

# **POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE JOINT AUDIT, RISK & ASSURANCE PANEL**

PAPER MARKED

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Report of	CHIEF CONSTABLE and CHIEF FINANCE OFFICER (OPCC)
Subject	EXTERNAL AUDIT PROGRESS UPDATE AND 2019/20 AUDIT RESULTS REPORT
Date	FRIDAY 16 OCTOBER – 10.00 A.M.
Author :	MR NEIL HARRIS, ERNST & YOUNG

## **Purpose of Report**

1. For members to consider the report.

## **Recommendation**

2. The Panel is recommended to discuss the contents of the report.

## **Background**

3. None

## **Implications**

Financial: none.

Legal: none.

Equality Impact Assessment: none.

Risks and Impact: as per individual reports.

Link to Police and Crime Plan: as per audit plan

## **List of Attachments / Appendices**

1920 Audit Results Report

## **Background Papers**

None

## **Officer to Contact**

Paul Dawkins – Assistant Chief Officer (Finance & Resources): Leicestershire Police and  
Temporary Chief Finance Officer: Office of Police and Crime Commissioner for  
Leicestershire – 0116 248 2244

**The Police & Crime Commissioner  
for Leicestershire /  
Chief Constable of Leicestershire  
Constabulary  
Draft Audit Results Report**

October 2020

Year ended 31 March 2020



Building a better  
working world



Police and Crime Commissioner and Chief Constable  
Leicestershire Police  
Leicester  
LE19 2BX

7 October 2020

### Annual Results Report

We are pleased to attach our audit results report. This report summarises our preliminary audit conclusion in relation to the audit of the Police and Crime Commissioner for Leicestershire (PCC) and Chief Constable of Leicestershire Constabulary (CC) 2019/20. This follows my verbal update to the JARAP (Joint Audit Risk and Assurance Panel) meeting on the 29<sup>th</sup> July 2020.

We have substantially completed our audit of PCC and CC for the year ended 31<sup>st</sup> March 2020. Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements before the revised accounts publication date of 30 November 2020. Subject to professional practice consultations, our audit opinion may include an "Emphasis of Matter" paragraph to refer to the going concern disclosures included by the Authority to explain the impact of Covid-19 on future financial plans. We are satisfied with your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of JARAP and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the JARAP meeting on 16 October 2020.

Yours faithfully

Neil Harris  
Associate Partner  
For and on behalf of Ernst & Young LLP  
Encl

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk)). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This report is prepared in the context of the Statement of responsibilities. It is addressed to the the PCC for Leicestershire and CC of Leicestershire Constabulary, JARAP and management and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

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01

# Executive Summary

## Executive Summary

### Scope update

In our audit planning report tabled at the 29 July 2020 JARAP meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

#### Changes in Materiality

- ▶ We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment in light of Covid-19.
- ▶ Based on our materiality measure of 2% gross expenditure on provision of services, we have updated our overall materiality assessment:
  - The PCC Group has increased to £6.04 million (Audit Planning Report – £5.49 million); and
  - The CC Single Entity has increased to £5.87 million (Audit Planning Report – £5.36 million).
- ▶ Based on our materiality measure using 2% of gross assets, we have updated our overall materiality assessment:
  - The PCC Single Entity has decreased to £2.01 million (Audit Planning Report – £2.21 million).
- ▶ The Police Pension Fund materiality has remained the same as in the Audit Planning Report, at £1.13 million. This is based on 2% of the higher of Benefits Payable/Contributions Receivable
- ▶ This results in updated performance materiality levels, set at 75% of overall materiality, of £4.53 million; £4.40 million; £1.51 million; and £0.85 million for the PCC Group; CC Single Entity; PCC Single Entity; and Police Pension Fund respectively.
- ▶ Thresholds for reporting uncorrected misstatements have been updated to £302k; £294k; £100k and £57k for the PCC Group; CC Single Entity; PCC Single Entity; and Police Pension Fund respectively.

**Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19.** The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform once we have quantified the impact on our audit fee, we will discuss with the Interim CFO and report the final agreed fee in our annual audit letter.



# Executive Summary

## Status of the audit

We have substantially completed our audit of the PCC and CC for Leicestershire's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements:

- Conclude on the pensions disclosures (IAS 19) including the review of adjustments made to pension liabilities for McCloud, pending IAS 19 assurances from the pension fund auditor.
- Conclude on valuation of property, plant and equipment
- Conclude on provisions
- Receipt of a signed letter of management representation on conclusion of the audit
- Completion of subsequent event review procedures
- Conclude our consultation processes associated managements going concern assessment and disclosures
- Final review of the narrative report, annual governance statement and financial statements

Until work is complete, further amendments may arise.

## Audit differences

Last year the government's appeal in relation to the age discrimination present in public sector schemes was ruled against in the High Court. Consequently, some members of the schemes need to be compensated with higher benefits. Some schemes made an allowance for this impact as past service cost in their accounts last year. As no guidance had been provided in how new members would be compensated, the adjustment made was an estimate. A consultation document was released which provided further details on how benefits would be changed to remove the age discrimination. Consequently, following the conclusion of the McCloud judgement, which was after the preparation of the draft financial statements the PCC/CC requested an update to the Actuary report to take into consideration the impact of the judgement, the revised actuary report indicated the pension liability had been overstated by £0.924m, the PCC/CC have NOT updated their accounts for this as the adjustment is not considered to be material. If adjusted, the pensions liability would reduce by £0.924m, with no impact on the PCC and CC general useable reserves.

Details of the unadjusted error, can be found in section 4. Currently no adjusted errors have been identified. We will update JARAP if there are any further issues arising from our incomplete audit procedures.

## Areas of audit focus

Our audit plan identified key areas of focus for our audit of the PCC and CC financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit focus" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to your attention

## Executive Summary

### Control observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

### Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified 1 significant risk over securing financial resilience.

We performed the work set out in our audit plan in response to the risk and have concluded that the PCC and CC had adequate arrangements to respond to the risks of securing its medium to longer term financial resilience.

### Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the PCC and CC. We have no other matters to report as a result of this work.

The PCC and CC complied with the 2015 Accounts and Audit Regulations in their notice of audit.

We are not reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission as the PCC Group falls below the £500 million threshold for review as per the NAO's group instructions.

We have no other matters to report.

### Independence

Please refer to **Section 9** for our update on Independence. We have no independence issues to bring to your attention.





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## Areas of Audit Focus



## Areas of Audit Focus

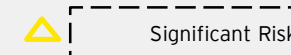
### Significant risk

#### Risk of misstatement due to fraud or error (including Incorrect capitalisation of Revenue Expenditure)

##### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.



##### What judgements are we focused on?

We focused on aspects of the financial statements where management could inappropriately inflate income or understate expenditure, primarily reviewing:

- Undertook an identification of fraud risks during the planning stages, and inquired of management about risks of fraud and the controls put in place to address those risks.
- Gained an understanding the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud and determined an appropriate strategy to address those identified risks.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- Obtained an understanding of how the transactions and balances for each jointly controlled operation are identified, recorded and classified in the Leicestershire PCC and CC general ledger.
- Obtained a breakdown of how the transactions and balances for each jointly controlled operation are allocated by Leicestershire PCC and CC to each East Midlands PCCs and CC.
- Tested a representative sample of transactions and balances for jointly controlled operations (expenditure and where appropriate assets and liabilities) to ensure that these relate to collaborative arrangements and are appropriately apportioned to each of the East Midlands PCCs and CCs in accordance with the underlying collaboration (or section 22 agreements).

For the incorrect classification of revenue spend as capital we undertook the following:

- Sample tested additions to property, plant and equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised; and

In addition, to inform our audit work, we reviewed the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.



## Areas of Audit Focus

### Significant risk (cont.)

#### What did we do?

In response to this risk, we:

- Identified fraud risks during the planning stages.
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Gained an understanding the oversight given by those charged with governance of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

#### What are our conclusions?

- We obtained the responses we requested from management and those charged with governance and used these to inform our understanding of fraud risks. We noted that key elements of the entity level control framework that we would expect to see, especially arrangements for internal audit, counter fraud and risk management, were in place.
- Our walkthrough testing included considering what controls are in place to address significant risks. We confirmed that these controls were in place, although our approach was not to rely on controls.
- We have not identified any material weaknesses in controls or evidence of material management override.
- We have not identified any instances of inappropriate judgements being applied.
- We have not identified any material misstatements from the incorrect capitalisation of expenditure items.
- Our work on collaborative arrangements in respect of the allocation of income and expenditure has not identified any material errors.



## Areas of Audit Focus

### Significant risk (cont.)



#### Further details on procedures/work performed

We focussed on the following judgemental areas:

- **Capitalisation of revenue expenditure**

Our approach focussed on selecting a sample of additions in year and testing these to supporting evidence to confirm that these items were correctly accounted for as capital, in line with the accounting standards. We have not identified any additions that were incorrectly capitalised.

- **Collaboration**

We reviewed the underlying allocation of expenditure in the PCC's and CC's own accounts against agreements in place. As the same EY auditor undertook the collaboration work across all sites we have not had recourse to write separately to auditors as regards significant streams of expenditure not controlled by Leicestershire

- **Appropriateness of manual journals**

We selected a sample of manual journals and tested the items through to supporting evidence. We reviewed the business rationale for the manual journals for reasonableness and checked the accounting entry. We have not identified any material issues from our journals testing.



# Areas of Audit Focus

## Valuation of Land and Buildings

## Significant risk

What is risk?	What did we do?	Our Conclusions
<p><b>Valuation of Land and Buildings</b></p> <p>The fair value of Property, Plant and Equipment including assets held for sale, represent significant balances in the Group accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. This has been assessed as a significant risk in this financial year due to the use of new external valuers being used. Therefore there is a greater chance that valuations of assets may vary significantly from their previous valuations due to potential changes in methodology and therefore this has given rise to us classing this as a significant risk for 2019/20.</p>	<p>We have</p> <ul style="list-style-type: none"> <li>▶ Considered the work performed by the PCC's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;</li> <li>▶ Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);</li> <li>▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We also considered if there are any specific changes to assets that have occurred and that these have been communicated to the value;</li> <li>▶ Reviewed assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated;</li> <li>▶ Considered the circumstances that require the use of EY valuation specialists to review any material specialist assets and the underlying assumptions used;</li> <li>▶ Considered changes to useful economic lives as a result of the most recent valuation;</li> <li>▶ Tested that accounting entries have been correctly processed in the financial statements;</li> <li>▶ Engaged with our internal PPE specialists in order to ensure that the methodology used by the valuer is deemed to be appropriate in order to ensure that there are no material misstatements;</li> <li>▶ Used our internal PPE specialists to test PPE valuation assumptions for specific assets; and</li> <li>▶ Considered how the valuer addressed the impact of Covid-19 in the year-end valuation of assets and assessment of impairments.</li> </ul>	<p>We have not concluded our work, from the testing carried out to date:</p> <ul style="list-style-type: none"> <li>▶ We found the PCC's external valuer Lambert Smith Hampton to be appropriately qualified with the relevant skills to perform the valuation analysis.</li> <li>▶ We engaged EYRE to review a sample of assets and found that the valuation was undertaken in accordance with relevant financial reporting guidance, and the key assumptions used in the valuation were appropriate and within an acceptable range.</li> <li>▶ The PCC valuer included a material uncertainty sentence in their valuation report. We have requested the Authority to update the PPE disclosures, to clearly show the the asset classes, valuation methods and potential uncertainty impact of Covid 19 to the valuations. On receipt of the impact assessment / revised disclosures, we will consider whether our audit report will include an emphasis of matter paragraph in respect of the level of assurance we can obtain on the material accuracy over the valuation of Land and buildings and whether appropriate disclosures have been included in the accounts</li> </ul>





## Areas of Audit Focus

### Other areas of audit focus - Pension Fund Liability

What is the area of focus?	What did we do?	Our Conclusions
<p><b>Pension Liability Valuation</b></p> <p>The Local Authority Accounting Code of Practice and IAS19 require extensive disclosures within the financial statements regarding membership of the Local Government Pension Scheme administered by Leicestershire County Council.</p> <p>The information disclosed is based on the IAS 19 report issued to the PCC and CC by the actuaries to the Leicestershire Pension Fund and also the Police Pension Fund. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>Local Government and Police Pension Schemes</p> <p>We have:</p> <ul style="list-style-type: none"> <li>• Updated our documentation of management's processes and controls over pension expenditure and deduction of employer and employee contributions;</li> <li>• Liaised with the auditors of Leicestershire Pension Fund and Police Pensions (i.e. Grant Thornton), to obtain assurances over the information supplied to the actuary in relation to Leicestershire Police;</li> <li>• Reviewed the work of the Local Government actuary (Hymans Robertson LLP) and the Police Pension actuary (Mercer) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team to ensure they are in our expected range; and</li> <li>• Reviewed and tested the accounting entries and disclosures made within the PCC and CC's financial statements to ensure consistency with the IAS 19 entries in both actuarial reports.</li> <li>• Considered the effect of both McCloud judgement and Guaranteed Minimum Pensions (GMP) equalisation and tested the revised actuarial assumptions and adjustments.</li> <li>• Reviewed the process of quantifying the effect of equalisation by the pension fund, including from detailed and 'granular' calculations of the actuaries.</li> </ul> <p>Police Pension Scheme (only)</p> <p>We have:</p> <ul style="list-style-type: none"> <li>▶ Tested a sample of lump sums and pension payments for new Police pensioners;</li> <li>▶ Completed a predictive analytical review for both the pensions payroll and employees and employers pension contributions;</li> <li>▶ Assessed management's arrangements to reconcile the active and pensioner membership numbers.</li> </ul>	<p><b>Our work has not been concluded, from the procedures carried out, our work has not identified any material misstatements of the Authority's liability or related disclosures in this regard.</b></p> <ul style="list-style-type: none"> <li>▶ We have assessed and are satisfied with the competency and objectivity of the PCC and CC's actuaries: Hymans Robertson LLP and Mercers</li> <li>▶ EY pensions team and PwC (Consulting Actuary to the NAO) have reviewed the work of the actuaries. We challenged the actuarial valuation and found no indication of management bias in this estimate.</li> <li>▶ Our review of accounting entries at period end and those journals made in processing estimate did not reveal any instances of management intention to misreport the financial position.</li> </ul>



## Areas of Audit Focus

### Other areas of audit focus

#### **Pension Liability Valuation (Continued)**

- ▶ Last year the government's appeal in relation to the age discrimination present in public sector schemes was ruled against in the High Court. Consequently, some members of the schemes need to be compensated with higher benefits. Some schemes made an allowance for this impact as past service cost in their accounts last year. As no guidance had been provided in how new members would be compensated, the adjustment made was an estimate. On the 21 July 2020 a consultation document was released which provided further details on how benefits would be changed to remove the age discrimination.
- ▶ Consequently, following the conclusion of the McCloud judgement, the PCC/CC requested an update to the Actuary report to take into consideration the impact of the judgement, the revised actuary report indicated the pension liability had been overstated by £0.924m, the PCC/CC have NOT updated their accounts for this as the adjustment is not considered to be material.
- ▶ We are awaiting confirmation the assumptions used by the Actuary from EY pensions, are in line with the ruling, there has been a delay as EY pensions have recently been notified that the assumptions used to re-run the reports are being revisited by the Actuary.
- ▶ We are awaiting the IAS19 assurance letter from the Pensions fund auditor to conclude on our work.



## Areas of Audit Focus

### Other areas of audit focus – Going Concern (relating to Covid-19)

What is the area of focus?	What did we do?	Our Conclusions
<p><b>Going Concern Compliance with ISA 570</b></p> <p>Covid-19 has created a number of financial pressures throughout Local Government. Dependent on the circumstances of the individual body it is creating financial stress in either or a combination of increasing service demand leading to increased expenditure in specific services, and reductions in income sources. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19.</p> <p>There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in Chief Financial Officers using their s114 powers. This could be under s114(3), insufficient resources to fund likely expenditure.</p>	<p>In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we obtained a documented and detailed consideration of management's assertion regarding the going concern basis, and particularly with a view whether there are any material uncertainties for disclosure.</p> <p>We reviewed your updated going concern disclosures within the financial statements under IAS1, and associated financial viability disclosures within the Narrative Statement. You have informed us that you have disclosed any material uncertainties that do exist.</p> <p>The disclosures also appropriately include the process that has been undertaken for revising financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions including but not restricted to the use of reserves, and key assumptions (e.g. assumed duration of Covid-19).</p> <p>Our audit procedures to review these considered:</p> <ul style="list-style-type: none"> <li>▶ Current and developing environment;</li> <li>▶ Liquidity (operational and funding);</li> <li>▶ Mitigating factors;</li> <li>▶ Management information and forecasting; and</li> <li>▶ Sensitivities and stress testing.</li> </ul>	<p>We note the Authority has updated their financial plans for 2020/21 and refreshed the medium term financial plan, as a result of Covid-19, see section 5 for further details. The Authority has provided EY with the going concern assessment, and concluded the PCC/CC has appropriate level of reserves and access to funds, over the 12 month period from the audit report.</p> <p>The PCC/CC updated the going concern disclosures, to disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19, actual year end financial position and performance. EY consultation requirements concerning the impact on auditor report are in progress.</p> <p>Given the significance of the pandemic we acknowledge that the PCC/CC faces some finance challenges due to COVID-19, however we do concur with management assessment there is headroom within the general fund to absorb the estimated financial impact of the outbreak in the short to medium term.</p> <p>We are concluding our work in this area. From the work carried out to date, we do not consider an Emphasis of Matter paragraph in respect of impact of CoVID 19 on the operations and finances of the Authority within our audit report is required, to draw a lay reader of the financial statements to this key disclosure note of the Authority, and to demonstrate that there is no material uncertainty on Going Concern. However, we will need to complete consultation with our professional practice team on the final disclosures and impact for our audit report before we are able to conclude.</p>



## Areas of Audit Focus



### Other matters continued

**Information Produced by the Entity (IPE):** We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:

- Used the screen sharing function of Skype to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

There was delay to the audit team in being able to access Skype, the delay meant the audit tasks had to be re-visited, to ensure the information used was complete and accurate.



## 03 Audit Report





# Audit Report

## Draft Audit report

### Our opinion on the financial statements

#### INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR LEICESTERSHIRE

##### Opinion

We have audited the financial statements of the Police and Crime Commissioner for Leicestershire for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Police and Crime Commissioner for Leicestershire and Group Comprehensive Income and Expenditure Statement;
- Police and Crime Commissioner for Leicestershire and Group Balance Sheet;
- Police and Crime Commissioner for Leicestershire and Group Movement in Reserves Statement;
- Police and Crime Commissioner for Leicestershire and Group Cash Flow Statement
- Related notes 1 to 41; and
- Police and Crime Commissioner for Leicestershire Pension Fund Account Statements and related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Leicestershire and Group as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the PCC for Leicestershire and 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 the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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



# Audit Report

## Draft Audit report

### Our opinion on the financial statements

#### Other information

The other information comprises the information included in the Narrative Report set out on pages 1 to 7, 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 this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

##### Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, the PCC put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

#### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- 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;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014

We have nothing to report in these respects



# Audit Report

## Draft Audit report

### Our opinion on the financial statements

#### Responsibility of the Chief Finance Officer

As explained more fully in the "Statement of Responsibilities for the Accounts for the Police and Crime Commissioner" set out on page 8, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Police and Crime Commissioner's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Police and Crime Commissioner either intends to cease operations, or have no realistic alternative but to do so.

The Police and Crime Commissioner is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### *Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources*

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the PCC had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the PCC put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the [PCC] had put in place proper arrangements to secure 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 satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.



# Audit Report

## Draft Audit report

### Our opinion on the financial statements

We report if significant matters have come to our attention which prevent us from concluding that the PCC has put in place 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.

#### Certificate

We certify that we have completed the audit of the accounts of the Police and Crime Commissioner for Leicestershire in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

#### Use of our report

This report is made solely to PCC, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the PCC, for our audit work, for this report, or for the opinions we have formed.

Neil Harris (Key Audit Partner)  
Ernst & Young LLP, (Local Auditor)  
Luton  
Date xx October/November 2020

The maintenance and integrity of the PCC of Leicestershire's website is the responsibility of the PCC; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# Audit Report

## Draft Audit report

### Our opinion on the financial statements

#### INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF LEICESTERSHIRE

##### Opinion

We have audited the financial statements of the Chief Constable of Leicestershire for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Chief Constable of Leicestershire Comprehensive Income and Expenditure Statement;
- Chief Constable of Leicestershire Balance Sheet;
- Chief Constable of Leicestershire Movement in Reserves Statement;
- Chief Constable of Leicestershire Cash Flow Statement;
- and the related notes 1 to 22; and
- Chief Constable of Leicestershire e Pension Fund Account and related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Leicestershire as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Chief Constable for Leicestershire 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 the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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





# Audit Report

## Draft Audit report

### Our opinion on the financial statements

#### Other information

The other information comprises the information included in the Narrative Report set out on pages 1 to 7, 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 this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

##### Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, the CC put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

##### Matters on which we report by exception

We report if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- 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;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects



# Audit Report

## Draft audit report

### Our opinion on the financial statements

#### Responsibilities of the Chief Financial Officer

As explained more fully in the "*Statement of Responsibilities for the Accounts for the Chief Constable of Leicestershire*" set out on page 8, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the CC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Constable either intends to cease operations, or have no realistic alternative but to do so.

The Chief Constable is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the CC had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the CC had put in place proper arrangements to secure 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 satisfy ourselves that the CC has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.



# Audit Report

## Draft Audit report

### Our opinion on the financial statements

We report if significant matters have come to our attention which prevent us from concluding that the CC has put in place 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 CC's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### Certificate

We certify that we have completed the audit of the accounts of the CC in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

#### Use of our report

This report is made solely to the CC in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the CC for our audit work, for this report, or for the opinions we have formed.

*Neil Harris (Key Audit Partner)*  
*Ernst & Young LLP (Local Auditor)*  
*Luton*

**Date xx October/ November 2020**

The maintenance and integrity of the CC's website is the responsibility of the CC; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04

## Audit Differences



## Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

### Summary of unadjusted differences

We highlight the following misstatements in the financial statements greater than £302k for the PCC Group; £294k for the CC Single Entity; £100k for PCC Single Entity and £57k for the Police Pension Fund identified during the audit. These have been corrected by management:

- ▶ As detailed under the executive section, following conclusion of the McCloud judgement in relation to pension liabilities, which was confirmed after the preparation of the draft financial statements. An additional actuarial valuation was obtained to reach a more precise impact than the initial estimate. As the value is not material, the error has not been adjusted, if adjusted it would result in the reduction of pensions liability by £0.9224m. This would have corresponding impact on the cost of services in the comprehensive income and expenditure statement.

We will update JARAP if there are any further issues arising from our incomplete audit procedures.  
There were no corrected misstatements as at the date of this report.

### Disclosure amendments

In addition we identified a disclosure difference during the course of our audit procedures which were corrected by management in the final statement of accounts, as follows:

- ▶ In note 16.1 Adjustments to net (surplus) or deficit on the provision of services for non-cash movements, the increase in creditor and decrease in debtor movements was understated by £0.356m

There are other minor disclosure amendments we noted were not corrected in the latest version of the statement of accounts.





05

## Value for Money Risks





# Value for Money

## Background

We are required to consider whether the PCC and CC have put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

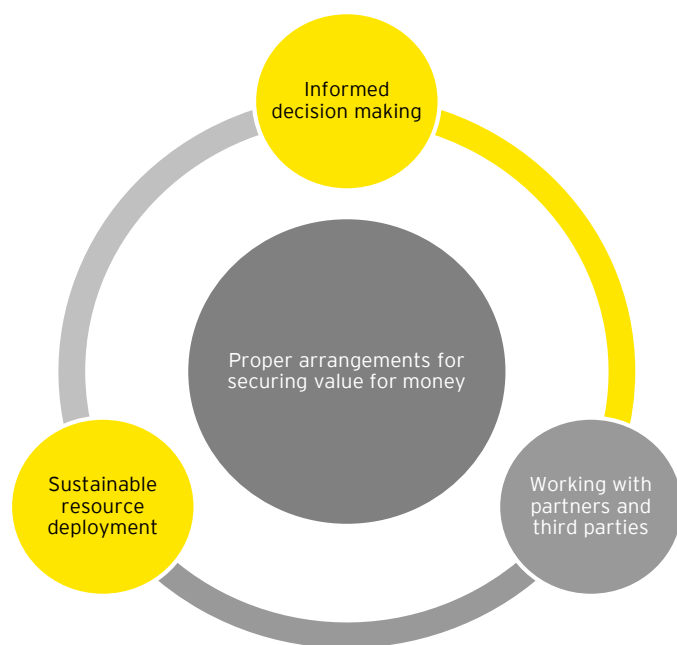
For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.



## Impact of covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider PCC/CC' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion. Our review has not identified further risks.

## Overall conclusion

We identified one significant risks around securing financial resilience. The tables below present our findings in response to the risk in our Audit Planning Report and any other significant weaknesses or issues we want to bring to your attention. As a result of our procedures, we conclude that the PCC and CC had adequate arrangements to respond to the risks of securing its medium to longer term financial resilience.



## Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

*“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”*

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>Securing financial resilience</p> <p>The PCC and CC continues to face significant financial challenges in the medium term. The February 2020 medium term financial plan (MTFP) shows that there is a projected funding gap from 2020/21 to 2024/25. These include expected funding gaps of £7.1m in 2023/24 and £10.0m in 2024/25. The entity plan to balance the budget for 2021/22 and 2022/23 by using £9.6m of the Budget Equalisation Reserve.</p> <p>This is predicated upon an assumed £10 precept increase and a prudent use of reserves throughout the first three years of the plan.</p> <p>Additionally, it is currently unknown as to what the full impact of the COVID-19 pandemic will be on the entity and in particular what financial impact this will have on the entity, therefore this uncertainty will have to be considered in our work performed in considering the reasonableness of the MTFP. It will not be possible to obtain a complete understanding of the full effect of COVID-19 at this planning stage of the audit however we consider it to be a factor for uncertainty and risk that may affect the MTFP’s forecasting.</p>	<p>Sustainable resource deployment</p>	<p>We have reviewed the arrangements in place at the PCC and CC, and plans in place to address the shortfall identified, and note:</p> <ul style="list-style-type: none"> <li>▶ The PCC and CC has a good track record of budget monitoring, the 2019/20 performance of a managed underspend of £2.4m on a budget of £187.1m demonstrates effective budgeting and performance monitoring which gives us a level of assurance that the PCC and CC is both realistic in its budgeting and has tight control on its finances</li> <li>▶ A balanced budget has been set for the 2020/21 financial year which included £1.8m to be transferred to the Budget Equalisation Reserve</li> <li>▶ The February 2020 medium term financial plan (MTFP) has been updated to take into consideration Covid 19, and shows that there is a projected funding gap from 2020/21 to 2024/25. These include expected funding gaps of £5.4m in 2023/24 and £11.3m in 2024/25. The entity plan to balance the budget for 2021/22 and 2022/23 by using £12.7m of the Budget Equalisation Reserve, whilst still maintaining useable reserves above minimum set by the CFO of £5m.</li> <li>▶ The financial challenges for local government organisations are increasing and the PCC and CC has a good understanding of the risks it faces, and considered plans to address them, is important that the PCC ensures future savings plans are delivered in full to strengthen its underlying financial position</li> </ul> <p>We conclude that the arrangements to secure financial resilience has no impact on our VFM conclusion.</p>





## 06 Other reporting issues



## Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the 2019/20 Statement of Accounts with the audited financial statements. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the 2019/20 Statement of Accounts and published with the financial statements was consistent with the audited financial statements. We also have no matters to report on the Annual Governance Statement which was consistent with our knowledge.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

As the PCC Group falls below the £500 million threshold for review as per the NAO's group instructions, we are not reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

## Other reporting issues

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process.

Impact of CoVID 19 our audit opinion will emphasise the followings :

We are currently concluding on our property valuations work and going concern assessment, we anticipate the following:

➤ Land and buildings

The Authority's valuer included a material uncertainty sentence in their valuation report. On receipt of the impact assessment by the Authority, we will consider whether our audit report will include an emphasis of matter paragraph in respect of the level of assurance we can obtain on the material accuracy over the valuation of Land and buildings and whether appropriate disclosures have been included in the accounts.

➤ Going Concern

Subject to consultation, our audit report may include an emphasis of matter paragraph in our audit report in respect of the impact of CoVID 19 on the operations and finances of the Authority.





07

## Assessment of Control Environment





# Assessment of Control Environment

## Financial controls

It is the responsibility of the PCC and CC to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice.

Our responsibility as your auditor is to consider whether the PCC and CC have put adequate arrangements in place to satisfy themselves that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.





08

## Data Analytics





# Use of Data Analytics in the Audit

## Data analytics

### Analytics Driven Audit

#### Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2019/20, our use of these analysers in the PCC's and Cc's audit included testing journal entries and to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

#### Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.



09

## Independence

## Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning report dated 10 July 2020.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that the PCC and CC consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence.

# Independence



## Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and its PCC and CC and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats. There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed below has been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.



# Independence

## Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2020.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements

	Final Fee 2019/20	Planned Fee 2019/20	Scale Fee 2019/20
	£	£	£
Total PCC Fee - Code work	TBC	£34,971	£24,971
Total CC Fee - Code work	TBC	£16,550	£11,550
Scale fee variation	See notes 1 on our assessment with the baseline fee and note 2 for scale fee variation	Note 2 - £15,000 for scale fee variation (estimate)	
<b>Total fees</b>	<b>TBC</b>	<b>£51,521</b>	<b>£36,521</b>

**Note 1:** At the planning stage we highlighted factors such as risk, complexity, professional and regulatory context which impacted the scale fee and our view that the baseline fee needed to be revisited. We set out our view in the audit planning report that a sustainable audit fee to deliver a high quality audit would be £80,767, an increase of £44,246. We have discussed this with the PCC and CC CFO and presented this to the last meeting of the JARAP. The PCC and CC CFO does not agree with our assessment. We have provided PSAA with a summary of the baseline fees which we have reassessed for 2019-2020 audits onwards. Any changes to the baseline/scale fee need to be approved by PSAA.

**Note 2:** For the 2019-2020 audit, we have highlighted areas in our audit plan and this report which have led to changes in the scope of our work. These include the change of valuer, work required to provide assurances on disclosures for collaboration schemes across East Midlands forces, the impact of Covid-19 on our audit procedures associated with going concern and valuation disclosures as well as the pensions adjustments for the restitution arrangements associated with the McCloud case. We are estimating that this will lead to a scale fee variation of £15,000. At the point we conclude the audit, we will discuss and provide a breakdown of our scale fee variation with the CFO for PCC and CC which will be subject to PSAA review. We will update the JARAP on the outcome of this.






# 10 Appendices

## Appendix A

# Required communications with the Audit Committee




There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Governance and Performance Working Group of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Planning Report - 10 July 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Planning Report - 10 July 2020
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> <li>▶ Findings and issues regarding the opening balance on initial</li> </ul>	Audit Results Report - 16 October 2020

## Appendix A



		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or together to raise any doubt about the PCC's and CC's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report -16 October 2020
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the <b>Governance and Performance Working Group</b> to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:                             <ol style="list-style-type: none"> <li>Management;</li> <li>Employees who have significant roles in internal control; or</li> <li>Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to the <b>Governance and Performance Working Group</b> responsibility.</li> </ul>	Audit Results Report - 16 October 2020

## Appendix A

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	Audit Results Report - 16 October 2020
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Planning Report - 10 July 2020 and</p> <p>Audit Results Report - 16 October 2020</p>






## Appendix A

		Our Reporting to you
Required communications	 What is reported?	 When and where
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	Audit Results Report - 16 October 2020
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Results Report - 16 October 2020



## Appendix A

		Our Reporting to you
Required communications	 What is reported?	  When and where
Group Audits	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.</li> </ul>	Audit Results Report - 16 October 2020
Written representations	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report - 16 October 2020
Material inconsistencies or misstatements	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report - 16 October 2020
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - 16 October 2020
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit planning report is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit Planning Report - 10 July 2020 Audit Results Report - 16 October 2020

# Management representation letter

## Management Rep Letter

To be prepared on the entity's letterhead]  
[Date]

Ernst & Young LLP  
400 Capability Green  
Luton  
LU1 3LU

This letter of representations is provided in connection with your audit of the financial statements of the Police and Crime Commissioner of Leicestershire Constabulary ("the PCC") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of the PCC as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We acknowledge, as members of management of the CC, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the PCC in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the PCC, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of the unadjusted audit difference of £0.9224m overstatement of the pension liability, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and council financial statements taken as a whole. We have not corrected these differences identified by and brought to our attention by the auditor because we do not believe that they are material.

# Management representation letter

## Management Rep Letter

### B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the PCC's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and PCC financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the PCC (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or PCC's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the PCC's activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or
  - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the PCC, Cabinet and the Joint Audit and Risk Assurance Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 16 October 2020.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the PCC's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

# Management representation letter

## Management Rep Letter

6. We have disclosed to you, and the PCC has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and PCC financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and PCC financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed to you all guarantees that we have given to third parties.
4. No claims in connection with litigation have been or are expected to be received.

### E. Subsequent Events

1. There have been no events, including events related to the COVID-19 pandemic subsequent to year end which require adjustment of or disclosure in the consolidated and PCC financial statements or notes thereto.

### F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Annual Governance Statement and Narrative Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

### G. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for

### H Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of non-current assets and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and PCC financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

# Management representation letter

## Management Rep Letter

### Accounting Estimates

#### Valuation of Pension Asset/Liabilities and Property, Plant and Equipment

1. We believe that the measurement processes, including related assumptions and models, used to determine the above accounting estimates have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the significant assumptions used in making the estimated valuations of Pension Asset/Liabilities and Property, Plant and Equipment appropriately reflect our intent and ability to carry out specific courses of action on behalf of the PCC.
3. We confirm that the disclosures made in the PCC financial statements with respect to the accounting estimates are complete including the effects of the COVID-19 pandemic on 16 March 2020 and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the PCC financial statements due to subsequent events, including due to the COVID-19 pandemic.

Yours faithfully,

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Chief Constable

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Chief Financial Officer

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Chairman of the Joint Audit Risk Assurance Panel

# Management representation letter

## Management Rep Letter

To be prepared on the entity's letterhead]  
[Date]

Ernst & Young LLP  
400 Capability Green  
Luton  
LU1 3LU

This letter of representations is provided in connection with your audit of the financial statements of the Chief Constable of Leicestershire Constabulary ("the CC") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of the CC as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We acknowledge, as members of management of the CC, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the CC in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the CC, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of the unadjusted audit difference of £0.9224m overstatement of the pension liability, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and council financial statements taken as a whole. We have not corrected these differences identified by and brought to our attention by the auditor because we do not believe that they are material.



# Management representation letter

## Management Rep Letter

### B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the CC's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and CC financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the CC (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or CC's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the CC's activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or
  - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the CC, Cabinet and the Joint Audit and Risk Assurance Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 16 October 2020.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the CC's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

# Management representation letter

## Management Rep Letter

6. We have disclosed to you, and the CC has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and CC financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and CC financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed to you all guarantees that we have given to third parties.
4. No claims in connection with litigation have been or are expected to be received.

### E. Subsequent Events

1. There have been no events, including events related to the COVID-19 pandemic subsequent to year end which require adjustment of or disclosure in the consolidated and CC financial statements or notes thereto.

### F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Annual Governance Statement and Narrative Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

### G. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for

### H Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of non-current assets and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and CC financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

# Management representation letter

## Management Rep Letter

### Accounting Estimates

#### Valuation of Pension Asset/Liabilities and Property, Plant and Equipment

1. We believe that the measurement processes, including related assumptions and models, used to determine the above accounting estimates have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the significant assumptions used in making the estimated valuations of Pension Asset/Liabilities and Property, Plant and Equipment appropriately reflect our intent and ability to carry out specific courses of action on behalf of the CC.
3. We confirm that the disclosures made in the CC financial statements with respect to the accounting estimates are complete including the effects of the COVID-19 pandemic on 16 March 2020 and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the CC financial statements due to subsequent events, including due to the COVID-19 pandemic.

Yours faithfully,

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Chief Constable

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Chief Financial Officer

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Chairman of the Joint Audit Risk Assurance Panel

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