

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

PAPER MARKED

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Report of	<b>CHIEF CONSTABLE AND POLICE AND CRIME COMMISSIONER</b>
Subject	<b>EXTERNAL AUDIT ISA 260 2020-2021</b>
Date	<b>27 APRIL 2022 – 13:30 PM</b>
Author :	<b>MR NEIL HARRIS, ERNST &amp; YOUNG</b>

## **Purpose of Report**

1. For members to consider the report.

## **Recommendation**

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

## **Background**

4. 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**

External Audit ISA 260 2020-2021 Audit results – Appendix A

## **Background Papers**

None

## **Officer to Contact**

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**The Police and Crime  
Commissioner for Leicestershire**

**The Chief Constable for  
Leicestershire**

**Draft Audit Results Report**  
Year ended 31 March 2021  
27 April 2022

Private and Confidential

27 April 2022



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

Dear Members of the Joint Audit Risk and Assurance Panel

**2020/21 Draft Audit results report**

We are pleased to attach our preliminary audit results report, summarising the status of our audit for the forthcoming meeting of the Joint Audit Risk and Assurance Panel (JARAP). This report summarises our preliminary audit conclusion in relation to the audit of the Police and Crime Commissioner for Leicestershire (PCC) and Chief Constable for Leicestershire (CC) for the year ended 31 March 2021.

We have substantially completed our audit of Police and Crime Commissioner and Chief Constable for Leicestershire Police for the year ended 31 March 2021. This report explains the remaining steps to the issue of our final opinion. Our audit fieldwork is now substantially complete and the outstanding audit procedures are set out at Appendix B. We will provide a verbal update on the ongoing resolution of these matters at the 27<sup>th</sup> April meeting. We also have Engagement Partner quality review procedures to conclude on the audit file documentation before we are in a position to issue our audit report. We would support a recommendation where the JARAP, PCC and CC delegates approval to the PCC, CC and respective Chief Financial Officers to finalise the 2020-2021 audited financial statements in consultation with the chair of JARAP provided no other matters that arise from the date of the JARAP meeting are material in nature.

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 in the form at section 3 of this report. Our work on value for money arrangement is currently in progress and based on the work performed till now we have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the PCC and CC's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

This report is intended solely for the information and use of the PCC, CC, 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 welcome the opportunity to discuss the contents of this report with you at the JARAP meeting on 27 April 2022.

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) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The 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 and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Leicestershire PCC, CC and JARAP in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Leicestershire PCC, CC and JARAP those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Leicestershire PCC, CC and JARAP for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





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# Executive Summary

## Executive Summary

### Scope update

In our audit planning report tabled at the 21 October 2021 JARAP meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements.

### Materiality

In our Audit Planning Report, we communicated that our audit procedures would be performed using the materiality mentioned in the following table. This level of materiality remains appropriate for the actual results for the financial year and is the level we have used to undertake our audit procedures.

	Basis of Materiality	Overall Materiality (million)	Performance Materiality (million)	Reporting Threshold (million)
Group	Gross revenue expenditure	£6,228,280	£4,671,210	£311,000
CC	Gross revenue expenditure	£6,024,160	£4,518,120	£301,208
PCC	Gross assets	£2,173,380	£1,630,035	£108,669

### Changes to our risk assessment

- **Risk of inappropriate capitalisation of the revenue expenditure** - We believe that there is the potential for the PCC, CC to manipulate their actual expenditure for the year by incorrectly capitalizing revenue expenditure in order to create an entry which increases the value of PPE as opposed to increasing revenue expenditure for the year. The additions would then be subject to depreciation however only a fraction of the expense would be recognized every year, and this would be a way for the entity to meet its budget requirements.



## Executive Summary

### Scope update

#### Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

**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 PCC's and CC's systems. We undertook the following to address this risk:

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

### Status of the audit

Our audit work in respect of the audit of Police and Crime Commissioner for Leicestershire and Chief Constable for Leicestershire financial statements for the year ended 31 March 2021 is substantially complete.

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix B.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion, a current draft of which is included in Section 3.



## Executive Summary

### Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the office of the PCC and CC has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the office of the PCC and CC a commentary against specified reporting criteria (see below) on the arrangements they have in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

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

### Status of the audit – Value for Money

Our work on the value for money is still in progress , refer to a outstanding matters disclosed in Appendix B.

At the date of this report and based on the planned procedures that has already been performed, no significant weakness in arrangements were identified for the PCC and CC. We will report the outcome of our work on the Authority's arrangements in our VFM commentary on those arrangements within the Auditor's Annual Report. We have communicated to you formally that the NAO has allowed for the Auditor's Annual Report to be provided up to three months after signing the accounts. We will then also be able to certify completion of the audit at that time.





# Executive Summary

## Audit differences

We have identified an audit difference in the draft financial statements. These are detailed in section 5.

At the finalisation of our audit procedures, should there be any unadjusted audit differences, we will ask that they be corrected or a rationale as to why they are not corrected be approved by the Joint Audit Risk and Assurance Panel and included in the Letter of Representation.

## Other reporting issues

We are yet to review the information presented in the Annual Governance Statement for consistency with our knowledge of the PCC and CC.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the date of this report the NAO have not issued their guidance to auditors.

We have no other matters to report.

## Independence

Please refer to Section 10 for our update on Independence.

## Control observations

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

Although our audit was not designed to express an opinion on the effectiveness of internal controls, we are required to communicate to you any identified 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 financial statements.

# Executive Summary

## Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Police and Crime Commissioner and Chief Constable for Leicestershire Police's 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 "Key Audit Issues" section of this report.

Area of Audit Focus	Findings & Conclusions
<b>Fraud Risk:</b> Misstatements due to fraud or error	We are finalizing our procedures to ensure that we are satisfied that there are no misstatements due to fraud or error.
<b>Fraud Risk:</b> Risk of fraud in revenue and expenditure recognition- Inappropriate capitalization of revenue expenditure	Subject to our final quality assurance procedures, we have completed our work in this area and have no matters to report.
<b>Fraud Risk:</b> Risk of fraud in revenue and expenditure recognition- Recognition of income from sales, fees and charges.	Subject to our final quality assurance procedures, we have completed our work in this area and have no matters to report.
<b>Significant Risk:</b> Valuation of Property, Plant and Equipment	We are finalizing our procedures to ensure that we are satisfied that the amounts recorded in respect of the valuation of land and buildings are not materially misstated.
<b>Higher inherent risk and area of audit focus :</b> Pension Liability valuation (PCC and CC)	Subject to our final quality assurance procedures, we have completed our work in this area and have no matters to report.
<b>Higher inherent risk and area of audit focus :</b> Collaborative arrangements	Subject to our final quality assurance procedures, we have completed our work in this area and have no matters to report.
<b>Other matters :</b> Going Concern Disclosures	We are finalizing our procedures to ensure that we are satisfied that going concern basis of accounting adopted in the production of the 31 March 2021 financial statements is appropriate and there is no material uncertainty in this regards. This needs to consider assumptions associated with cashflow and budget for the PCC, CC for the period at least 12 months from the date the accounts are authorised for issue.

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 the attention of the JARAP.



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## Areas of Audit Focus



# Areas of Audit Focus

## Significant risk 1

### Misstatements due to fraud or error

#### 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 (UK) 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 otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

#### What judgements are we focused on?

The risk manifests specifically in whether year-end adjustment journals are appropriate and supported, the application of estimates and judgements, and whether significant or unusual transactions are identified and accounted for appropriately.

#### What did we do?

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 of the oversight given by those charged with governance of management process over fraud;
- Considered effectiveness of management's controls designed to address the risk of fraud
- Reviewed and discussed with management any changes to the methodologies of existing and new accounting estimates, accruals and provisions to identify any evidence of bias;
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the group and single entity financial statements;
- Performed risk-based testing of journals from the accounting period that were identified from the application of specified audit risk criteria;
- Considered and evaluated the existence, nature and business rationale for significant unusual transactions; and
- Considered the completeness of provisions in the financial statements based on our understanding of the PCC and CC.

#### What are our conclusions?

At the time of writing this report we are awaiting samples from management to finalising our work over journals.

Subject to our final quality review procedures:

1. We have not identified any material weaknesses in controls or evidence of material management override.
2. We have not identified any instances of inappropriate judgements being applied.
3. We did not identify any other transactions during our audit which appeared unusual or outside Police and Crime Commissioner and Chief Constable for Leicestershire Police's normal course of business



## Areas of Audit Focus

### Significant risk 2

#### Risk of fraud in revenue and expenditure recognition

##### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

In respect of income and expenditure we consider that the risk for 2020/21 is most focussed around those items that are non-routine and involve management estimation and judgement such as accruals. The risks predominantly relate to the following areas:

1. Income from sales, fees and charges (£8.8m).
2. Inappropriate capitalisation of revenue expenditure specific to PPE additions (£7.9m) including assets under construction and expenditure for intangible fixed assets (£0.7m additions).

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

We have assessed the risks predominantly relate to the following areas:

1. Income from sales, fees and charges; and
2. Inappropriate capitalisation of revenue expenditure specific to PPE additions including assets under construction and expenditure for intangible fixed assets.

##### What did we do?

We:

- Discussed with management the processes for collecting and recording sales, fees and charges income.
- Determined from the information provided where the risk lies in the associated income; which category within sales, fees and charges is considered to be of most risk of manipulation;
- Tested a samples from the listing provided and reviewed whether the values included can be supported by relevant and appropriate evidence to endure the correct accounting entries and revenue recognition criteria have been applied ; and
- Tested a sample of PPE additions with specific focus on in year expenditure for assets under construction and intangible fixed assets to determine that the transactions are accounted for in accordance with IAS 16.

##### What are our conclusions?

Subject to final quality review processes, our testing has not identified any material misstatements from revenue and expenditure recognition in respect of the specific judgements that we focused on (income from sales, fees and charges and inappropriate capitalisation of revenue expenditure specific to PPE additions).





# Areas of Audit Focus

## Significant risk 3

### Valuation of PPE (Group, PCC)

#### What is the risk?

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 and impairment reviews which are based on assumptions and judgements. The risk is if these are inappropriate this could result in a material impact on the financial statements. This has been assessed as significant risk in this financial year due to the PCC commissioning a change of external valuers.

#### What judgements are we focused on?

In valuing the assets held by the Police and Crime Commissioner, management (with the support of its external valuer) applies several judgements and estimations.

The judgements that our audit has focused on include:

- identifying which assets to include within the rolling valuation program,
- how to assess the value of those not formally revalued in the year to determine whether the values remain free from material misstatement,
- which valuation method to apply, and what remaining useful life to assign to the asset.

#### What did we do?

Subject to our final quality review processes, we have responded to this risk by:

- ▶ Considering the work performed by the external valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample testing the key asset information used by the valuers in performing their valuation (e.g., floor plans to support valuations based on price per square metre);
- ▶ Considering the annual cycle of valuations to ensure that assets have been valued within a 5-year rolling programme as required by the Code. We also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Engaging our valuation specialist to support our testing strategy and evaluate the work of the management specialist;
- ▶ Reviewing assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- ▶ Considering changes to useful economic lives as a result of the most recent valuation; and
- ▶ Testing accounting entries have been correctly processed in the financial statements.
- ▶ Considering how the valuer has addressed the impact of COVID-10 in the year-end valuations of assets and assessment of impairments.

#### What are our conclusions?

At the time of writing this report, our work is currently under progress as disclosed in Appendix B. To date, we have not identified any significant issues in our testing. We are expecting the outcome from our internal EY specialist review of valuation assumptions ahead of the JARAP meeting. We will update the JARAP on the outcome of this work and any matters arising.



# Audit risks



## Area of Audit Focus - Other areas of audit focus

### What is the risk/area of focus?

#### Collaborative arrangements (PCC and CC)

The CC participate in a number of Jointly Controlled Operations (JCO) or Collaborations with other East Midlands Forces. These are used to deliver services within the Force. The share of cost to Derbyshire is different depending on the number partaking in the JCO. There is also combination of JCO's being hosted by either Leicestershire or Derbyshire.

Given the volume of transactions being accounted for across the 5 Forces that participate across the JCO's and their value, we consider there to be a risk associated with the accuracy of the information being reported and accounted for (i.e. the measurement/valuation, completeness and presentation and disclosure of balances included in the financial statements).

### What did we do?

We have responded to this risk by:

- Reviewing the underlying allocation of expenditure in the CC's own accounts against agreements in place.
- Considering the completeness of the reported balances within the financial statements.
- Seeking assurance from the external auditors at Leicestershire Chief Constable on:
  - The processes in place to record and transact balances for other Forces.
  - Confirmation of the balances recorded and reported for Derbyshire Chief Constable.
  - How assurances have been gained that balances for each Force have been recorded completely and accurately within the finance system.

Subject to our final quality review processes, we have not identified any significant issues in our testing.



# Areas of Audit Focus

What is the risk/area of focus?	Our audit approach
<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 County Council 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>Subject to our final review processes, we have performed the following procedures:</p> <p><b>Local Government and Police Pension Schemes</b></p> <p>Updated our documentation of management's processes and controls over pension expenditure and deduction of employer and employee contributions;</p> <ul style="list-style-type: none"> <li>▶ Liaised with the auditors of Leicestershire Pension Fund, to obtain assurances over the information supplied to the actuary;</li> <li>▶ Reviewed the work of the Local Government actuary (Hymans Robertson LLP) and the Police Pension actuary (Mercers) 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 considered 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>▶ ISA 540- Estimates: During the audit period we were notified of an issue across all Local Government audits within the sector. This is in relation to the impact of the new auditing standard on accounting estimates (ISA540) on planned procedures. We planned to take an audit approach to this estimate based on procedures to evaluate Management's process. The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PwC as Consulting Actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an Auditor estimate, in order to gain sufficient appropriate assurance. Our EY Pensions team were able to create a point estimate range based on their experience and understanding of defined benefit pension schemes. They collected key data for the admitted body, such as contributions, age profiles, membership data, from which they have created what they would expect an IAS19 liability to be. The outcome from this analysis was a difference between the actuary and EY Pensions Consulting of less than 0.5% and 1% for Police pension and LGPS respectively, which was within our acceptable range. This provided us with corroborative assurance that the input control for the PCC's and CC's actuarial model was working appropriately.</li> </ul> <p><b>Police Pension Scheme (only)</b></p> <ul style="list-style-type: none"> <li>▶ Tested a sample of lump sums and pension payments for new Police pensioners; and</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 Conclusions</b></p> <p>From the various procedures performed, we found no evidence of material misstatement of either the Local Government Pension Scheme or the Police Pension Scheme.</p>



## Other areas of Audit Focus



### Area of Audit Focus - Other areas of audit focus

#### What is the risk/area of focus?

##### Going Concern Compliance with ISA 570

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.

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

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis

However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.

To do this, the auditor must review management's assessment of the going concern basis applying IASB Presentation of Financial Statements.

The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Council's assessment will also need to cover this period.

#### What we did

We have responded to this risk by:

- ▶ Obtaining a documented and detailed consideration to support management's assertion regarding the going concern basis;
- ▶ Reviewing the going concern disclosure within the financial statements under IASB, and associated financial viability disclosures within the financial statements;
- ▶ Reviewing cash flow forecasts and post year-end bank statements for evidence to support management's going concern assessment.

Our audit procedures have included the consideration of :

- Current and development environment;
- Liquidity (Operational and funding);
- Mitigation factors;
- Management information and forecasting; and
- Sensitivities and stress testing

At the time of writing this report we are in the process of concluding our work in this area, ensure we have obtained the PCC, CC management assessment, disclosures and cashflow forecasts for the period at least twelve months from the date the accounts are authorised for issue. To date, our risk assessment work has not identified a significant risk of material uncertainties in the continuity of service provision.



## 03 Audit Report





# Audit Report

## Draft audit report – Police and Crime Commissioner and Group

### 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 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Police and Crime Commissioner for Leicestershire and Group Movement in Reserves Statement;
- 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 Cash Flow Statement;
- related notes 1 to 42; and
- Police and Crime Commissioner for Leicestershire and Group 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 2020/21.

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 2021 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 2020/21.

#### 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 Police and Crime Commissioner 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

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

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

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Police and Crime Commissioner's ability to continue as a going concern.

#### Other information

The other information comprises the information included in the Group Statement of Accounts 2020/21 set out on pages 1 to 89, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information contained within the Group Statement of Accounts.

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.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.



# Audit Report

## Our opinion on the financial statements

### 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;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014; or
- we are not satisfied that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

### Responsibility of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 9, 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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Police and Crime Commissioner's 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.

### *Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Police and Crime Commissioner and determined that the most significant are:
  - Local Government Act 1972,
  - Local Government Act 2003,
  - The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
  - The Local Audit and Accountability Act 2014,
  - The Accounts and Audit Regulations 2015,
  - The Police Reform and Social Responsibility Act 2011,
  - Anti-social behaviour, Police and Crime Act 2014,
  - Police Pensions scheme regulations 1987,
  - Police Pensions regulations 2006; and
  - Police Pensions regulations 2015
- In addition, the Police and Crime Commissioner has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.



# Audit Report

## Our opinion on the financial statements

- We understood how the Police and Crime Commissioner is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, internal audit and those charged with governance, and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Police and Crime Commissioner's committee minutes, policies and procedures and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.
- We assessed the susceptibility of the Police and Crime Commissioner's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified improper recognition of revenue and expenditure, inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.
- To address our fraud risk around the occurrence assertion of income from sales, fees and charges, we reviewed and tested the Police and Crime Commissioner's revenue and expenditure recognition policies and tested a sample of transactions to ensure that recognition is in accordance with the accounting policies.
- To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Police and Crime Commissioner's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.
- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were accounted for appropriately.

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 reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether the Police and Crime Commissioner had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and

effectiveness in its use of resources for the year ended 31 March 2021.

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 Police and Crime Commissioner 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.

We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Police and Crime Commissioner's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our work on value for money arrangements.

### Use of our report

This report is made solely to Police and Crime Commissioner for Leicestershire, 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 Police and Crime Commissioner for Leicestershire, 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



# Audit Report

## Draft audit report – Chief Constable

### 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 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Chief Constable of Leicestershire Movement in Reserves Statement;
- Chief Constable of Leicestershire Comprehensive Income and Expenditure Statement;
- Chief Constable of Leicestershire Balance Sheet;
- Chief Constable of Leicestershire Cash Flow Statement
- the related notes 1-23; and
- Chief Constable of Leicestershire Pension Fund Account and related notes 1-4.

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 2020/21.

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 2021 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 2020/21.

##### 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

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

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

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Chief Constable's ability to continue as a going concern.

##### Other information

The other information comprises the information included in the Chief Constable Statement of Accounts 2020/21 set out on pages 1 to 59, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information contained within the Chief Constable Statement of Accounts.

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.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.



# Audit Report

## Our opinion on the financial statements

### 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;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014; or
- we are not satisfied that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects

### Responsibility of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 10, 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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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- In addition, the Chief Constable has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.





# Audit Report

## Our opinion on the financial statements

- We understood how the Chief Constable is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, internal audit and those charged with governance, and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Chief Constable's committee minutes, policies and procedures and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.
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### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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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 2021.

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 Chief Constable 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 Chief Constable of Leicestershire has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Chief Constable's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our work on value for money arrangements.

### Use of our report

This report is made solely to the Chief Constable of Leicestershire, 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 Chief Constable of Leicestershire, 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



## 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

In addition we highlight the following misstatements to the financial statements which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Joint Audit Risk and Assurance Panel and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2021 (£)	Effect on the current period:		Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Errors						
Projected misstatement:						
▸ Misstatement from 1 error found in Assets under construction that should have been transferred out in 2019/20 rather than 2020/21 and the subsequent adjustment made in depreciation	-	190,710	(190,710)	-	-	-
Cumulative effect of uncorrected misstatements, after turnaround effect	-	190,710	(190,710)	-	-	-

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2021.

We are still in the process of concluding our audit procedures on the 2020/2021 engagement. If further material audit adjustments are identified we will ensure that these are brought to the attention of the JARAP .





05

## Value for Money



# Value for money

## The PCC and CC's responsibilities for value for money (VFM)

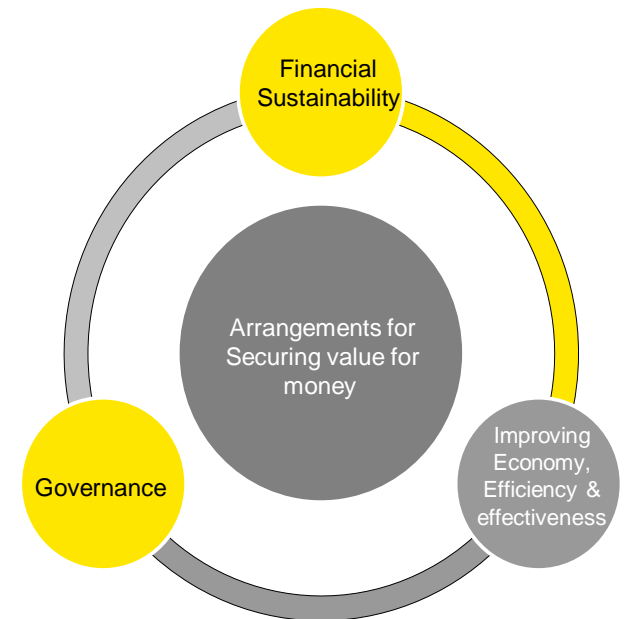
The PCC and CC is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the PCC and CC is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the PCC and CC tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

## Status

Our work on the value for money is still in progress , refer to outstanding matters disclosed in Appendix B. We have substantially completed enquiries of officers, our risk assessment procedures and shared a draft narrative commentary of our findings. We have some remaining gaps in our audit procedures to conclude and we are working towards completing this work by the time of the JARAP meeting. The work will then be subject to final Engagement Partner quality review procedures.

At the date of this report and based on the planned procedures that has already been performed, no significant weakness in arrangements were identified for the PCC and CC. We will report the outcome of our work on the Authority's arrangements in our VFM commentary on those arrangements within the Auditor's Annual Report. We have communicated to you formally that the NAO has allowed for the Auditor's Annual Report to be provided up to three months after signing the accounts. We will then also able to certify completion of the audit at that time.







## 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 Group Statement of Accounts 2020/21 and the Chief Constable Statement of Accounts 2020/21 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 Group Statement of Accounts 2020/21 and the Chief Constable Statement of Accounts 2020/21 and published with the financial statements is consistent with the audited financial statements.

We are yet to review the Annual Governance Statement.

### Whole of Government Accounts

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

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the date of this report the NAO have not issued their guidance to auditors.

We cannot issue our Audit Certificate until these procedures are complete.

# Other reporting issues

### 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.

### 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 PCC's and CC's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

All matters significant to your oversight are included within this report.





07

## Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

It is the responsibility of Leicestershire 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, CC has put adequate arrangements in place to satisfy itself 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 including group-wide or at components.

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

## 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 2020/21, our use of these analysers in the PCC's and CC's audit included testing journal entries and employee expenses, 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 dated 21st October 2021.

#### Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



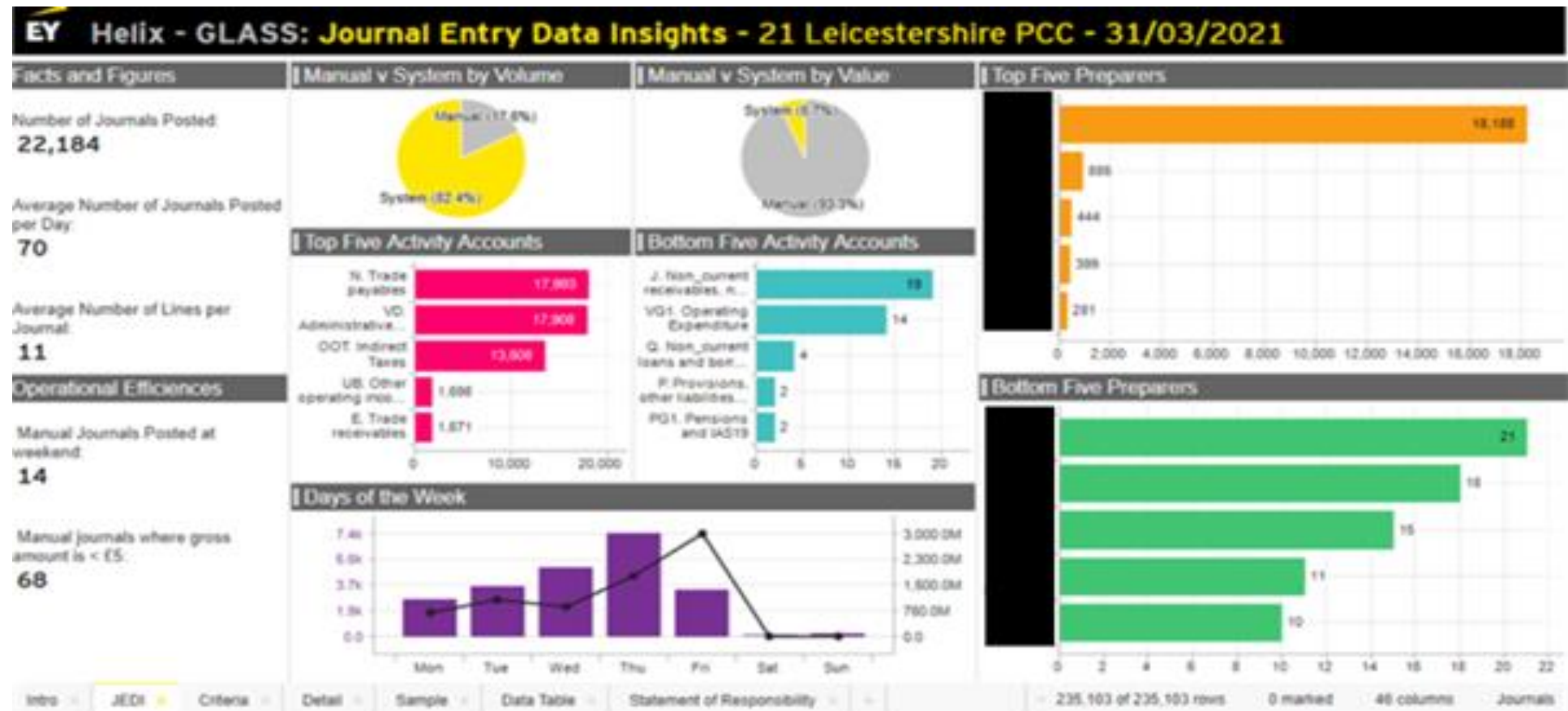
# Data Analytics

User name (preparer ID) in the below screenshot has been removed due to confidentiality as requested by management

## Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2020/21. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.





# Data Analytics

## Journal Entry Testing

User name (preparer ID) in the below screenshot has been removed due to confidentiality as requested by management

### What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

### What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our Audit Planning Report dated 21 October 2021.





# Data Analytics

## Journal Entry Testing

### What did we do?

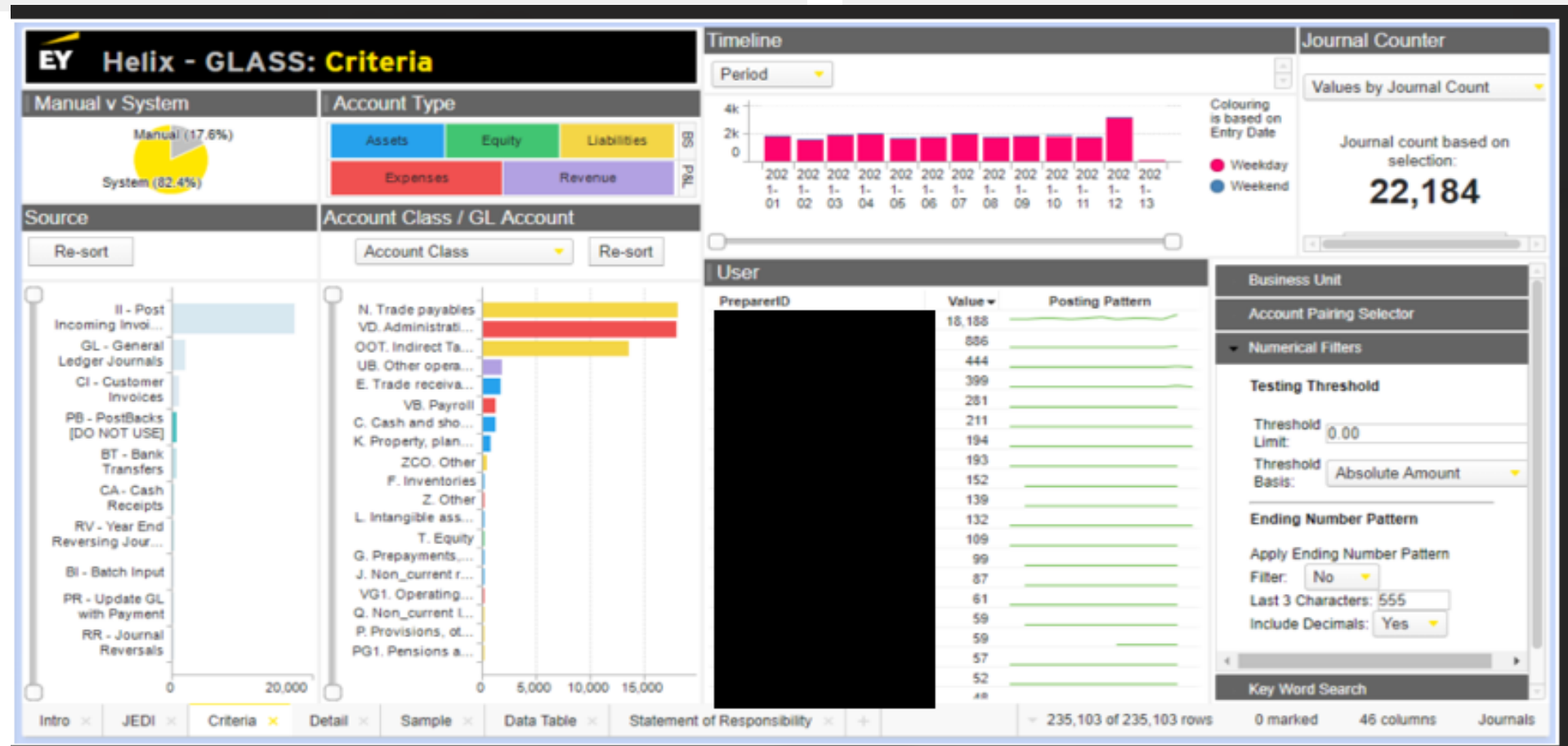
We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

User name (preparer ID) in the below screenshot has been removed due to confidentiality as requested by management

### What are our conclusion?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions. We concluded that they were appropriately stated.







09

## Independence

## Relationships, services and related threats and safeguards

### Services provided by Ernst & Young

		Final Fee 2020/21	Planned Fee 2020/21	Final fee 2019/20
			£	£
Total PCC Fee - Code work		51,121	51,121	24,971
Total CC Fee - Code work		23,646	23,646	11,550
Scale fee variation		TBC - See Note 2	Note 2	14,716 (Note 1)
Total audit			TBC	51,237
Other non-audit services not covered above		0	0	0
Total fees			TBC	51,237

**Note 1** -In our Annual Audit Letter, we communicated to PCC / CC, that the scale fee was impacted by a range of factors which resulted in additional work in 2019-20. We communicated our proposed fee variation to PSAA, who determined a fee variation of £14,716.  
All fees exclude VAT.

**Note 2**- The 2020/21 work will also include a scale fee variation for the additional work required in the following areas:

- New requirements of the NAO Code of Audit Practice on Value for Money arrangements, which PSAA have set out minimum fee range of between £6,000-£11,000
- Additional audit work to respond to ISA540 which PSAA have set out a minimum fee range of £2,500.
- Additional audit work required to address significant audit risks and audit differences, agreed amendments set out in this report.
- Additional audit work required to address enhanced requirements from professional and regulatory standards and expectations.

We will set out to management our proposed fee variation at the conclusion of the audit and submit this to PSAA for approval.



## Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Leicestershire Police, its members and senior management and its affiliates, including all services provided by us and our network to Leicestershire Police, its members 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 2020 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

The previous page includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown on the previous page.

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. We confirm that we have not undertaken non-audit work.

## Other communications

### EY Transparency Report 2021

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 3 July 2021:

[EY UK 2021 Transparency Report | EY UK](#)







# 10 Appendices





## Appendix A

# Required communications with the Joint Audit Risk and Assurance Panel

There are certain communications that we must provide to the those charged with governance of UK entities. 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 Joint Audit Risk and Assurance Panel 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 dated 21 October 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report dated 21 October 2021
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> </ul>	Audit Results Report, 27 <sup>th</sup> April 2022.

## 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 related to going concern</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The appropriateness of related disclosures in the financial statements</li> </ul>	Audit Results Report, 27 <sup>th</sup> April 2022.
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</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, 27 <sup>th</sup> April 2022.
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>	Audit Results Report, 27 <sup>th</sup> April 2022.

## Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> <li>Enquiries of the JARAP to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</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 entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ul> </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 Joint Audit Risk and Assurance Panel's responsibility.</li> </ul>	Audit Results Report, 27 <sup>th</sup> April 2022.
Related parties	<p>Significant matters arising during the audit in connection with the entity'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 entity</li> </ul>	Audit Results Report, 27 <sup>th</sup> April 2022.
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>	Audit Planning Report dated 21 October 2021 and Audit Results Report, 27 <sup>th</sup> April 2022.



## Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Independence (cont.)	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> <li>▶ Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> <li>▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>▶ The JARAP should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	
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 are still awaiting the response of one bank confirmation.
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 JARAP 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>	We have not identified any material instances or non-compliance with laws and regulations.






## Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
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, 27 <sup>th</sup> April 2022.
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 Planning Report dated 21 October 2021 and Audit Results Report, 27 <sup>th</sup> April 2022.
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	To be provided to the JARAP prior to the accounts being signed.
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<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, 27 <sup>th</sup> April 2022.
Auditors report	<ul style="list-style-type: none"> <li>Key audit matters that we will include in our auditor's report</li> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report, 27 <sup>th</sup> April 2022.

## Appendix B

### Outstanding matters




The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
External confirmation	<ul style="list-style-type: none"><li>Bank confirmation from Natwest regarding multiple bank accounts</li></ul>	EY and management
Valuation of land and building	EY is awaiting the response from the EY internal specialist team and the work will be completed on this section afterwards	EY
Closure of audit work and internal Engagement Manager review procedures, with the most significant areas being in relation to:	<ul style="list-style-type: none"><li>PPE valuation (EY is awaiting response from internal expert)</li><li>Cash Flow statement (updated working pending from management of PCC cash flow)</li><li>Earmarked reserve (Query is pending with management)</li><li>Debtors (additional samples pending - identified post review)</li><li>Income and expenditure (query around the completeness analysis to be resolved and commissioning expense sample )</li><li>Journal testing (queries raised with client - awaiting client response)</li></ul>	EY and management ( we will provide the verbal updates on the status of these areas at JARAP)
Procedures in respect of Going Concern and VFM	EY to complete remaining audit enquiries and review processes	EY
Final quality review processes	Remaining completion of documentation on the audit file and conclusion of EY Manager and EY Partner-in-Charge quality review processes	EY
Final Statement of Accounts	<ul style="list-style-type: none"><li>Incorporation of EY review comments on disclosure notes</li><li>EY Review of the changes made to the Statement of Accounts</li></ul>	EY and management

## Appendix B

### Outstanding matters (continued)

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Review of final version of Annual Report and accounts	EY to review final set of accounts for consistency and agree adjustments identified during the course of the audit have been appropriately reflected in the revised accounts.	EY and management
Management representation letter	Receipt of signed management representation letter	EY, Management and JARAP
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management
Whole of Government Accounts	Completion of procedures required by the National Audit Office regarding the Whole of Government Accounts	EY and management

# Management representation letter

## Management Rep Letter



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

Mr. Neil Harris  
Ernst & Young  
400 Capability Green  
Luton  
LU1 3LU

Dear Neil,

This letter of representations is provided in connection with your audit of the consolidated and PCC financial statements of Police and Crime Commissioner for Leicestershire ("the Group and PCC") and the Chief Constable for the year ended 31 March 2021. We recognize 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 Group, PCC and Chief Constable's financial statements give a true and fair view of the Group and PCC financial position of Police and Crime Commissioner for Leicestershire and Chief Constable as of 31 March 2021 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and PCC, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of our Group, PCC and Chief Constable's financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, 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 2020/21
2. We acknowledge, as members of management of the Group and PCC and Chief Constable our responsibility for the fair presentation of the Group, PCC and Chief



Constable's financial statements. We believe the Group, PCC and Chief Constable's 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 Group, PCC and Chief Constable in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. We have approved the Group, PCC and Chief Constable's financial statements.

3. The significant accounting policies adopted in the preparation of the Group, PCC and Chief Constable's financial statements are appropriately described in the Group, PCC and Chief Constable's financial statements.
4. As those charged with governance and members of management of the Group, PCC and Chief Constable, we believe that the Group, PCC and Chief Constable have 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 2020/21 for the Group and the PCC 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 any unadjusted audit differences, summarized in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the Group, PCC and Chief Constable's financial statements taken as a whole. **We have not corrected these differences identified and brought to our attention by the auditor because [specify reasons for not correcting misstatement].**

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

1. We acknowledge that we are responsible for determining that the Group, PCC and Chief Constable's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing 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 Group, PCC and Chief Constable's 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 Group, PCC and Chief Constable (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

# Management representation letter (continued)

## Management Rep Letter



- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Group, PCC and Chief Constable'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 Group, PCC and Chief Constable'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 Group, PCC and Chief Constable's financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Group, PCC and Chief Constable, including the Joint Audit and Risk 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: *[list date]*.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group, PCC and Chief Constable'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 Group, PCC and Chief Constable's financial statements.



5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
6. We have disclosed to you, and the Group, PCC and Chief Constable has complied with, all aspects of contractual agreements that could have a material effect on the Group, PCC and Chief Constable's 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 Group, PCC and Chief Constable's 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 to litigation and claims, both actual and contingent. No guarantees have been 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 Group, PCC and Chief Constable's 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 Narrative Report and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.


### G. Going Concern

1. Note X to the Group, PCC and Chief Constable's financial statements discloses all the matters of which we are aware that are relevant to the Group, PCC and Chief Constable's



# Management representation letter (continued)

## Management Rep Letter

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ability to continue as a going concern, including significant conditions and events, our future financial plans and the veracity of the associated future funding allocations from the Home Office, and the sufficiency of cash flows to support those financial plans.

**H. Ownership of Assets**

1. Except for assets capitalised under finance lease, the Group and PCC has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Group and PCC's assets, nor has any asset been pledged as collateral. All assets to which the Group and PCC has satisfactory title appear in the balance sheets.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the Group and PCC financial statements.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

**I. Reserves**

1. We have properly recorded or disclosed in the Group, PCC and Chief Constable's financial statements the useable and unusable reserves.


**J. Use of the Work of a Specialist**

1. We agree with the findings of the specialists that we engaged to evaluate the value of property, plant and equipment and the IAS19 actuarial valuations of pension liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Group, PCC and Chief Constable's 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.

**K. Estimates**

Pension Liability and PPE Valuations Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the 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 2020/21.
2. We confirm that the significant judgments made in making these estimates have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
3. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the accounting estimates.

 Building a better working world

5. We confirm that appropriate specialized skills or expertise has been applied in making the
6. We confirm that the disclosures made in the Group, PCC and Chief Constable's financial statements with respect to the accounting estimates are complete including the effects of the COVID-19 pandemic on the estimates and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
7. We confirm that no adjustments are required to the accounting estimates and disclosures in the Group, PCC and Chief Constable's financial statements due to subsequent events, including due to the COVID-19 pandemic.

**L. Group audits**

1. Necessary adjustments have been made to eliminate all material intra-group unrealised surpluses on transactions amongst the PCC, subsidiary undertaking (Chief Constable) and associated undertakings.

**M. 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.

*Yours sincerely,*

_____ Leicestershire Police & Crime Commissioner	_____ Chief Constable
_____ CFO to the Police and Crime Commissioner	_____ CFO to Chief Constable
_____ Chairman of the Joint Audit Risk Assurance Panel	

## Appendix D

### Implementation of IFRS 16 Leases

In previous reports to the Joint Audit Risk and Assurance Pane, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

CIPFA LASAAC has formally decided to defer the implementation of IFRS16 until the 1<sup>st</sup> April 2024, and therefore apply to the CIPFA Code from 2024/2025 financial year. However, both the 2022/2203 and 2023/2024 CIPFA Codes will allow for earlier adoption as of 1 April 2022 or 2023. Therefore, officers should be acting now to assess the PCC and CC's leasing positions and secure the required information to ensure PCC and CC will be fully compliance with the 2024/25 Code or if they choose to adopt IFRS16 earlier. The following table summarises some key areas officers should be progressing.



IFRS 16 theme	Summary of key measures
Data collection	<p>Management should:</p> <ul style="list-style-type: none"> <li>Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors.</li> <li>Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases</li> <li>Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.</li> </ul>
Policy Choices	<p>The PCC and CC needs to agree on certain policy choices. In particular:</p> <ul style="list-style-type: none"> <li>Whether to adopt a portfolio approach</li> <li>What low value threshold to set and agree with auditors</li> <li>Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components</li> <li>What is managements policy in relation to discount rates to be used?</li> </ul>
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where PCC or CC is lessee; and potentially for sub-leases, where PCC or CC is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

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