



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

Year ended 31 March 2020

08 December 2020



Contents



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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 findings and other matters arising from the statutory audits of Lancashire Police and Crime Commissioner ('the PCC') and Lancashire Chief Constable and the preparation of the PCC's and Chief Constable's financial statements for the year ended 31 March 2020 for the PCC and Chief Constable.

<p>Covid-19</p>	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the PCC and the Constabulary.</p> <p>The PCC and CC is still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit and included an additional financial statement risk in respect of Covid -19 within our Audit Plan issued on the 26th June and also highlighted the impact on our VfM approach. Further detail is set out on page 6.</p> <p>Restrictions for non-essential travel has meant that some PCC and Constabulary staff, as well as your audit team have had to adapt to new remote working arrangements which has seen a changing in working practices.</p>
<p>Financial Statements</p>	<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, the entity's (and where relevant, the group's) financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the financial position of the entity and the entity's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and Narrative Report), is 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 remotely during July-November. Our findings are summarised on pages 5 to 16. 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 page 22. One unadjusted misstatement was identified which management chose not to amend as outlined on page 22.</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 qualification of our audit opinion or material changes to the financial statements, subject to the outstanding matters listed on page 5.</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>The PCC and CC did not correctly inform the public when the notice for public inspection of the accounts had started. As a result we were unable to issue our audit report in line with the revised deadline for 2020 of 30 November. We anticipate issuing our audit opinion on the 14 December 2020, which is immediately after the inspection period closes.</p> <p>Our anticipated audit report opinion will be unmodified, including emphasis of matter paragraphs, highlighting property, plant and equipment and pension fund property valuation material uncertainties.</p>

Headlines

This table summarises the key findings and other matters arising from the statutory audits of Lancashire Police and Crime Commissioner ('the PCC') and Lancashire Chief Constable and the preparation of the PCC's and Chief Constable's financial statements for the year ended 31 March 2020 for the PCC and Chief Constable.

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, both entities have made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VfM) conclusion').	We have completed our risk based reviews of the PCC's and Chief Constable's value for money arrangements. We have concluded that both Lancashire PCC and Lancashire Chief Constable has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19. We therefore anticipate issuing an unqualified value for money conclusions, our findings are summarised on pages 17 to 19.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: <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; and To certify the closure of the audits. 	We have not exercised any of our additional statutory powers or duties for either entity. 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 opinion.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Summary

Overview of the scope of our audit

This Joint Audit Findings Report presents the observations arising from the audits that are significant to the responsibility of the PCC and Chief Constable 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 PCC, and the Chief Constable.

As auditor we are responsible for performing the audits, 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 the PCC and Chief Constable. The audit of the financial statements does not relieve management or the PCC and Chief Constable of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Group's/PCC'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; 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 anticipate, issuing an unqualified audit opinion following our meeting with the Police and Crime Commissioner and the Chief Constable on the 14th December 2020, as detailed in Appendices D and E.

Our anticipated audit report opinion will be unmodified, including an Emphasis of Matter paragraph, highlighting property, plant and equipment and pension property valuation material uncertainties.

The key outstanding item includes the receipt of signed management representation letters, which are expected to be obtained after the meeting with the Chief Constable and the Police and Crime Commissioner on the 14th December 2020.

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 1.8% of your gross operating expenditure for 2018/19 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	Relates to	Commentary
1	Covid – 19	Both	<p>We worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 22 July 2020. We also</p> <ul style="list-style-type: none"> • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the PCC's property valuation expert/ PCC/group's actuary; • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and pension fund net liability valuations; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; and • discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence. <p>The results of our work concluded that appropriate arrangements had been put in place to manage the COVID 19 situation which included establishing a Covid 19 Gold Command Group which meet daily to discuss and review Covid19 issues.</p> <p>Due to the potential impact that Covid-19 has on the value of your land and buildings at 31 March 2020, your valuer has disclosed a material valuation uncertainty within their valuers report (in line with VPGA 10 of the RICS Red Book Global). You have disclosed this material uncertainty within note 6. We will reflect your disclosure within an "emphasis of matter" paragraph in our opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies where the valuer has highlighted a material valuation uncertainty.</p> <p>Similarly there is also an impact of Covid-19 on the valuation of the LGPS Pension Fund property assets. Lancashire's LGPS's accounts include a material uncertainty around valuation of property and Lancashire's LGPS auditor intends to include an emphasis of matter in their auditor's report in respect of the effects of Covid-19 on the valuation of its direct property holding. Your financial statements reflects this within Note 6 and our audit report will also contain an "emphasis of matter" paragraph in this respect.</p>

Significant findings – audit risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>2 The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>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.</p> <p>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 both the 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>

Significant findings – audit risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>3 Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. 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 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"> evaluates the design effectiveness of management controls over journals; analysed the journals listing and determine the criteria for selecting high risk unusual journals; tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our audit work to date has not identified any evidence of management over-ride of controls.</p>
<p>4 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>	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; evaluated the competence, capabilities and objectivity of the valuation expert; wrote to the valuer to confirm the basis on which the valuation was carried out; challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and tested revaluations made during the year to see if they had been input correctly into the PCC's asset register. <p>Findings</p> <p>The valuer has provided an assessment as to why assets not revalued in the year are not materially misstated. The assessment only considered one year's valuation indices when assets may not have been valued for more than one year. We have undertaken additional procedures to satisfy ourselves that assets not revalued in 2019/20 were not materially misstated but suggest that Lancashire PCC/CC when agreeing the valuer's brief request a more detailed assessment.</p> <p>We have no other matters to report to you other than in relation to the impact on property valuation of the Covid-19 pandemic and resultant uncertainties.</p>

Significant findings – audit risks

	Risks identified in our Audit Plan	Relates to	Commentary
4	<p>Valuation of land and buildings</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.</p>	PCC	<p>Disclosures regarding material valuation uncertainty</p> <p>The outbreak of Covid-19 has caused uncertainty in property markets. As a result, the PCC's valuers have included reference to a material uncertainty in their valuation report.</p> <p>The estimation uncertainty has been disclosed in Note 6 to the financial statements.</p> <p>We consider the disclosure is sufficiently detailed to meet the requirements of the accounting standards and that it is important to a readers understanding of the financial statements. As such, we plan to draw attention to the uncertainty through the inclusion of an Emphasis of Matter within the audit report.</p> <p>We are satisfied that the value of Property, Plant and Equipment is not materially misstated within the financial statements.</p>
5	<p>Valuation of pension fund net liability</p> <p>The group's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (the 2019/20 pension fund liability is £3.79bn in the group's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the group's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</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>Findings</p> <p>The Lancashire Pension Fund financial statements discloses a material valuation uncertainty relating to the Fund's real estate portfolio and the Pension Fund Auditor is expected to include an emphasis of matter in the audit report drawing attention to a material valuation. Your financial statements at Note 6 have been updated to refer to this and we plan to draw attention to the uncertainty through the inclusion of an Emphasis of Matter within our audit report.</p> <p>Subsequent to the publication of the draft financial statements, the proposed remedy to the McCloud judgement was published for consultation. The Actuary has notified management that their approach when calculating the past service cost in respect of McCloud/Sargeant in the 2018/19 pension liabilities and the current service cost in respect of McCloud/Sargeant in the 2019/20 accounts was in line with the eligibility criteria set out in the published consultation and that the calculations of additional liabilities and service costs are in line with those proposed in the consultation. Note 7 Events after the balance sheet date has been updated to reflect this.</p> <p>We are satisfied that the value of the pension fund liability is not materially misstated within the financial statements.</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 deficiencies identified during the year.

Issue	Relates to	Commentary
<p>IFRS 16 implementation has been delayed by one year</p> <p>Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.</p>	Both	<p>Note 5 made brief reference to IFRS16. The note has been updated to adequately disclosure of the likely future impact of IFRS16.</p> <p>We are satisfied that your disclosure is consistent with the requirements of IAS 8.</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>	Both	<p>The budget for 2020/21 had been finalised and submitted in February 2020 however in late March 2020 the global pandemic of Covid-19 was announced affecting the economy and public sector bodies. The short term effects of the global pandemic has resulted in increased costs for public service bodies to meet the needs of the public and uncertainty over future funding as the government looks to support a decline in the economy. This therefore affects the short to medium term budget forecasts for both the Constabulary and Police and Crime Commissioner as budget submissions had been made on the expectation of future growth driven by the increase in recruitment of officers.</p> <p>The assumptions underpinning the budget forecast in the short term are now uncertain and it is unlikely that precepts and business rates funding will be as high as originally budgeted. It is possible that other income will reduce, the impact on loss of income (primarily related to football policing and driver training) was £0.076m by August 2020. This is anticipated to continue for much of the remainder of the 2020/21 financial year. Part of this, however, is offset by saving in resources and online driver training. Costs may increase for pay if the Government responds to public sentiment to reward key public service workers for their response to the Covid-19 pandemic.</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 deficiencies identified during the year.

Issue	Relates to	Commentary
<p>Going Concern (cont)</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>	Both	<p>The PCC approved a balanced budget for 2019/20. We have assessed the reasonableness of the assumptions underlying this forecast in light of the global pandemic and have reviewed management's cashflow forecast up to 31 December 2021. The PPC/Group holds £23.3m of useable revenue reserves as at 31 March 2020 (£31.2m as at 31 March 2019). Based on our review of budget assumptions and cashflow forecasts prepared by management we are satisfied that the PCC/Group have sufficient useable reserves to meet expected funding gaps in the next 12 months, it does remain important that this is kept under review and that there is regular consideration of what is an acceptable reserves level.</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 2019/20 financial statements.</p>

Significant findings – key judgements and estimates

	Relates to	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Other - £180.5m	PCC and Group	<p>Land and buildings comprises £147.2m of specialised assets such as police stations, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£33.3m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The group/PCC and Chief Constable has engaged Lancashire County Council Estates Service to complete the valuation of properties as at 31/3/2020 on a three yearly cyclical basis.</p> <p>The total year end valuation of land and buildings was £180.479m, a net increase of £15.1m from 2018/19.</p>	<p>The PCC's accounting policy on valuation of land and buildings is included in Note 18 to the financial statements.</p> <p>Lancashire County Council Estates Service identified a material uncertainty regarding the valuation of land and buildings due to market uncertainty arising from the Covid-19 pandemic. Management have updated their disclosure to reflect this significant issue in Note 3 to the financial statements.</p> <p>Key observations</p> <p>The values in the valuation report have been used to inform the measurement of property assets at valuation in the financial statements.</p> <p>The PCC has disclosed the estimation uncertainty related to the year-end valuations of land and buildings in note 18 to the financial statements as set out above.</p> <ul style="list-style-type: none"> • We assessed the qualifications, skills and experience of the Valuer and determined the service to be appropriate; • The underlying information prepared by the PCC and supplied by the Valuer was considered to be complete and accurate; • The Valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates; and • Following the update to reflect the material valuation uncertainty, we consider the level of disclosure in the financial statements to be appropriate. <p>All your land and buildings have been appropriately valued by the instructed valuer. There have been no changes in assumptions from the previous years and these are outlined in your accounting policies.</p> <p>Conclusion</p> <p>We are satisfied that the estimate of your land and buildings valuation is not materially misstated.</p>	 Green

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 and key assumptions to be reasonable

Significant findings – key judgements and estimates

	Relates to	Summary of management's policy	Audit Comments	Assessment																								
Net pension liability – PCC and CC Fund £3.79bn	Both	<p>The PCC's and Chief Constable's total net pension liability at 31 March 2020 is £3.795bn (PY £3.67bn) 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>The PCC/Group's actuary disclosed a material uncertainty in the valuation of the Group/PCC's and Chief Constable's pension fund liability at 31 March 2020 as a result of Covid-19. This has been disclosed in Note 15 (CC) and Note 28 (PCC).</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 LGPS 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 the key actuary and assumptions made by actuary.</p>	 Green																								
<table border="1"> <thead> <tr> <th data-bbox="777 578 1191 649">Assumption</th> <th data-bbox="1201 578 1357 649">Actuary Value</th> <th data-bbox="1367 578 1564 649">PwC range</th> <th data-bbox="1574 578 1823 649">Assessment</th> </tr> </thead> <tbody> <tr> <td data-bbox="777 656 1191 792">Discount rate</td> <td data-bbox="1201 656 1357 792">2.4% (Police Schemes) 2.30% (LGPS)</td> <td data-bbox="1367 656 1564 792">2.40% - 2.30% 2.40% - 2.30%</td> <td data-bbox="1574 656 1823 792"></td> </tr> <tr> <td data-bbox="777 799 1191 842">Pension increase rate</td> <td data-bbox="1201 799 1357 842">2.10%</td> <td data-bbox="1367 799 1564 842">2.10%</td> <td data-bbox="1574 799 1823 842"></td> </tr> <tr> <td data-bbox="777 849 1191 892">Salary growth</td> <td data-bbox="1201 849 1357 892">3.6%</td> <td data-bbox="1367 849 1564 892">3.35 – 3.6%</td> <td data-bbox="1574 849 1823 892"></td> </tr> <tr> <td data-bbox="777 899 1191 985">Life expectancy future pensioners</td> <td data-bbox="1201 899 1357 985">23.8.Men 26.8 Female</td> <td data-bbox="1367 899 1564 985">22.5 - 24.7 25.9 - 27.7</td> <td data-bbox="1574 899 1823 985"> </td> </tr> <tr> <td data-bbox="777 992 1191 1085">Life expectancy current pensioners</td> <td data-bbox="1201 992 1357 1085">22.3 Men 25.0 Female</td> <td data-bbox="1367 992 1564 1085">20.9 - 23.2 24.0 – 25.8</td> <td data-bbox="1574 992 1823 1085"> </td> </tr> </tbody> </table>					Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.4% (Police Schemes) 2.30% (LGPS)	2.40% - 2.30% 2.40% - 2.30%		Pension increase rate	2.10%	2.10%		Salary growth	3.6%	3.35 – 3.6%		Life expectancy future pensioners	23.8.Men 26.8 Female	22.5 - 24.7 25.9 - 27.7	 	Life expectancy current pensioners	22.3 Men 25.0 Female	20.9 - 23.2 24.0 – 25.8	 
Assumption	Actuary Value	PwC range	Assessment																									
Discount rate	2.4% (Police Schemes) 2.30% (LGPS)	2.40% - 2.30% 2.40% - 2.30%																										
Pension increase rate	2.10%	2.10%																										
Salary growth	3.6%	3.35 – 3.6%																										
Life expectancy future pensioners	23.8.Men 26.8 Female	22.5 - 24.7 25.9 - 27.7	 																									
Life expectancy current pensioners	22.3 Men 25.0 Female	20.9 - 23.2 24.0 – 25.8	 																									
<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 are reasonable for the purpose of valuing the liabilities at 31 March 2020.</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 and key assumptions to be reasonable

Significant findings – matters discussed with management

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

	Significant matter	Commentary
1	The most significant events that occurred during the year was the Covid-19 pandemic.	During the audit we have considered the PCC and Chief Constable's response to addressing the challenges arising from Covid-19. We are satisfied that management responded swiftly and appropriately to the challenges of Covid-19.
2	Business conditions affecting the Group/PCC and CC, and business plans and strategies that may affect the risks of material misstatement.	<p>The PCC's external valuation expert, Lancashire County Council Estates Service has raised uncertainty regarding how the impact of Covid-19 on market conditions may affect land and buildings valuations during 2020/21.</p> <p>The LGPS auditor has reported a material uncertainty around the valuation of the Pension Fund's property assets and Lancashire's LGPS auditor intends to include an emphasis of matter in their auditor's report in respect of the effects of Covid-19 on the valuation of its property holding.</p> <p>This has been disclosed in Note 6.</p>
3	Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information	No disagreements with management occurred during the audit.
4	Other matters that are significant to the oversight of the financial reporting process.	None to report.

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 the PCC and Chief Constable.

	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"> We are not aware of 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 letter of representation has been requested from 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 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 and consistency amendments have been made to the financial statements arising from the audit.
7	Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none"> All information and explanations requested from management was provided.

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 inconsistencies have been identified. 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 threshold.</p>
4 Certification of the closure of the audit	<p>We intend to certify the closure of the 2019/20 audit of Lancashire PCC and Lancashire Chief Constable in the audit report, as detailed in Appendix D and E.</p>

Value for Money

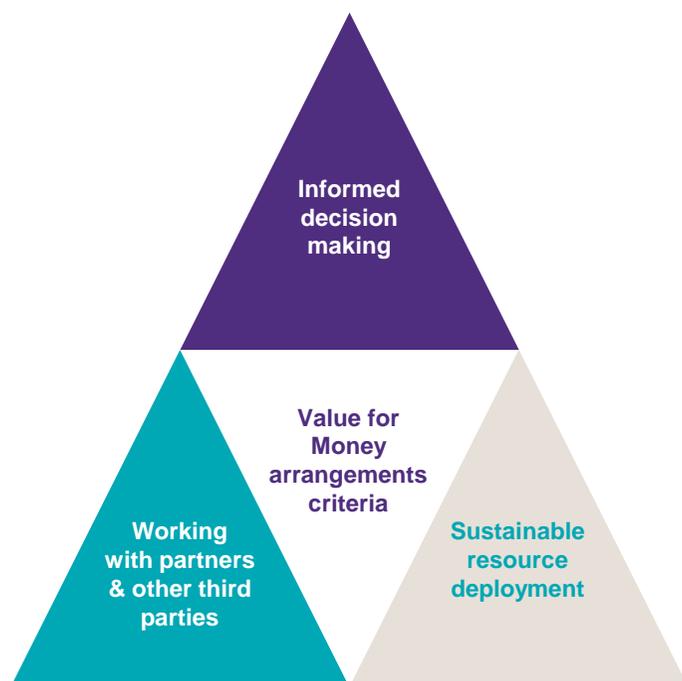
Background to our VFM approach

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 February 2020 and identified one 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 26 June 2020.

We have updated our VFM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VFM risks in relation to the Covid-19 pandemic.

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 risk 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.

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Trust'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 18-19.

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.

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 the PCC and Chief Constable.

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

1

Financial Sustainability

The PCC and Chief Constable, along with many other forces faces increasing financial pressures including the need to delivery savings and the Medium Term Financial Strategy up to 2021/22 identified the need to achieve savings of £18m for the period 2019-20 to 2021/22. Going forward the future budget gap represent a serious challenge.

We will review the arrangements that are in place for the regular monitoring of the in year financial position in 2019/20 and assess how the future financial challenges including the need to deliver savings are being addressed. We will also consider the arrangements put in place to address the challenges created by the COVID 19 pandemic, which undoubtedly creates financial pressures and future financial uncertainties.

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 provide monthly monitoring reports that go to budget holders throughout the year

Review of the December 2019 budget monitoring report and the March 2020 outturn report shows that the reports highlight the current forecast net expenditure position compared to the revised budget, alongside detail on the capital programme and the forecast year-end position. There is also quarterly information on the forecast reserves position at year end, as well as highlighting the key future risks and opportunities facing Lancashire.

The reports provide useful commentary on the factors contributing to forecast under/overspends with narrative around some of possible year end mitigations. The reports focus on both the in year financial position against the Chief Constable's revenue budget and that of the OPCC. Within the information on the capital programme is detail of any significant areas of capital expenditure slippage.

The reports also highlight the anticipated reserves position at year end based on forecasted use of reserves during the year. The report provides a useful breakdown of each individual earmarked reserve as well as the overall general reserves position as at 31/3/20. The year end outturn report provides an assessment of the adequacy of reserves which considers future demands as well as highlighting future risks and opportunities.

The outturn financial performance for 2019/20 shows that an overspend for the group of £1.184m was delivered based on a Constabulary overspend of £1.392m and a PCC underspend of £0.208m. The year end overspend position is made up of a number of cost pressures during the year in particular around overspends on overtime costs, costs associated with organisational change and Operation Bermuda.

The overall level of general fund reserves is £10.071m, which represents 3.3% of the 2020/21 budget. Other earmarked reserves total £12.502m, a

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.

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

1 Financial Sustainability

The PCC and Chief Constable, along with many other forces faces increasing financial pressures including the need in the future to delivery savings with £8.9m savings requiring to be achieved by 2023/24. Although the PCC and the CC have a proven track record in managing its finances, the future budget gap represent a serious challenge.

We will review the arrangements that are in place for the regular monitoring of the in year financial position in 2019/20 and assess how the future financial challenges including the need to deliver savings are being addressed.

Findings

reduction of £7.6m. £7.150m of earmarked reserves is held in the transition reserve to provide investment for the PCC's capital investment programme in future years.

A national comparison across forces shows that Lancashire's level of useable reserves as a % of gross expenditure is below the national average at 5.98% of gross expenditure compared nationally to an average of 9.19%. Whilst the reduction in the level of reserves over the past three years, was planned to help fund some significant investment to improve the efficiency of the Constabulary's assets such as buildings, infrastructure and IT networks and equipment, it remains important that this is kept under review and that there is regular consideration of what is an acceptable level.

The CFO remains confident that whilst reserves levels have fallen they remain at an appropriate level and are in line with the Commissioners Reserves Strategy, which has set a range of between 3-5% of the budget.

The PCC and Chief Constable, along with many other forces faces increasing financial pressures including the need to delivery savings and the Medium Term Financial Strategy up to 2021/22 identified the need to achieve savings of £18m for the period 2019-20 to 2021/22. Savings plans are being progressed, however, in the event that this is not achieved, reserves will be required to bridge the gap and will result in the level of reserves being depleting.

The PCC and Chief Constable has risen to the challenge of the Covid-19 pandemic and put in place arrangements to manage it including several daily strategic meetings as well as the implementation of COVID 19 governance arrangements.

Conclusion

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.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

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

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

Details of fees charged are detailed in Appendix 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 PCC and Chief Constable. No non-audit services were identified which were charged relating to the 2019-20 financial year.

Action plan – internal control

We identified one recommendation as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on the recommendation during the course of the 2020/21 audit. The matter reported here is limited to those deficiencies that we have identified during the course of our audit and we conclude are of sufficient importance to merit being reported to you in accordance with auditing standards.

1	Assessment	Issue and risk	Relevant to	Recommendations
	●	<p>Existence Testing</p> <p>As part of our audit procedures we test a sample of assets to Land Registry documentation to ensure that you have existence rights over the asset. For one asset (Hambledon Hill transmitter) you are not shown as the owner of the asset. We have assured ourselves from performing other audit procedures that you do have existence rights but recommend that the Land Registry details are updated.</p>	Group and PCC	Management should ensure that Land Registry information is updated in respect of Hambledon Hill Transmitter

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Audit Adjustments – PCC and CC

We are required to report all non trivial misstatements to the PCC and Chief Constable, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

No adjustments have been made to the key financial statements for the year ending 31 March 2020.

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?
Accounting standards that have been issued but not yet adopted (Note 5)	The note has been updated to expand the disclosure with regards to the implementation of IFRS 16 Leases.	✓
Events after the Balance Sheet Date (Note 7)	The note has been updated to make reference to the consultation around the McCloud judgement and the impact on the PCC and Chief Constable pension schemes.	✓
Assumptions made about the future and other sources of estimation uncertainty (Note 6)	The note has been updated to reflect “material uncertainty” disclosed by the external valuer in respect of the valuation of property, plant and equipment arising from uncertainties caused by Covid 19. The note has also been updated to note a reflect pension property fund valuation uncertainties as disclosed by within Lancashire LGPS’s financial statements.)	✓
Property, Plant and Equipment (Note18)	The note has been amended to correctly reflect revaluation increases of £18.450m recognised in the revaluation reserve, which had been incorrectly described as being posted to surplus/deficit on the provision of services. The note identifies £13.976m as re-classified assets, however upon review these relate to the write back of accumulated depreciation. The note has been updated.	✓

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements.

Disclosure omission	Detail	Reason for not adjusting
Leases	The PCC utilises land and buildings and equipment assets under operating leases. Future minimum lease payments not later than one year, between one and 5 years and over 5 years should be disclosed as a disclosure note. There is no disclosure of the future minimum lease payments totalling £0.648m in the financial statements.	Not material

Fees

We confirm below our final fees charged for the audit.

Audit Fees	Proposed fee	Final fee
PCC Audit	£28,769	£28,769
Chief Constable Audit	£16,938	£16,938
Remote working has taken additional time to explain the audit trail of transactions through remote working rather than discussing processes and procedures in person. There has also been additional work involving around client Teams meetings as well as additional discussions with the external valuer. We estimate that the impact of remote working this has extended the audit process by 7 days.		£6,850
Total audit fees (excluding VAT)	£45,707	£52,557

Audit opinion- PCC

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 2020 which comprise the Group Comprehensive Income and Expenditure Statement, the Police and Crime Commissioner Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Police and Crime Commissioner Movement in Reserves Statement, the Police and Crime Commissioner and Group Balance Sheet, the Police and Crime Commissioner and Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Fund Account, the Net Assets Statement and notes to the financial statements. The 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 2019/20.

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 2020 and of the group's expenditure and income and the Police and Crime Commissioner's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Chief Financial Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Police and Crime Commissioner and group's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Police and Crime Commissioner and group's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Audit opinion – PCC continued

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.

In our evaluation of the Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Police and Crime Commissioner's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Police and Crime Commissioner's and group's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Police and Crime Commissioner's and group's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Police and Crime Commissioner or group will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to Note 6 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of land and buildings as at 31 March 2020. As, disclosed in Note 6 to the financial statements, the valuer has noted that, as a result of the Covid-19

pandemic, there is 'material valuation uncertainty' which means there is less certainty and more caution needed with regard to the valuations. As such, the valuer has advised the need to keep valuations under regular review. Our opinion is not modified in respect of this matter.

Emphasis of Matter – effects of Covid-19 on the valuation of Pension Fund Property Assets

We draw attention to Note 6 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Pension Fund's Property assets as at 31 March 2020. As disclosed in Note 6 to the financial statements, the value of the assets of the LGPS is dependent on a professional judgement based on information available at the time of making the valuation. The current COVID-19 pandemic is impacting financial markets in all sectors and at the valuation date it is not considered that valuers can rely upon previous comparable market evidence to fully inform opinions of value.

As a result, there is a risk that the value of property investments may be under or over-stated. Valuations have therefore been reported on the basis of 'material valuation uncertainty' as set out in VGPA 10 of the RICS Global Valuation Standards. Less certainty, and a higher degree of caution, should be attached to the valuation of property holdings that would normally be the case. Our opinion is not modified in respect of this matter.

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 and the Annual Governance Statement, other than the Police and Crime Commissioner and group financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and the Police and Crime

Audit opinion – PCC Continued

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 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Police and Crime Commissioner 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 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 14, 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from

Audit opinion – PCC Continued

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 April 2020, 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 2020.

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 April 2020, 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 2020.

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

Audit opinion – PCC Continued

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 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.

[Signature]

Iain Murray, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date

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 Constabulary

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Chief Constable of Lancashire Constabulary (the 'Chief Constable') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Fund Account, the Net Assets Statement and notes to the financial statements. The 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Joint Chief Finance Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Chief Constable's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Chief Constable's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Audit opinion – Chief Constable continued

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.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Chief Constable's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Chief Constable's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Chief Constable's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Chief Constable will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of Pension Fund Property Assets

We draw attention to Note 6 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Pension Fund's Property assets as at 31 March 2020. As disclosed in Note 6 to the financial statements, the value of the assets of the LGPS

is dependent on a professional judgement based on information available at the time of making the valuation. The current COVID-19 pandemic is impacting financial markets in all sectors and at the valuation date it is not considered that valuers can rely upon previous comparable market evidence to fully inform opinions of value.

As a result, there is a risk that the value of property investments may be under or over-stated. Valuations have therefore been reported on the basis of 'material valuation uncertainty' as set out in VGPA 10 of the RICS Global Valuation Standards. Less certainty, and a higher degree of caution, should be attached to the valuation of property holdings that would normally be the case. Our opinion is not modified in respect of this matter.

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 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.

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 Edition' published by CIPFA and SOLACE

Audit opinion – Chief Constable continued

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 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Chief Constable 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 for the Statement of Accounts set out on page 18, 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Audit opinion – Chief Constable continued

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 April 2020, 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 2020.

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 April 2020, 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 2020.

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

Audit opinion – Chief Constable Continued

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.

[Signature]

Iain Murray, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

[Date]



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