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

Year ended 31 March 2023

2 December 2024

Private and Confidential

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Police and Crime Commissioner for Lancashire and the Chief Constable of Lancashire Constabulary

Saunders Lane,
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2 December 2024

Audit Findings for the Police and Crime Commissioner for Lancashire and the Chief Constable of Lancashire Constabulary for the year ending 31 March 2023

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

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

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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

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

Michael Green

Director
For Grant Thornton UK LLP

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

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

1. Headlines

This table summarises the key findings and other matters arising from the statutory audits of Lancashire Police and Crime Commissioner ('the PCC') and The Chief Constable of Lancashire Constabulary financial statements for the year ended 31 March 2023 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion the financial statements:

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

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

Our audit work was completed remotely during August – December. Our findings are summarised on pages 7 to 19.

Management has made a number of amendments to the financial statements. These impact the PCC/CC and Group Balance Sheet and Comprehensive Income and Expenditure Statement, and are summarised in Appendix D. There are two unadjusted misstatements which management chose not to amend, with details provided on page 31.

We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion for the PCC's financial statements (including the financial statements which consolidate the financial activities of the Chief Constable) or the Chief Constable's financial statements (Appendix H and Appendix I), subject to the following outstanding matters;

- finalising audit manager and engagement lead quality reviews;
- completion of our internal review procedures;
- obtaining satisfactory responses to any final queries;
- receipt of management representation letters; and
- review of the final sets of financial statements.

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

Our anticipated financial statements audit report opinions will be unmodified. We have been able to satisfy ourselves that the PCC and Chief Constable have made proper arrangements in securing economy, efficiency and effectiveness in their use of resources.

We have previously communicated the findings of our Value for Money work in our Interim Auditor's Annual Report, presented to the March meeting of the Joint Independent Audit Committee. We issue our final report alongside this Audit Findings Report.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether in our opinion, both entities have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the arrangements under the following specified criteria:

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

Our work on the PCC and Chief Constable's value for money (VFM) arrangements 2022/23 was completed and reported in our draft Auditor's Annual Report on the PCC and Chief Constable's arrangements that we presented to the Joint Independent Audit Committee in March 2024.

We have been able to satisfy ourselves that the PCC and Chief Constable has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources.

We set out our findings in more detail on pages 20-21 where we confirm that no significant weaknesses were identified however, we did identify four improvement recommendations

Statutory duties

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

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

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

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

Significant matters

In performing the audit we did identify several issues relating to capital accounting, particularly the valuation of land and buildings and the application of depreciation charges. These resulted in a number of significant adjustments to the financial statements. Further commentary is included on page 16.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

Our audit approach was based on a thorough understanding of the group/ PCC and Chief Constable's business and is risk based, and in particular included:

- an evaluation of the PCC's and Chief Constable's internal controls environment, including their IT systems and controls;
- an evaluation of the component/s of the group based on a measure of materiality considering each as a percentage of the 'PCC and Chief Constable's gross revenue expenditure to assess the significance of the component and to determine the planned audit response; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not changed our audit approach or risk assessment from that included in our audit plan, as communicated to you on 11 September 2024.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion on the financial statements of both the PCC and the Chief Constable. These outstanding items are detailed at page 4.

Acknowledgements

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

2. Financial Statements

Our approach to materiality

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

We set out in this table our determination of materiality for the PCC, Chief Constable and group based on the unaudited 2022/23 draft financial statements.

	Group (£)000	**PCC (£)000**	**Chief Constable (£)000**	**Qualitative factors considered**
Materiality for the financial statements	8,781	6,528	8,619	Financial performance, focussing on the expenditure.
Performance materiality	6,147	4,570	6,033	Quality of working papers in prior year and client's response to audit processes.
Trivial matters	439	326	431	The amount below which matters would be considered trivial to the reader of the accounts.
Materiality for senior officer remuneration	39	39	39	Materiality has been reduced for remuneration disclosures due to the sensitive nature and public interest

We have determined financial statement materiality based on a proportion of the gross expenditure of the group, the PCC and the Chief Constable for the financial year. In the prior year we used the same benchmark. For our audit testing purposes we apply the lowest of these materialities, which is £6.528 million (PY £7.761 million), which equates to 1.5% of the PCC's gross expenditure for the year. For 2021/22 the materiality benchmark was higher at 2% of gross expenditure, reducing to 1.5% in 2022/23 as the total of gross expenditure exceeded the threshold for consideration of a Major Local Audit.

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

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

Risks identified in our Audit Plan	Relates to	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The PCC and Chief Constable face external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	PCC, Chief Constable, and Group	We have: • made enquiries of finance staff regarding their knowledge of potential instances of management override of controls; • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals and those falling into certain criteria determined by the audit team; • tested a sample of journals made during the year and during the period preparing the draft accounts for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgement applied made by management and considered their reasonableness about corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. In performing the procedures above, we identified a population of journals to test using data analytic software to analyse journal entries and to split large batch journals into smaller sets of transactions that support targeted testing based on specific risk criteria assessed by the audit team. These criteria included: • journals above 50% of performance materiality posted in March and post year end; • material journals across the year; • year-end journals above 50% of performance materiality; • year-end expenditure accrual journals above 20% of performance materiality; and • journals posted by senior management. Application of these routines and supplementary procedures identified a total sample of 53 journals to test. Our audit work identified the following issues in respect of management override of controls: • senior officers have the ability to post journals; • we noted several journals posted where there was evidence of retrospective approval of journals; and • several journals were identified during testing where no evidence of original approval could be found. Whilst we understand the difficulties of operating within a relatively small finance team, some of the practices identified above are not in line with best practice. In all of the above instances we were satisfied that the journals were appropriate. We did not identify any changes in accounting policies or estimation processes and review of key estimates has not identified any matters to bring to your attention and this is in line with our expectations. The critical judgments disclosures for both the PCC and CC have been significantly updated to disclose that the Statement of Accounts reflect significant judgements around the treatment of a number of areas of income and expenditure. Further detail is included at Appendix D. Our audit work did not identify any evidence of management override of controls.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
ISA (UK) 240: Presumed risk of fraud in revenue recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA (UK) 240 and the nature of the revenue streams of the PFCC and the Chief Constable, we determined that the risk of fraud arising from revenue recognition could be rebutted.	PCC, Chief Constable and Group	As set out in our Audit Plan, we do not consider this to be a significant risk for the PCC and Chief Constable. Having considered the risk factors set out in ISA240 and the nature of the revenue streams of the PCC and the Chief Constable, we determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • for the PFCC 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 PFCC, with no cash transactions; and • the culture and ethical frameworks of public sector bodies, including the Chief Constable and Police and Crime Commissioner for Lancashire, mean that all forms of fraud are seen as unacceptable Whilst revenue and expenditure recognition was not identified as a significant risk, we have carried out procedures and detailed testing of material revenue streams to gain assurance over this area. We tested, on a sample basis, material revenue transactions, ensuring that it remained appropriate to rebut the presumed risk of revenue and expenditure recognition. We did not identify instances of fraudulent revenue recognition or any reason to change our assessment of the risk in this area.
Risk of fraud related to expenditure recognition - Practice Note 10 In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition. Having considered the nature of the expenditure streams of each of the Chief Constable, PCC and Group, we have determined that there is no significant risk of material misstatement arising from improper expenditure recognition	PCC / Chief Constable / Group	Our Audit Plan confirmed that we consider that we are able to rebut the significant risk in relation to expenditure as we concluded that there is no risk of material misstatement due to fraud relating to expenditure recognition. As with revenue transactions, we have performed procedures to understand and test material expenditure streams. Our work in this area has not identified any matters to report to you or that would lead to a change in our risk assessment.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
Valuation of Land and Buildings The PCC and Group revalue their land and buildings on a rolling three-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved, £211.3m as at 31 March 2023 and the sensitivity of this estimate to changes in key assumptions. Management will need to ensure the carrying value in the PCC and Group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.	PCC and Group	We have: • evaluated 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; • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; • challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding; • engaged our own valuer to assess the instructions issued by the PCC to their valuer, the scope of the PCC's valuers' work, the PCC's valuers reports and the assumptions that underpin the valuations; • tested asset revaluations made during the year to see if they had been input correctly into the PCC and Group asset register, revaluation reserve and Comprehensive Income and Expenditure Statement; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end. The annual valuation exercise covers a portion of the asset base as part of a cyclical approach, covering all assets over each cycle. The valuer revalued assets during 2022/23 of £165.4m, the remainder of the assets were valued in previous years. As part of our overall audit work, we tested a sample of 8 Land and Building revaluations, including individually large assets or those with unusual movements, as well as a sample across the remainder of the total population of assets. In completing our work, we examined the accounting entries, data and assumptions used, relevant asset indices and considered those assets not revalued. We have identified the following issues: • incorrect BCIS (build cost information services rates) had been used by the valuer in determining a 31/3/23 valuation; and • gross internal areas (GIA's) used as part of the individual asset valuations were not always supported by site plans or floor maps. For the sample of assets reviewed we identified that for 2 out of the sampled assets incorrect GIA's had been used. As a result we subsequently checked all revalued assets to ensure the correct areas had been used and we identified a further four assets where the valuations had been based on incorrect GIA. As a result of our audit challenge an adjustment was made increasing the asset valuations. Management has amended the accounts to reflect correct valuations in respect of the two issues identified above, as outlined in Appendix D. Our audit work also identified that management had not undertaken a review of those assets not revalued in 2022/23 to assess whether their valuations remain materially correct. This issue was also reported in our 2021/22 audit findings report. Our own sense check led to management requesting the valuer to provide valuations of the largest five assets which had not been revalued in 2022/23. This led to an adjustment to the accounts of £8.812m to reflect the increase in asset values. The combined impact of the issues arising from our review of revaluations of land and buildings has been an increase in valuations of £11.452m, as outlined in Appendix D.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
Closing Valuation of pension fund net liability The group's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£2.869 billion in the group's balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the group's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	PCC, Chief Constable and Group	We have • updated our understanding of the processes and controls put in place by management to ensure that the group's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the group's pension fund valuation; • assessed the accuracy and completeness of the information provided by the group to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of Lancashire County Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Page 14 provides a detailed assessment of the estimation process for the valuation of the pension fund net liability. Our review of the assumptions used in calculating the net pension liability of both schemes 3-year in line with expectations and we have not identified any issues with the estimation process. Audit testing noted that in 2020/2021 an upfront payment of some £25m relating to employer's pension contributions attributable to a 3-year period from 2020/21 until 2022/23 was paid to Lancashire Pension Fund and the impact of the payment was accounted for over the full three-year period. The required disclosures relating to this transaction dating back to 2020/21 had been completed incorrectly as the value of the upfront payment of Employer Contributions had been incorrectly disclosed within the reconciliation of pension scheme liabilities rather than within pension scheme assets. The error has been corrected for both 2021/22 and 2022/23, with no overall impact on the net position or in the Primary Statements. We completed a review of the IFRIC14 calculations provided by the actuary with further detail set out at page 12. Based on completion of audit testing and procedures as set out and the amendment above, we have gained assurance that the net pension liability of the group is materially correct and have no further matters to report to you.

2. Financial Statements: Other risks

Risks identified in our Audit Plan	Relates to	Commentary
Implementation of new ledger system In January 2023 the ORACLE ledger system, transferred to the PCC and CC from Lancashire County Council. The transfer had the potential to cause disruption and potential loss of key financial information if the transfer is not correctly implemented and there are not appropriate controls around data transfer.	Chief Constable, PCC and Group	We have: • determined the adequacy of the policies around security management, including the control of access to financial reporting applications and related databases by internal and remote users and authorised third parties; • determined whether controls for the acquisition, development and maintenance of the financial reporting system(s) are in place; • determined the adequacy of the operational procedures and controls for administering, executing and monitoring batch processes, scheduled jobs and/or interface configurations; • determined whether adequate controls (implemented during the financial period) have been established to ensure that systems / applications which are developed or acquired are authorised, tested, approved, properly implemented and documented; and • ensured all data has been correctly transferred to the PCC/CC from Lancashire County Council. Findings No issues were noted relating to the transfer of the Oracle ledger system to the PCC and CC.
Application of IFRIC 14 in respect of the Local Government Pension scheme For 2022-23 audit years' many Local Government pension scheme IAS 19 valuations moved from a net liability to a net asset position. Where a net asset position arises, the application of IFRIC 14 in determining the appropriate accounting principles must be considered in informing the asset/liability position to be recognised. As the first time this situation has arisen in the Local Audit accounts, there is a risk of error in the accounting treatment applied.	Chief Constable, PCC and Group	We have: • Reviewed the IAS 19 valuations provided by the actuary and considered their treatment and interpretation of the application of IFRIC 14; and • Reviewed the disclosures and accounting treatments applied by management in preparation of the draft financial statements. Findings We reviewed the IFRIC14 calculations provided by the actuary and confirmed that for the funded LGPS, the economic benefit is negative and therefore correctly capped to nil. The draft financial statements incorrectly applied the impact of the asset ceiling to the unfunded element of the Local Government Pension Scheme. This has been amended to disclose the deficit of £2.292m relating to the unfunded liability. This revises the total pensions' liability on the balance sheet and Note 28 from £2.867bn to £2.869bn.

2. Financial Statements – other issues and risks

This section provides commentary on other issues and risks which were identified during the course of the audit that are still relevant to be reported.

Issue	**Auditor commentary and view**
Asset lives and depreciation Our review of depreciation charges for the year identified that building assets were being depreciated incorrectly dud to asset life data provided by the valuer in annual valuation reports not being updated into the asset register. Review by management identified that this resulted in depreciation charges being understated.	Building assets are depreciated over an asset life that is assessed by the independent valuer. The useful life of building assets changes due to enhancement spend, obsolescence and changes in plans for asset use. As part of the annual valuation process, the assets subject to valuation receive updated estimates of their useful life and this should be updated into the asset register in order for depreciation charges to be calculated based on this for subsequent years' until updated further. Our review of depreciation charged for 2022-23 identified that asset lives had not been updated based on the 2021-22 valuation and charges were therefore inaccurate. Management resulted in a revised depreciation charge being applied, increasing the in-year charge by £3.7m. Our review of this identified it had been incorrectly calculated, resulting in an error of £1.3m that has not been adjusted and is reported in Appendix D. As the impact of depreciation is reversed out of General Fund to the Capital Adjustment Account, there is no impact on useable reserves.
Finance team capacity The ability to deliver the audit has been challenging for both the auditors and the Police's finance team. A number of accounting issues have been identified this year, in particular relating to capital accounting issues, some of which had been reported in previous years, which has resulted in some difficulties in concluding the audit and significant changes to the draft financial statements. In the early stages of the audit there were a number of standard working papers that we would expect to be prepared as part of producing the financial statements that were not available to us, resulting in delays to our progress and increased the pressure on delivering work to the statutory backstop date. These delays, including the time taken to resolve capital accounting issues have meant that 2023-24 audit has not progressed as much as planned, meaning it will be increasingly challenging to achieve the audit deadline for 2023-24.	Local Authority financial statements are increasingly complex and the demands on finance teams to meet financial reporting standards whilst managing 'business as usual' is a significant challenge across the sector. The government has introduced legislation to address delays in local audit and it is important that both audit suppliers and local audited bodies ensure their teams have sufficient capacity and skills to support production of financial statements and their subsequent audit to meet statutory timetables. Management need to ensure that the finance team is suitably experienced and resourced to deal with the volume of final accounts queries that arise during an accounts audit.

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £211.3m	PCC and Group	Other land and buildings mainly comprises 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 are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The PCC and Chief Constable has engaged Aspin and Company Limited to complete the valuation of properties as at 31 Mar 2023 on a three yearly cyclical basis. The total year end valuation of land and buildings was £211.3m, a net increase of £7.6m from 2021/22 (£203.6m).	The PCC's accounting policy on valuation of land and buildings is included in Note 18 to the financial statements. Key Observations • We assessed the qualifications, skills and experience of the valuer and determined the service to be appropriate. • Overall 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. Whilst we identified a number of issues as highlighted on page 11 our review of the calculations performed by the valuer identified that, on the whole, these had been based on realistic and sound assumptions supported by evidence. We consider the level of disclosure in the financial statements to be appropriate. As reported on page 13 we noted that buildings depreciation had been incorrectly applied due to asset life information provided by the valuer had not been updated in the asset register meaning assets were being depreciated over incorrect lives. Management did update the asset life data but in doing so, incorrectly calculated the in-year impact, resulting in a residual uncorrected error reported in Appendix D.	Light Purple

Assessment

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

2. Financial Statements: key judgements and estimates

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

Local Government Pension Scheme – £2m

Police Officer Pension Scheme: £2.867bn</td>
<td>PCC , Chief Constable and Group</td>
<td>The PCC and Chief Constable's Local Government Pension Scheme net pension liability at 31 March 2023 is £2.869bn (PY £4.539 bn) comprising the Local Government Pension Scheme. The LGPS is a funded defined benefit scheme for police staff, administered by Lancashire County Council and Police Officers Pension Scheme (the Chief Constable operates three pension schemes for police officers, these are the 1987, 2006, 2015 Police Pension Schemes for officers).

The PCC and Chief Constable use Mercers to provide actuarial valuations of the PCC's and Chief Constable's assets and liabilities derived from the schemes. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in March 2022. Given the significant value of the net pension fund liability small changes in assumptions can result in significant valuation movements.</td>
<td>For both the LGPS and the Police officer pension schemes we have undertaken a review of the relevant actuary's work to satisfy ourselves that the pension liabilities are fairly stated in the financial statements. In doing so we engaged our own independent actuary to assess the methodology and assumptions used by the scheme's actuaries.

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

<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>4.8%</td><td>4.7% - 4.9%</td><td>🟢</td></tr>
<tr><td>Pension increase rate</td><td>2.8%</td><td>2.7%</td><td>🟡</td></tr>
<tr><td>Salary growth</td><td>4.2%</td><td>3.95% - 4.45%</td><td>🟢</td></tr>
<tr><td>Life expectancy – Males currently aged 45/65</td><td>21.5 years
22.8 years</td><td>22.4 years -24.3 years
21 years -22.6 years</td><td>🟢</td></tr>
<tr><td>Life expectancy – Females currently aged 45/65</td><td>23.8 years
25.6 years</td><td>25.3 years – 26 .6 years
23.5 years– 24.7 years</td><td>🟢</td></tr>
</table>

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

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

The PCC and CC's IT system (Oracle EBS) was hosted by Lancashire County Council (LCC) until January 2023, when the system was transferred directly to Lancashire PCC and CC. An audit of the Oracle EBS system under the control of LCC was undertaken, and is assessed below. We have satisfied ourselves that the issues highlighted from this audit were not issues directly affecting the PCC and CC. We have reviewed the transfer of Oracle EBS to the PCC and CC on page 12 and concluded that no issues were noted relating to new system implementation.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
Oracle EBS	ITGC assessment (design and implementation effectiveness only)	🔴	🔴	⚫	⚫	n/a	n/a

Assessment

- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟡 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ Not in scope for testing

2. Financial Statements: other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Joint Independent Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of out audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	Letters of representation have been requested from both the PCC and the Chief Constable, including specific representations relating to the Prior Period adjustment impacting pension disclosures
Confirmation requests from third parties	We requested third party confirmations in relation to cash and investment balances. All of these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the PCC's and Chief Constable's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management were provided.

2. Financial Statements: other communication requirements

Our responsibility

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

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the PCC's and Chief Constable's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the PCC and Chief Constable meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the PCC and Chief Constable and the environment in which they operate; • the PCC's and Chief Constable's financial reporting framework; • the PCC's and Chief Constable's system of internal control for identifying events or conditions relevant to going concern; and • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified for either the PCC or the Chief Constable; and • management's use of the going concern basis of accounting in the preparation of both sets of financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements being the Annual Governance Statements and Narrative Reports, are materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified and we plan to issue an unmodified opinion in this respect – refer to Appendix H and Appendix I.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statements does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit; • if we have applied any of our statutory powers or duties; and • where we are not satisfied in respect of arrangements to secure value for money and have reported any significant weaknesses. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	As the 2022/23 Whole of Government (WGA) accounts have been closed, specified procedures (undertaken on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions are no longer required.
Certification of the closure of the audit	We intend to certify the closure of the 2022/23 audit of PCC and Chief Constable in the audit reports, as detailed in Appendix H and I.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Draft joint Auditor's Annual Report, which was presented in March 2024.

As part of our work, we considered whether there were any risks of significant weakness in the PCC and Chief Constable's arrangements for securing economy, efficiency and effectiveness in their use of resources. Following our work, we are satisfied that the PCC and Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and our main conclusions are summarised in the table below.

Criteria	**2022/23 Risk assessment**	**2022/23 Auditor Judgement on arrangements**		**2021/22 Auditor Judgement on arrangements**		**Direction of travel**
Financial sustainability	No risks of significant weakness identified	A	No significant weaknesses in arrangements identified, but improvement recommendations made.	A	No significant weaknesses in arrangements identified, but improvement recommendations made.	↔
Governance	No risks of significant weakness identified	A	No significant weaknesses in arrangements identified, but improvement recommendations made.	A	No significant weaknesses in arrangements identified, but improvement recommendations made.	↔
Improving economy, efficiency, and effectiveness	No risks of significant weakness identified	G	No significant weaknesses in arrangements identified.	G	No significant weaknesses in arrangements identified.	↔

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

4. Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons(including its partners, senior managers, managers and network firms. In this context, we disclose the following to you:

- 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 submitted a request to Public Sector Audit Appointments (PSAA) setting out a proposed extension to the period that the Audit Manager continue in post through to 2023/24 to help ensure continuity on the audit given the wider issues posed by the imposition of the backstop process. Our view was that any threats to independence would be appropriately safeguarded, and we received approval from PSAA to proceed; and
- we have also received confirmation that PricewaterhouseCoopers (PwC) and Lambert Smith Hampton in their role as auditor experts are independent.

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 in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

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 from the beginning of the financial period to November 2024.

4. Independence and ethics

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

Matter	**Conclusion**
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Group that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff .

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person (and network firms) have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Joint Audit Plan	Joint Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud.	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan– Audit of Financial Statements

We have identified 5 recommendations as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
●	Finance Team Capacity The ability to deliver the audit has been challenging for both the auditors and the Police's finance team. A number of accounting issues have been identified this year, in particular around capital accounting issues, some of which had been reported in previous years, which has resulted in some difficulties in concluding the audit.	Management need to ensure that the finance team is suitably experienced and resourced to deal with the volume of final accounts queries that arise during an accounts audit. **Management response** The issue surrounding capacity has been addressed with new senior roles being appointed to assist key individuals with the preparation of the accounts. A review of the current practices within the team is being undertaken and should be in place for the preparation of the 2024/25 accounts which will help with the expertise within the team.
●	Revaluation Issues A number of issues have been identified as part of the audit of the revaluation of the Chief Constable's assets: - no exercise had been performed by management to assess whether assets not revalued in the year were materially stated; and - the valuer had used incorrect build cost information services rates and inaccurate gross internal areas as part of their calculations.	Management should: - undertake an annual assessment of the likelihood of assets not revalued in the year being materially misstated. This should include consideration that some of the CC's largest valued assets are revalued each year; and - undertake its own procedures to ensure that the valuer is basing their valuation on the most appropriate information available, including correct use of BCIS rates and GIA. This may involve testing a sample of revaluation calculations ahead of the final accounts audit to provide management with the necessary assurances that valuations have been soundly calculated. **Management response** A revised schedule has been implemented for 2023/24 which includes the 6 highest value properties being revalued each year which accounts for 47% of the total value. An annual assessment will be undertaken from 2023/24 to assess the likelihood of assets not being materially misstated. This process to be reviewed and a review of material valuations and random sample of lower value will be undertaken of reports that GIAs are accurate.
●	Depreciation Our work on depreciation identified that the useful lives of building assets were not updated in the asset register following revaluation. We also noted that the land values were not updated.	Management should ensure that the asset register is updated for asset lives and all valuations following revaluation. **Management response** 23/24 capital accounting is to be revised and updated with new asset lives, residual values, componentisation splits and latest asset valuations. For future years, when land and buildings are back on the fixed asset module, an annual exercise is to be undertaken to ensure that asset and component lives are accurate to the valuation reports. Any assets that either hit or go below the componentisation threshold will be actioned as part of the adjustment.

Controls

● High – Significant effect on financial statements

● Medium – Limited Effect on financial statements

● Low – Best practice

B. Action Plan– Audit of Financial Statements

Assessment	Issue and risk	Recommendations
●	**Journal arrangements** Our audit work identified a number of procedural issues with regards to journal processing, which are not inline with best practice: • senior officers have the ability to post journals; • we noted several journals posted where there was evidence of retrospective approval of journals; and • several journals were identified during testing where no evidence of original approval could be found.	Consider strengthening journal arrangements where possible in light of best practice arrangements. **Management response** Procedures to be strengthened to confirm that Senior Finance Staff (Senior Accountants and above) should not post journals to the system. The formal review of this within the ORACLE System will be undertaken as part of a wider review of roles and responsibilities which will be undertaken across the Constabulary. Staff will be reminded of their responsibilities regarding approval of journals. New procedures to be introduced to sample check journals to confirm correct authorisation processes are being followed.
●	**Seized Cash** Seized cash of £3.736m is included within the cash and equivalents balance. The CIPFA Code of Practice on Local Authority Accounting 2022-23 states clearly that an asset (or economic resource) should only be accounted for if it has the potential to produce economic benefits or service. Given that there is potential that seized cash may need to be returned, there is a need for management to fully justify the accounting treatment with regards to seized cash. Current treatment is based on the balance not being material and therefore not materially misstated.	Management should set out their rationale for the accounting treatment and evidencing their assessment of the economic interests that have been generated by the seized cash. **Management response** This has been identified as a significant risk area due to approaching the materiality threshold. We have put a plan in place that for the 2024/25 accounts all seized cash will be out into a separate bank account and removed from the Balance Sheet of the PCC (Group). We will also be looking to produce a formal seized cash policy in line with best practice.

Controls

C. Follow up of prior year recommendations

We identified the following issues in the audit of Lancashire PCC and Chief Constable's 2021/22 financial statements, which resulted in 6 recommendations being reported in our 2021/22 Audit Findings report.

Issue and risk previously communicated	Update on actions taken to address the issue
The PCC's valuer had to undertake an exercise to revalue a number of assets which had not been revalued during the year to ensure that there was no material misstatement in the assets values.	We recommended that Management should consider the outcome of the annual valuation and assess the likelihood of assets not revalued being materially misstated. Consider annual valuation for some of the PCC's largest valued assets as these would be most likely to result in material differences. **Management Update** Not addressed in 22/23 but an annual assessment will be undertaken from 2023/24 to assess the likelihood of assets not being materially misstated.
As part of the valuation process the valuer had not made a specific allowance for external works and a number of issues were identified including incorrect BCIS rates and regional factor used.	Instructions should be provided to the valuer to ensure any specific allowances for external works are considered as part of future valuations. A process of quality assuring the work of the valuer should be introduced my management. **Management Update** As part of the migration to the new Fixed Asset Module on Oracle, assets have been split into component parts which has introduced greater scrutiny of the valuers reports. The Valuation contract is out to tender in 2024/25 and it has been agreed that Finance will have a greater input into the tender process with the Estates department. Scrutiny and instructions, including responding to audit queries, will be introduced along with the new contract.
Our work on property, plant and equipment closing balances highlighted that there were a number of assets which were fully depreciated but still held on the asset register with negative asset lives, yet the assets were still in use. There is a risk that the asset lives applied are not appropriate and that there is an incorrect profiling of depreciation.	Management should perform an exercise to review and update the asset register and assess whether asset lives are appropriate. **Management Update** As from 2023/24 this will be managed via the introduction of the new Fixed Asset Module on Oracle.
Our audit work did highlight that no depreciation had been charged on assets during the year for assets revalued as at 31/3/22. On a revalued asset, a transfer between the revaluation reserve and capital adjustment account shall be carried out that represents the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's historical cost.	Depreciation should be charged on all assets before any revaluation adjustments are applied, in line with accounting standards and the CIPFA Code of Practice. **Management Update** As from 2023/24 this will be managed via the introduction of the new Fixed Asset Module on Oracle.

C. Follow up of prior year recommendations

Issue and risk previously communicated	Update on actions taken to address the issue
The PCC chose to make a prior period adjustment of £0.317m and £2.395m in respect of issues identified during the 2020/21 audit relating to our audit of property, plant and equipment. The PCC chose to correct an immaterial prior period error by restating the previously reported results rather than by correcting it in the current period, as this is not required and is unnecessary under IAS 8.	Prior period adjustments should only be undertaken to correct material prior period errors in line with IAS 8. **Management Update** Agreed and implemented. The only adjustments to figures are for comparability purposes to mirror revised Senior Management responsibilities.
Included in the cash and cash equivalents balance is £2.1m related to seized cash held awaiting conclusion on investigations which will determine the outcome for the seized funds. Whilst there is no specific guidance on 3rd party assets in the CIPFA Code of Practice on local authority accounting 2021-22, the definitions make it clear that an asset (or economic resource) should only be accounted for if it has the potential to produce economic benefits or service potential. There is a need for an assessment as to whether such monies has the potential to produce economic benefits or service potential, if not it should be excluded from the cash and cash equivalent balance and should not be accounted for on the balance sheet.	Management should undertake an assessment of the likelihood that any seized monies has the potential to produce economic benefits or service potential when determining how it is accounted for. **Management Update** This has been delayed due to other workload pressures but it is hoped to be completed by the end of the current financial year.

D. Audit Adjustments

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

Impact of adjusted misstatements

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

Issue	Relates to	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000
Property, Plant and Equipment (PPE) Adjustments to reflect incorrect BCIS rates and correcting GIA. Impact in CIES is reversed through reserves so no impact upon General Fund.	PCC	Cr Surplus/ deficit on revaluation of PPE 11,452	Dr PPE 11,452	nil
Depreciation Adjustment to increase depreciation charge to allow for revised asset lives and land values	PCC	Dr Net cost of services 3,717	Cr Depreciation 3,717	nil
Additions Adjustment to reflect over capitalisation of additions which should not have been accounted for in 2022/23.	PCC		Cr Additions 552 Dr Creditors 552	nil
Balance Sheet and Pension Fund Notes Correction of unfunded LGPS liability to agree with IAS 19 report that was originally disclosed as nil. This is reversed through reserves so no impact upon General Fund	PCC and CC	Dr Re-measurements of pension liabilities 2,292	Cr - Pension Liability 2,292	nil

D. Audit Adjustments

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

Impact of unadjusted misstatements

The table below provides details of non- trivial adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Reason for not adjusting
Depreciation Unadjusted depreciation charge	Dr Net cost of services 1,290	Cr Depreciation 1,290 Dr Capital adjustment account 1,290	nil	Not material
Additions Extrapolated error to reflect over capitalisation of additions which should not have been accounted for in 2022/23.		Cr Additions 573 Dr Creditors 573	nil	Extrapolated error – not material

D. Audit Adjustments

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

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 issue/Omission	Relates to	Disclosure omission/Misclassification	Adjusted?
Various	PCC and CC	Correction of a number of minor presentational, consistency and disclosure matters to improve reporting and ensure compliance with relevant guidance.	✓
Comprehensive Income and Expenditure statement (CIES)	CC	The restated 2021/22 CIES has been amended to correct an error as the gross expenditure for the 'ACC crime' and 'ACC People & Specialist Uniform' were disclosed the wrong way round.	✓
Movement in Reserves Statement	PCC and CC	The signage (use of brackets) has been amended to improve understandability and ensure it is consistent with both the Balance Sheet and the CIES.	✓
Narrative Report, CIES and Note 1 - Expenditure and Funding Analysis	PCC and CC	PCC single entity, Group and CC - CIES prior period comparators restated to reflect change in budget areas. While narrative information is provided in the footnotes, the CIPFA Code of Practice also requires disclosure of the amount of each item or class of items that is reclassified.	✓
Note 1 - Expenditure and Funding Analysis	CC	Additional column added to the table setting out "Adjustments to arrive at net amount chargeable to Police General Fund" to clearly disclose adjustments made for capital purposes.	✓
Note 3 - Critical Judgements	PCC and CC	The critical judgments have been significantly updated to disclose that the Statement of Accounts reflect significant judgements around the treatment of a number of areas including: • Income • Employee costs of Police Officers • Employee Costs of Civilian Staff • Other Direct Expenditure • Numerous key areas included on the Balance Sheet	✓

D. Audit Adjustments

Misclassification and disclosure changes

Disclosure issue/Omission	Relates to	Disclosure omission/Misclassification	Adjusted?
Note 6 – Assumptions made about the future and other major sources of estimation uncertainty	PCC and CC	The note has been amended to ensure figures are consistently and correctly disclosed in line with corresponding figures in the respective pension notes. Furthermore the pension asset uncertainty disclosure has been updated to remove references to COVID-19 that are no longer applicable.	✓
Note 10 - Unusable reserves	PCC	The total value of the revaluation reserve within the first table summarising each unusable reserve has been amended to ensure it is consistent with the balance that follows in the more detailed revaluation reserve table	✓
Note 11 - PCC Funding of the Chief Constable	CC	The disclosures within the table in the note setting out the basis of the PCC funding of the CC have been amended to clarify the nature of the transactions.	✓
Note 13 – Cash Flow Statement – Adjustments	CC	The Note has been amended to disclose the intra group debt balance.	✓
Note 15 - Defined Benefit Post-Employment Benefits And Note 4 – Prior period Adjustments	PCC and CC	In 2020/2021 an early upfront payment of some £25m relating to employer's pension contributions was paid to Lancashire Pension Fund and the impact of the payment was accounted for over the full three-year period. This year we identified that in 2020/21 the required disclosures relating to this transaction had been completed incorrectly as the value of the upfront payment of Employer Contributions had been incorrectly disclosed within the pension scheme liability rather than disclosed under employer contributions scheme assets. This error has been corrected with restated opening and closing balances in 2021/22 through to a revised opening balance for 2022/23. In line with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors Note 4 has been updated to confirm the basis of the restatement and further disclosures included at those notes to the accounts impacted by the change setting out the reason for the prior period adjustment and confirming the financial impact. Note 15 has been further updated to confirm that the most recent triennial valuation was at 31/3/22 rather than 31/3/19.	✓
Note 17 PCC and Note 10 - CC– Officer remuneration - Exit packages	PCC and CC	The note has been corrected as we identified that there were 3 disclosed exits within the £20k-£40k exit packages bandings totalled to £135k.	✓
Note 19 – Capital Expenditure and Financing	PCC	The note has been amended to disclose the minimum revenue provision separately from other direct revenue contributions.	✓
Note 22 – Cash and Cash Equivalents	PCC	The cash disclosure note that includes the value of seized cash balances had not been updated for 22/23 as it referred to the 21/22 balance of £2.789m and was corrected to include the 2022/23 balance relating to seized cash of £3.736m	✓

E. Audit fees – detailed analysis

	CC	PCC
2022/23 Scale fee published by PSAA	£17,251	£29,456
Additional work on Value for Money (VfM) under the new NAO Code	£2,000	£7,000
Increased audit requirements of revised ISA 540	£500	£1,200
Enhanced audit procedures on journals testing	£1,000	£2,000
Payroll change of circumstances	£500	-
Reduction in materiality (Major Local Audit)	£1,500	£3,500
Use of auditor valuation expert (Major Local Audit)	-	£4,000
FRC response additional review requirements (Major Local Audit)	£500	£1,000
Increased audit requirements of revised ISAs 315/ 240	£1,250	£1,250
Review and procedures relating to IFRIC 14 accounting	£2,000	£2,000
Total audit fees 2022/23 as per Audit Plan (excluding VAT)	**£26,501**	**£51,406**
Additional fee proposed for work on Land and Building Valuations	-	£3,000
Total Fee	**£26,501**	**£54,406**

E. Fees and non-audit services

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit fees	Proposed fee	Final fee
PCC Audit	£51,406	£54,406
Chief Constable Audit	£26,501	£26,501
Total audit fees (excluding VAT)	£77,907	£80,907

Police and Crime Commissioner

The proposed fee set out above of £77,907 reconciles to the Financial Statements – Note 31 that sets out PCC Group audit fee of £78,000.

However, as set out on page 34 we propose a further fee of £3,000, subject to PSAA approval, in relation to additional testing on land and building valuations that we have been required to complete. This has not been included in the 2022/23 financial statements as it is subject to PSAA approval.

Chief Constable

Fees as per the Financial Statements – Note 16 £28k, agrees to draft FS with a £1k rounding difference.

F. Management Letter of Representation - PCC

Grant Thornton UK LLP

Landmark,

St Peter's Square,

1 Oxford Street,

Manchester M1 4PB

Dear Grant Thornton UK LLP

Police and Crime Commissioner for Lancashire

Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of the Police and Crime Commissioner (PCC) for Lancashire and its subsidiary undertaking, the Chief Constable for Lancashire for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the group and PCC financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

We have fulfilled our responsibilities for the preparation of the group and PCC's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

We have complied with the requirements of all statutory directions affecting the group and PCC and these matters have been appropriately reflected and disclosed in the financial statements.

The PCC has complied with all aspects of contractual agreements that could have a material effect on the group and PCC financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of the net pension liability and the valuation of land and buildings. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements

We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

Except as disclosed in the group and PCC financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the group and PCC has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

F. Management Letter of Representation - PCC

All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and PCC financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the PCC and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

The prior period adjustments disclosed in the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

We have updated our going concern assessment. We continue to believe that the group and PCC's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

a. the nature of the group and PCC means that, notwithstanding any intention to cease the group and PCC operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the group and PCC's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and PCC's ability to continue as a going concern need to be made in the financial statements.

The group and PCC has complied with all aspects of ring-fenced grants that could have a material effect on the group and PCC's financial statements in the event of non-compliance.

Information Provided

We have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the group and PCC's financial statements such as records, documentation and other matters;
- additional information that you have requested from us for the purpose of your audit; and
- access to persons within the PCC via remote arrangements, from whom you determined it necessary to obtain audit evidence.

We have communicated to you all deficiencies in internal control of which management is aware.

All transactions have been recorded in the accounting records and are reflected in the financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and PCC, and involves:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements.

We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

We have disclosed to you the identity of the group and PCC's related parties and all the related party relationships and transactions of which we are aware.

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

F. Management Letter of Representation - PCC

Annual Governance Statement

We are satisfied that the Annual Governance Statement (AGS) fairly reflects the PCC's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

The disclosures within the Narrative Report fairly reflect our understanding of the group and PCC's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Joint Independent Audit Committee.

Yours faithfully

Name…………………………..

Position………………………..

Date…………………………..

Name…………………………..

Position………………………..

Date…………………………..

Signed on behalf of the PCC

G. Management Letter of Representation – Chief Constable

Grant Thornton UK LLP

Landmark,

St Peter's Square,

1 Oxford Street,

Manchester M1 4PB

Dear Grant Thornton UK LLP

Chief Constable of Lancashire Constabulary

Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Chief Constable of Lancashire Constabulary for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Constabulary financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

We have fulfilled our responsibilities for the preparation of the Constabulary's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

We have complied with the requirements of all statutory directions affecting the Constabulary and these matters have been appropriately reflected and disclosed in the financial statements.

The Constabulary has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the net pension liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the Constabulary has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

G. Management Letter of Representation – Chief Constable

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

The prior period adjustments disclosed in the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

We have updated our going concern assessment. We continue to believe that the Constabulary's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

a. the nature of the Constabulary means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Constabulary's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Constabulary's ability to continue as a going concern need to be made in the financial statements.

The Constabulary has complied with all aspects of ring-fenced grants that could have a material effect on the Constabulary's financial statements in the event of non-compliance.

Information Provided

We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Constabulary's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Constabulary via remote arrangements from whom you determined it necessary to obtain audit evidence.

G. Management Letter of Representation – Chief Constable

We have communicated to you all deficiencies in internal control of which management is aware.

All transactions have been recorded in the accounting records and are reflected in the financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Constabulary and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

We have disclosed to you the identity of the Constabulary's related parties and all the related party relationships and transactions of which we are aware.

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Constabulary's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

The disclosures within the Narrative Report fairly reflect our understanding of the Constabulary's financial and operating performance over the period covered by the Constabulary’s financial statements.

Approval

The approval of this letter of representation was minuted by the Joint Independent Audit Committee.

Yours faithfully

Name………………………….

Position……………………….

Date…………………………..

Name………………………….

Position……………………….

Date…………………………..

Signed on behalf of the CC

H. Audit opinion-PCC

Our audit opinion is included below. We anticipate we will provide the PCC with an unmodified audit report.

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of the Police and Crime Commissioner for Lancashire (the 'Police and Crime Commissioner') and its subsidiary the Chief Constable (the 'group') for the year ended 31 March 2023, which comprise the PCC Group Comprehensive Income and Expenditure Statement, the PCC Single Entity Comprehensive Income and Expenditure Statement, the PCC Group Movement in Reserves Statement, the PCC Single Entity Movement in Reserves Statement, the PCC Group Balance Sheet, the PCC Single Entity Balance Sheet, the PCC Group Cash Flow Statement, the PCC Single Entity Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and the police pension fund financial statements accounts comprising the Police Pension Fund Account and 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 2022/23

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 2023 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 2022/23; and

have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Police and Crime Commissioner and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

In our evaluation of the Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Police and Crime Commissioner and group's financial statements shall be prepared on a going concern basis, we

H. Audit opinion- PCC

considered the inherent risks associated with the continuation of services provided by the Police and Crime Commissioner and the group. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Police and Crime Commissioner and group and the Police and Crime Commissioner and group's disclosures over the going concern period.

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

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

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information. 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.

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 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in November 2024 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 '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 matters 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, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- 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

H. Audit opinion- PCC

- 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

As explained more fully in the Statement of Responsibilities set out on page 10, 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Police and Crime Commissioner's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Police and Crime Commissioner and the group without the transfer of its services to another public sector entity.

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Police and Crime Commissioner and the group and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

We enquired of management and the Police and Crime Commissioner concerning the Police and Crime Commissioner and group's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

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

We assessed the susceptibility of the Police and Crime Commissioner and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the

H. Audit opinion- PCC

financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- journal entries that could be used to manipulate financial performance for the year, along with any potential management bias in determining accounting estimates for the valuation of land and buildings and the net defined benefit pension liability.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
- journal entry testing, with a focus on non-routine transactions and journals falling within identified risk criteria including, journals posted by senior management, material journals, large year-end journals, post year-end journals and year end accruals;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the pension liability, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

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

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

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

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the police sector
- understanding of the legal and regulatory requirements specific to the Police and Crime Commissioner and group including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

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

- the Police and Crime Commissioner and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Police and Crime Commissioner and group's control environment, including the policies and procedures implemented by the Police and Crime Commissioner and group to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

H. Audit opinion-PCC

www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

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

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.

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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of the Police and Crime Commissioner for Lancashire for the year ended 31 March 2023 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 44 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.

I. Audit opinion- Chief Constable

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of the Chief Constable of Lancashire Constabulary (the 'Chief Constable') for the year ended 31 March 2023, 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 accounts comprising the Police Pension Fund Account and 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 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2023 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 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Chief Constable in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Chief Constable's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Chief Constable. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Chief Constable and the Chief Constable's disclosures over the going concern period.

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

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

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information. 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.

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 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in November 2024 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 '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 matters 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, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- 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

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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

As explained more fully in the Statement of Responsibilities (set out on page 12), 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 2022/23, 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 they have been informed by the relevant national body of the intention to dissolve the Chief Constable without the transfer of its services to another public sector entity.

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Chief Constable and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

We enquired of management and the Chief Constable concerning the Chief Constable's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

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

We assessed the susceptibility of the Chief Constable's financial statements to material misstatement, including how fraud might occur, by evaluating management's

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incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- journal entries that could be used to manipulate financial performance for the year, along with any potential management bias in determining accounting estimates for the valuation of land and buildings and the net defined benefit pension liability.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
- journal entry testing, with a focus on non-routine transactions and journals falling within identified risk criteria including, journals posted by senior management, material journals, large year-end journals, post year-end journals and year end accruals;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the pension liability, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

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

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

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

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the police sector
- understanding of the legal and regulatory requirements specific to the Police and Crime Commissioner and group including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

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

- the Chief Constable’s operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Chief Constable's control environment, including the policies and procedures implemented by the Chief Constable to ensure compliance with the requirements of the financial reporting framework.

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.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

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

Responsibilities of the Chief Constable

The Chief Constable is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Chief Constable of Lancashire Constabulary for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the Chief Constable, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Chief Constable those matters we are required to state to the Chief Constable in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable as a body, for our audit work, for this report, or for the opinions we have formed.

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