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, 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 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Robin Baker
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Royal Liver Building
LIVERPOOL, L3 1PS
July 2017

Audit opinion – Chief Constable

We anticipate we will provide the Chief Constable 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 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and 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 of Lancashire Pension Fund comprising the Fund Account, the Net Assets Statement and the notes to the financial statements. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2018 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 2017/18; 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 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.

Who we are reporting to

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.

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 and 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 course of our work including that gained through work in relation to the Chief Constable's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources 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 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 have reported a matter 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 have made 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 have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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 2017/18, which 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 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 the Chief Constable lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Chief Constable.

The Chief Constable is Those Charged with Governance.

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 2018.

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 2018.

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 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Robin Baker
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Royal Liver Building
LIVERPOOL, L3 1PS
July 2017



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