Independent auditor's report to the members of Lancashire County Council

Report on the audit of the financial statements

Opinion on financial statements

Our opinion on the financial statements is unmodified

We have audited the financial statements of Lancashire County Council (the ‘Authority’) and its subsidiary (the ‘group’) 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, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement, the Technical Annex and notes to the financial statements, including a summary of significant accounting policies. 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 Authority as at 31 March 2023 and of the group’s expenditure and income and the Authority’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 (2020) (“the Code of Audit Practice”) approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report. We are independent of the group and the Authority 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 as applied to listed public interest entities, 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 Executive’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 group and the Authority’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 Authority or the group to cease to continue as a going concern.

Our evaluation of the Chief Executive’s assessment of the Authority’s and the group’s ability to continue to adopt the going concern basis of accounting included a review of the assumptions and forecasts provided to support the Chief Executive’s assessment regarding the future continuation of services.

In our evaluation of the Chief Executive’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 Authority’s and group’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 group and the Authority. 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 group and Authority and the group and Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Chief Executive'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 Authority's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

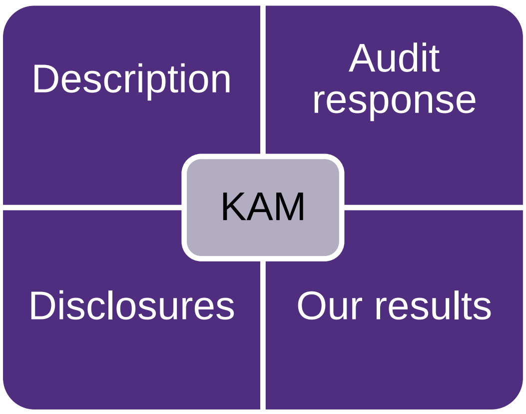
Our responsibilities and the responsibilities of the Chief Executive with respect to going concern are described in the relevant sections of this report.

Our approach to the audit

Overview of our audit approach **Financial statements audit**
Overall materiality Group: £41.908m which represents 1.45% of the group's gross expenditure on provision of services Authority: £41.489m, which represents 1.44% of the Authority's gross expenditure on provision of services.
Key audit matters were identified as: • Valuation of land and buildings, (Authority, same as prior year) • Valuation investment property (Group, same as prior year) • Valuation of the net asset related to the defined benefit pension scheme (Authority, same as prior year)
Value for money arrangements We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023. Our approach to this work is set out in the 'Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources' section of this report.

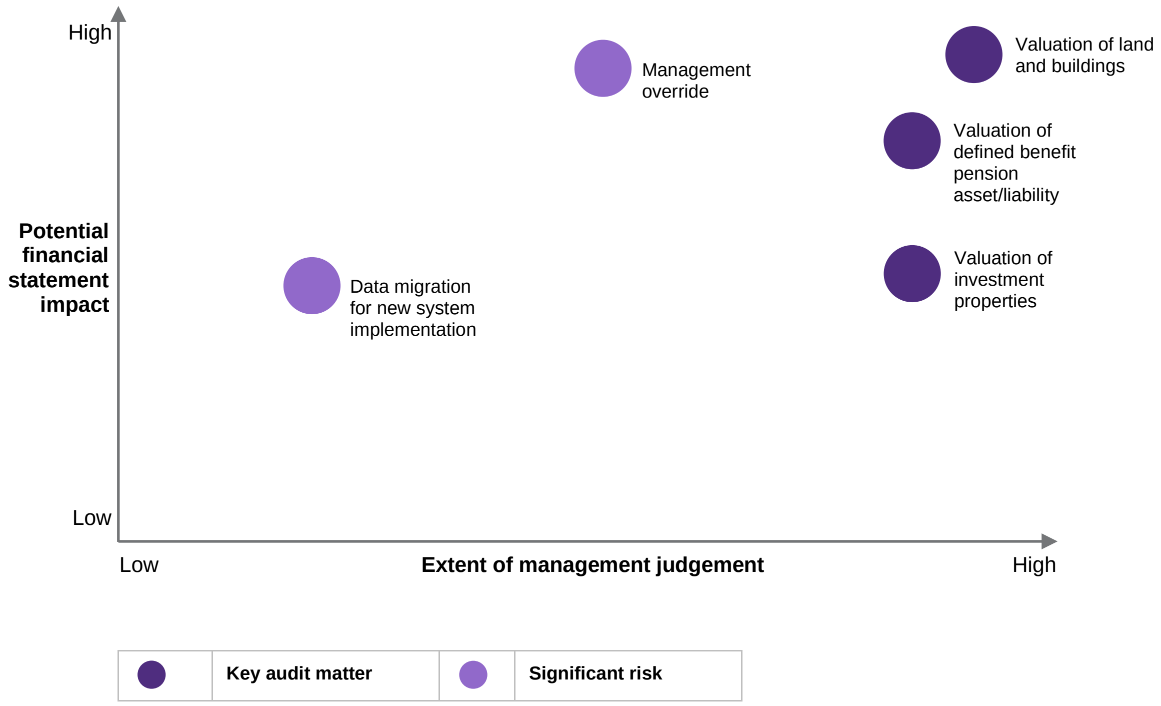
Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group and Authority's financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and



we do not provide a separate opinion on these matters.

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Key Audit Matter - Authority	How our scope addressed the matter - Authority
Risk 1 Valuation of Land and Buildings We identified Valuation of Land and Buildings as one of the most significant assessed risks of material misstatement due to error. This is due to the value of the assets and the extent of estimation involved in valuing them. The Council re-values its land and buildings on a rolling three-yearly basis to ensure that the carrying value is not materially different from the current value. These valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.	In responding to the key audit matter, we have performed the following audit procedures: • assessed the design and implementation of controls management has in place to ensure the estimate is accurate and underlying data is complete; • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the Council's valuation experts; • challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding; • engaged an independent auditor's expert valuer to provide an evaluation of the reasonableness of the assumptions and approach taken by the Council's valuers; • confirmed that revaluations made during the year were input correctly into the Council's asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and assessed how management has satisfied themselves that

Key Audit Matter - Authority	How our scope addressed the matter - Authority
	these are not materially different to current value at year end.
Relevant disclosures in the Statement of Accounts for the year ended 31 March 2023 • Accounting policies – Property, Plant and Equipment • Financial statements: Note 18 Property, Plant and Equipment • The Narrative Report	**Our results** We obtained sufficient audit assurance to conclude that: • the basis of the valuation of land and buildings was acceptable; and • the assumptions and processes used by management in determining the estimate of valuation of land and buildings were balanced and reasonable.

Key Audit Matter - Authority	How our scope addressed the matter - Authority
Risk 2 Valuation of Pension Fund Net Liability/Asset We identified the Valuation of Pension Fund Net Liability/Asset as one of the most significant assessed risks of material misstatement due to error. The pension fund net liability/asset is considered a significant estimate due to the size of the numbers involved (£1,148m net liability in the Council's balance sheet as at 31/3/22) and the sensitivity of the estimate to changes in key assumptions. As at 31/3/23 the Council was reporting a net asset of £530m.	In responding to the key audit matter, we have performed the following audit procedures: • understood the processes and controls put in place by management to ensure that the pension fund net liability/asset is not materially misstated and evaluated the design and implementation of the relevant controls; • assessed the competence, capabilities and objectivity of the actuary who carried out the share of the pension fund valuation; • assessed the accuracy and completeness of the information provided to the actuary to estimate the balance; • 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 additional procedures suggested within the report to determine whether estimates are reasonable and consistent with the ranges set by the auditor's expert; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the financial statements with the actuarial report from the actuary; and • obtained assurances from the auditor of Lancashire 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. We also obtained assurance over the accuracy of the triennial valuation data. • assessed the council and the actuary's determination that the pension asset recorded on the balance sheet has been accounted for in line with the requirements of IFRIC 14

Key Audit Matter - Authority	How our scope addressed the matter - Authority
Relevant disclosures in the Statement of Accounts for the year ended 31 March 2023 • Accounting policies – Employee Benefits • Financial statements: Technical Annex, Post-employment benefit disclosure notes • The Narrative Report	**Our results** We obtained sufficient audit assurance to conclude that: • the draft accounts had incorrectly netted off the Teachers' Pension Liability (£75m) against the LGPS asset The Authority adjusted the financial statements to correct this error. • the 2021-22 and 2022-23 net pension balances had incorrectly accounted for the upfront payment of contributions made during 2020. This error was overstating the net liability balance by £40.1m in 2021-22 and understating the net asset position by £81.8m in 2022-23. The Authority adjusted the financial statements to correct this error. • the basis of the amended valuation of the net pension fund asset was acceptable; and • the assumptions and processes used by management in determining the estimate were balanced and reasonable.

Key Audit Matter - Group	How our scope addressed the matter - Group
Risk 3 Valuation of Investment Properties We identified the Valuation of Investment Properties as one of the most significant assessed risks of material misstatement due to error. This is due to the value of the assets (£84m) and the extent of estimation involved in valuing them. Investment properties are revalued annually and are held within the Lancashire County Developments Limited subsidiary. The valuations are conducted such that they are co-terminus with the group's year end reporting date. These valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.	In responding to the key audit matter, we obtained an understanding of the group's investment property portfolio holding at the reporting date, and the timing and extent of the valuation exercises to be performed by management's experts; in order to determine the audit procedures required of the component auditor. We communicated our group audit instructions to the auditor of Lancashire County Developments Limited to provide us with sufficient assurance over the valuation of investment properties. We requested the component auditor to perform the following audit procedures: • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. Evaluate the competence, capabilities and objectivity of the valuation expert • Discuss with the valuer the basis on which the valuation was carried out, any changes from prior year and any significant aspects of the valuation approach • Challenge the information and assumptions used by the valuer to assess completeness and consistency with your understanding. • Challenge and corroborate the key assumptions applied in the valuation

Key Audit Matter - Group	How our scope addressed the matter - Group
	calculations. Ensure the completeness and accuracy of the information relied upon by the valuer; such as rental income, floor spaces etc. • Assess the instructions to the valuer, the valuer report and the assumptions that underpin the valuation • Test revaluations made during the year to see if they had been input correctly into the asset register • Evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end
Relevant disclosures in the Statement of Accounts for the year ended 31 March 2023 • Accounting policies – Investment Properties • Financial statements: Group Accounts Note 8, Group Investment Properties • The Narrative Report	**Our results** Sufficient and appropriate responses were received from the component auditor, and their work was performed in accordance with our group instructions. We obtained sufficient audit assurance to conclude that: • the basis of the valuation of investment property was acceptable; and • the assumptions and processes used by management in determining the estimate of valuation investment property were balanced and reasonable.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure		
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
	Group	**Authority**
Materiality threshold	£41.908m which represents 1.45% of the group's gross expenditure on provision of services	£41.489m, which represents 1.44% of the Authority's gross expenditure on provision of services.
Significant judgements made by	In determining materiality, we made the following significant judgements	In determining materiality, we made the following significant judgements

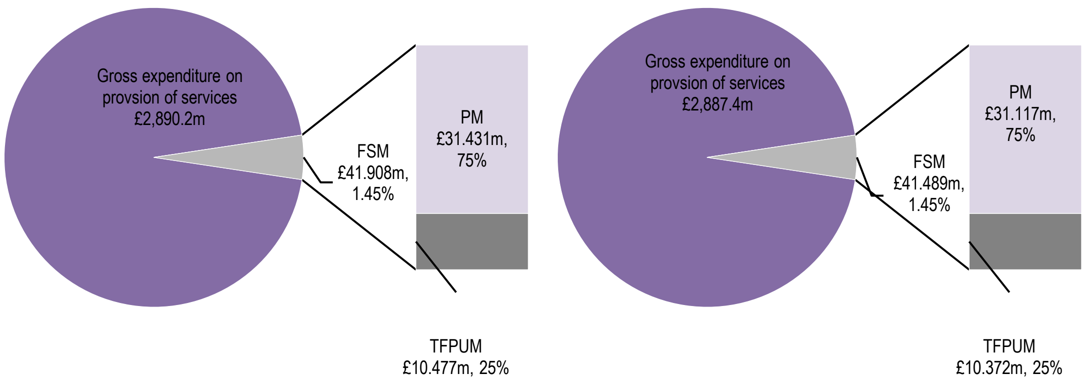
Materiality measure		
auditor in determining the materiality	• Gross expenditure on provision of services is seen to be the most appropriate benchmark because stakeholders and residents are interested in the level of service expenditure incurred as this is considered public money largely arising from taxation. In addition, it is used to determine the provision of public services to local residents. • A percentage of 1.45% was selected to apply to the benchmark based upon our risk assessment and the level we considered would be relevant to the users of the financial statements. Materiality for the current year is higher than the level that we determined for the year ended 31 March 2022 to reflect the increased expenditure largely arising from the effects of inflation and increased service demand on the group's operations.	• Gross expenditure on provision of services is seen to be the most appropriate benchmark because stakeholders and residents are interested in the level of service expenditure incurred as this is considered public money largely arising from taxation. In addition, it is used to determine the provision of public services to local residents. • A percentage of 1.44% was selected to apply to the benchmark based upon our risk assessment and the level we considered would be relevant to the users of the financial statements. Materiality for the current year is higher than the level that we determined for the year ended 31 March 2022 to reflect the increased expenditure largely arising from the effects of inflation and increased service demand on the group's operations.
Significant revision of materiality threshold that was made as the audit progressed	We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual gross expenditure for the year ended 31 March 2023 and adjusted our audit procedures accordingly.	We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual gross expenditure for the year ended 31 March 2023 and adjusted our audit procedures accordingly.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£31.431m, which is 75% of financial statement materiality	£31.117m, which is 75%of financial statement materiality
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we made the following significant judgements: Based upon our risk assessment and experience of auditing the financial statements of the group we have determined performance materiality to be 75% of financial statement materiality. This is the same as the previous year.	In determining performance materiality, we made the following significant judgements: Based upon our risk assessment and experience of auditing the financial statements of the authority we have determined performance materiality to be 75% of financial statement materiality. This is the same as the previous year.
Significant revision of performance materiality threshold	We calculated performance materiality during the planning stage of the audit and then during the	We calculated performance materiality during the planning stage of the audit and then during the

Materiality measure		
that was made as the audit progressed	course of our audit, we re-assessed initial materiality based on actual gross expenditure for the year ended 31 March 2023 and adjusted our audit procedures accordingly.	course of our audit, we re-assessed initial materiality based on actual gross expenditure for the year ended 31 March 2023 and adjusted our audit procedures accordingly.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We did not determine a lower level of specific materiality for any areas of the financial statements.	We did not determine a lower level of specific materiality for any areas of the financial statements.
Communication of misstatements to the Audit, Risk and Governance Committee	We determine a threshold for reporting unadjusted differences to the Audit, Risk and Governance committee.	
Threshold for communication	£2.095m and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£2.074m and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group

Overall materiality – Authority



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the Authority's business and in particular matters related to:

Evaluating the reasonableness of the valuation of Land and Buildings

- The engagement team obtained an understanding of the Authority's property portfolio holding at the reporting date, and the timing and extent of the valuation exercises to be performed by management's experts;
- The Authority's rolling triennial valuation programme for other land and buildings did influence the scope of audit procedures. While a significant proportion of the Authority's land and buildings were revalued (£1,068m out of £2,177m at the reporting date), this left a balance of £1,109m of assets at the reporting date that had not been valued for at least a year prior to the reporting date. Auditor challenge was therefore required to gain assurance that these assets were reasonably stated in the financial statements;

Evaluating the reasonableness of the valuation of the net defined benefit pension asset/liability

- The engagement team obtained an understanding of the Authority's approach to obtaining actuarial reports which would allow for a reasonable estimate of the Authority's LGPS net asset/liability at the reporting date.
- The Authority's approach involved the use of estimated pension fund asset returns. This influenced the scope of the audit work since the engagement team was aware that updated information on pension fund asset performance could likely have a material impact on the Authority's net asset/liability. Given the level of materiality at £41.9m against the value of assets subject to market fluctuation of £4,311m (at the start of the year), it was considered a significant source of estimation uncertainty.
- Within the scope of our audit procedures is the evaluation of the work of the pension fund auditor, in respect of the pension fund's reported asset performance; the work of the nationally appointed auditor's expert, in respect of assessing the appropriateness of actuarial assumptions used by the scheme actuary; and the work of the scheme actuary in preparing the IAS 19 calculations and disclosures to be included in the Authority's financial statements.

Evaluating the reasonableness of the valuation of Investment Properties

- The engagement team obtained an understanding of the group's investment property portfolio holding at the reporting date, and the timing and extent of the valuation exercises to be performed by management's experts;
- The group's valuation programme did not significantly influence the scope of the audit procedures for Investment Property since the group followed its stated policy of revaluing its Investment Property holding (£84m) at the reporting date.
- The investment property is held within the group accounts, and so we directed the component auditor to perform appropriate procedures to gain assurance over the valuation of the properties.

Understanding the group, the Authority and its other components, and their environments, including group-wide controls

- The engagement team obtained an understanding of the Authority, the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group and Authority level;
- The group organisational structure did not significantly influence the scope of the audit as the Authority's finance team was in control of the production of the financial statements, which was not a complex process.

Identifying significant components

- The group audit team evaluated the identified components to assess their significance and determined the planned audit response based on a measure of materiality. Significance was determined as a percentage of the group's total gross expenditure as well as the value of the assets of the subsidiary on the group balance sheet.

Type of work to be performed on financial information of the Authority and other components (including how it addressed the key audit matters)

- Full scope audit procedures were undertaken at the Authority
- Full scope audit procedures were performed at the subsidiary, Lancashire County Developments Limited, by the component auditor.

Performance of our audit

- Full scope audit procedures were undertaken at the Authority, which represents 99% of the group's total expenditure. Refer to the table below for greater clarity.
- Obtained an understanding of the consolidation process and tested the consolidation, including the alignment of accounting policies, and the significant consolidation adjustments.

Communications with component auditors

- we issued the auditors of the component with a set of group instructions, outlining the procedures required for completion to support the group audit.

Audit approach	Number of components	% coverage gross expenditure
Full-scope audit	**2**	**100**
Specific-scope audit	**0**	**0**
Specified audit procedures	**0**	**0**
Review procedures	**0**	**0**
Analytical procedures	**0**	**0**

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, and our auditor's report on the pension fund financial statements. The Chief Executive 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 April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with '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.

Our opinion on other matters required by the Code of Audit Practice is unmodified

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

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

Responsibilities of the Authority and the Chief Executive

As explained more fully in the Statement of Responsibilities, the Authority 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. In this authority, that officer is the Chief Executive. The Chief Executive 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 Executive 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 Executive is responsible for assessing the Authority'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 Authority 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 group and Authority 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, the Local Government Act 1972 and the Local Government Act 2003).

We enquired of management and the Audit, Risk and Governance Committee, concerning the group and Authority'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 Audit, Risk and Governance Committee, 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 Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's 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 altered the Authority's financial performance for the year;
- potential management bias in determining accounting estimates and judgements in relation to:
  - the valuation of land and buildings
  - the valuation of the net pension fund asset
  - the completeness and accuracy of provisions

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 large post year-end journals above performance materiality, journals posted by senior management, material journals posted during the migration of the new ledger, journals prepared and posted by different users and journals posted by users with administrative privileges,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property, provisions, and net pension fund asset valuations;
- 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, and the component auditor, including the risk of management override of controls. 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 group and Authority's engagement team and component auditors included consideration of the engagement team's and component auditor's;

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector in which the group and Authority operates
- understanding of the legal and regulatory requirements specific to the Authority 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 Authority 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 Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

For components at which audit procedures were performed, we requested component auditors report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.

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.

Other matters which we are required to address

We were appointed by Public Sector Audit Appointments in December 2017 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods. Our total uninterrupted period of engagement is 11 years, covering the years ending 31 March 2013 to 31 March 2023.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group and Authority and we remain independent of the group and Authority in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit, Risk and Governance Committee.

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

Matter on which we are required to report by exception – the Authority'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 Authority 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 except on 22 April 2024 we identified a significant weakness in the Council's governance arrangements. During 2022-23, the Council implemented its new Oracle Fusion system used for procurement, payroll and finance procedures. The implementation gave rise to several issues, both technical and relating to governance arrangements, these issues have impacted on the running of the Council, payment of suppliers, the preparation of the 2022-23 Statement of Accounts and the timeliness of the completion of both the 2021-22 and 2022-23 External Audits. We recommended that the Council must ensure that all outstanding issues with the Oracle Fusion system are rectified in line with its current timescale. The Council must also ensure that it engages with all lessons learned activities regarding the Oracle Fusion implementation with a focus on the root causes of issues felt during the process. The Council must also ensure that causes of the issues and the lessons learned from the implementation are appropriately reported to members.

Responsibilities of the Authority

The Authority 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 Authority’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 Authority 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 Authority'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 January 2023. 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 Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority 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 Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

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

We cannot formally conclude the audit and issue an audit certificate for Lancashire County Council 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 until we have:

- Completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2023.
- We are also unable to issue our certificate of completion of the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our consideration of a matter brought to our attention by the Authority in 2013.
- We are required to give an opinion on the consistency of the pension fund financial statements of the Council included in the Pension Fund Annual Report with the pension fund financial statements included in the statement of accounts. We have yet to issue our report on the consistency of the pension fund financial statements.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

Use of our report

This report is made solely to the members of the Authority, 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 Authority’s members those matters we are required to state to them 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sarah Ironmonger, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

Date: