



**Police and Crime
Commissioner for Surrey**

Audit Results Report

Year ended 31st March 2019

17 July 2019



EY

Building a better
working world

17th July 2019



Dear David and Gavin

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Joint Audit Committee (JAC). This report summarises our preliminary audit conclusion in relation to the audit of the Police and Crime Commissioner for Surrey for 2018/19.

We have substantially completed our audit of the Police and Crime Commissioner for Surrey (the PCC and CC) for the year ended 31st March 2019.

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, before the 31st July 2019. We also expect to issue a positive value for money conclusion.

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

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

We welcome the opportunity to discuss the contents of this report with you at the JAC meeting on 23th July 2019.

Yours faithfully

Mark Hodgson

MARK HODGSON

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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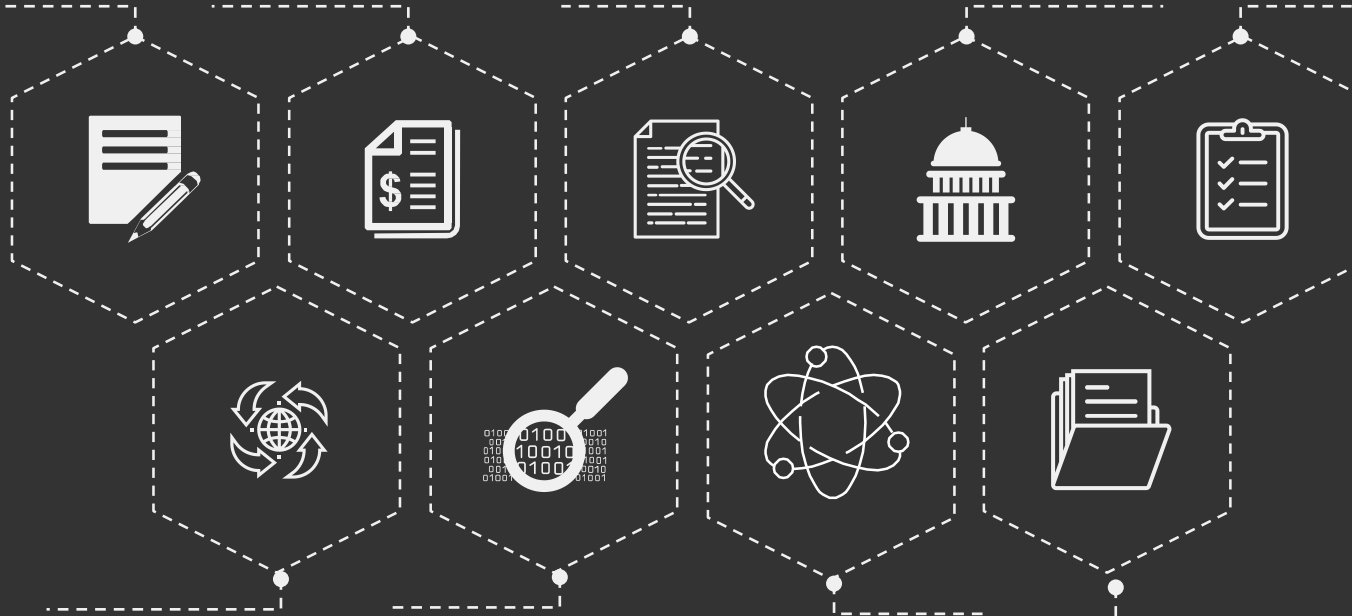
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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk). This Statement of responsibilities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

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

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



01 Executive Summary

Executive Summary

Scope update

In our Audit Plan tabled at the 31 January 2019 Joint Audit Committee (JAC) meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. Since then, Mark Hodgson has replaced Paul King as your Engagement Partner.

Changes in materiality

In our Audit Plan, we communicated that our audit procedures would be performed using a materiality of £6.313 million for the PCC Group; £2.873 million for the PCC Single Entity; £6.241 million for the CC Single Entity; and £0.906 million for the Police Pension Fund, performance materiality at 50% of overall materiality and thresholds for reporting misstatements at 5% of performance materiality. We updated our planning materiality assessment using the draft consolidated accounts and have also reconsidered our risk assessment.

Based on our materiality measurement bases, we have updated our overall materiality assessment to £6.272 million and £6.199 million for the PCC Group and CC Single Entity and £3.325 million for the PCC Single Entity. In addition the Police Pension Fund materiality has been updated to £0.912 million. Performance materiality, at 50% of overall materiality and thresholds for reporting misstatements at 5% of performance materiality have remained unchanged.

Status of the audit

We have substantially completed our audit of the Police and Crime Commissioner's and Chief Constable's financial statements for the year ended 31st March 2019 and have performed the procedures outlined in our Audit Plan.

Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Group financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise. The outstanding items are:

- receipt of IAS 19 Letter of Assurance from Grant Thornton (GT) as auditors of the Surrey County Council Local Government Pension Scheme. GT have reported to us that they are finishing their work w/c 22 July
- PPE Intangibles issue - officers to review a second PPE schedule for any other potential intangibles
- Journal testing to finalise
- revised Cashflow Statement to review on receipt
- review of the second version of the financial statements, with agreed adjustments (reported in Section 4);
- completion of subsequent events review;
- receipt of the signed management representation letter;
- final Manager and Engagement Partner reviews.

We expect to issue the audit certificate at the same time as the audit opinion.

Executive Summary

In addition to the outstanding issues on the previous page, there is an ongoing national issue which has required a late and pervasive change to the accounts and related IAS19 liability disclosures. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft accounts have recognised this matter as a contingent liability in line with the recognised position as at the year-end and industry guidance on the matter. However, since the year-end there have been indications that this was not the correct treatment, including the recent legal ruling which rejected the Government's appeal. As a result the impact of this ruling now needed to be incorporated into the assessment of the scheme liabilities. This has happened and we note the value of the adjustments at Section 4.

Audit differences

There is one uncorrected audit differences arising from our audit.

There are four audit corrected differences and a number of narrative disclosures adjustments, which are set out in Section 4.

However, as a result of the McCloud issue impacting the pensions liability, management have updated the draft financial statements and the changes are material. In summary the changes have increased the past service costs and in turn the pensions liability figure for the Chief Constable by approximately £78 million and for the Police and Crime Commissioner by £4 million.

None of these changes impact the general fund. For further details see Section 4.

Until we have concluded on the outstanding work it is possible that further adjustments will also need to be reported. We will update the Committee verbally.

Areas of audit focus

Our Audit Plan identified key areas of focus. This report sets out our observations and conclusions on these. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

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

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

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the PCC and the CC.



Executive Summary

Control observations

We have adopted a fully substantive approach, and so have not tested the operation of controls. We have, however, updated our understanding of key processes and the controls which are in place to detect or prevent error. Through this work, we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified two significant risk in respect of (1) medium term financial planning and (2) the new ERP system. The tables on pages 23 to 27 presents the findings of our work in response to these risks areas in our Audit Planning Report.

We found no issues and therefore have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Other reporting issues

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

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

We have no other matters to report.

Correspondence from the Public

We have not received any correspondence from members of the public. We did not receive any formal objections or questions from members of the public.

Independence

We can confirm that we remain independent of the PCC and CC and include an update in Section 9.



02

Areas of Audit Focus



Areas of Audit Focus

Significant risk

Risk of 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 did we do and what judgements did we focus on?

We performed mandatory procedures, including:

- ▶ Identified fraud risks during the planning stages.
- ▶ Enquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Tested journals at year-end to ensure that there were no unexpected or unusual postings.
- ▶ Reviewed accounting estimates for evidence of management bias.
- ▶ Looked for and investigated any unusual transactions.

ISA 240 mandates we perform procedures on: accounting estimates, significant unusual transactions and journal entries to ensure they are appropriate and in line with expectations of the business.

We used our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale. We specifically reviewed any elements where judgement could influence the financial position or performance of the Authority in a more positive or more favourable way.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied or management bias. We did not identify any other transactions during our audit which appeared unusual or outside the normal course of business.



Areas of Audit Focus

Significant risk

Property, Plant & Equipment (PPE) Additions - Incorrect classification of revenue expenditure as capital

What is the risk?

As identified in ISA (UK and Ireland) 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.

Local authorities have a statutory duty to balance their annual budget and are operating in a financially challenged environment with reducing levels of government funding and increasing demand for services. Achievement of budget is critical to minimizing the impact and usage of the Authority's usable reserves and provides a basis for the following year's budget. Any deficit outturn against the budget is therefore not a desirable outcome for the authority and management, and therefore this desire to achieve budget increases the risk that the financial statements may be materially misstated.

Taking these pressures into account we have concluded that there is a risk of management manipulation of revenue expenditure to re-classify it as capital to improve the financial position over the medium term.

What judgements are we focused on?

We focus on whether expenditure is properly capitalised in its initial recognition, or whether subsequent expenditure on an asset enhances the asset or extends its useful life.

What did we do?

We performed mandatory procedures, including:

- ▶ Tested PPE additions to ensure that the expenditure incurred and capitalised is clearly capital in nature; and
- ▶ Sought to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

What are our conclusions?

Our testing has not identified any inappropriate capitalisation of revenue expenditure.



Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Group accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

What will we do?

We performed mandatory procedures, including:

- ▶ Considered the work performed by the PCC's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements

Conclusion: We concluded that the PPE valuations are materially correct.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Pension Liability Valuation & Actuarial Assumptions

The Local Authority Accounting Code of Practice and IAS19 require the CC to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Surrey County Council. The PCC must also do similar in respect of the Police Pension Fund.

The PCC and CC's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the group balance sheet. At 31 March 2019 this totalled £2,073 million.

The information disclosed is based on the IAS 19 report issued to the PCC and CC by the actuary 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.

What will we do?

We performed mandatory procedures, including

- ▶ Liaising with the auditors of Surrey County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Surrey Police. As at the date of this report we are still awaiting responses to our audit enquiries;
- ▶ Assessed the work of the LGPS Pension Fund actuary (Hymans Robertson) and the Police Pension actuary (GAD) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the PCC and CC's financial statements in relation to IAS19.
- ▶ We are currently reviewing the adjusted differences arising from updated actuarial reports as noted in Section 4 of this report.

McCloud Ruling

It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft financial statements have recognised this matter as a contingent liability. However, since the year-end there have been some movement in the understanding and assessment of the likely outcome and in the potential impact of any outcome, which has led to the need for a re-assessment of the scheme liabilities under IAS19, together with supporting disclosure notes. In summary the changes have increased the past service costs and in turn the pensions liability figure for the Chief Constable by approximately £78 million and for the Police and Crime Commissioner by some £4 million. We note the value of the adjustments at Section 4.



Areas of Audit Focus

Other areas of audit focus

What is the risk/area of focus?

IFRS 9 financial instruments

This new accounting standard changes:

- How financial assets are classified and measured;
- How the impairment of financial assets are calculated; and
- The disclosure requirements for financial assets.

There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of Practice on local authority accounting provides guidance on the application of IFRS 9.

IFRS 15 Revenue from contracts with customers

This new accounting standard covers the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

What did we do?

We have:

- ▶ Assessed the Authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- ▶ Considered the classification and valuation of financial instrument assets;
- ▶ Reviewed the new expected credit loss model impairment calculations for assets; and
- ▶ Checked additional disclosure requirements.

Conclusion: We concluded that IFRS 9 financial instruments had been applied correctly, although there was an amendment required to the disclosure note.

We have:

- ▶ Assessed the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- ▶ Considered application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- ▶ Checked additional disclosure requirements.

Conclusion: We agree with the Authority's conclusion that IFRS 15 has not had a material impact on the financial statements. This reflects the nature of revenue in effect and the fact that the majority of the revenue does not meet the specific criteria to satisfy applicability under IFRS 15. This is consistent with our findings elsewhere within the sector.



03 Audit Report



Draft Audit Report - Group & Police & Crime Commissioner

Our opinion on the financial statements

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

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Surrey for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Police and Crime Commissioner for Surrey and Group Movement in Reserves Statement;
- Police and Crime Commissioner for Surrey and Group Comprehensive Income and Expenditure Statement;
- Police and Crime Commissioner for Surrey and Group Balance Sheet;
- Police and Crime Commissioner for Surrey and Group Cash Flow Statement;
- Police and Crime Commissioner for Surrey Pension Fund Account Statements; and
- related notes 1 to 36.

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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Surrey and Group as at 31 March 2019 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 2018/19.

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 Surrey 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.



Draft Audit Report - Group & PCC (continued)

Our opinion on the financial statements

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the "*Statement of Accounts for the year 2018/19*", other than the financial statements and our auditor's report thereon. The Treasurer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Surrey put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.



Draft Audit Report - Group & PCC (continued)

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; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Treasurer

As explained more fully in the “*Statement of Responsibilities*” set out on page 14, the Treasurer 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 2018/19, and for being satisfied that they give a true and fair view.

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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



Draft Audit Report - Group & PCC (continued)

Our opinion on the financial statements

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Police and Crime Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

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

Use of our report

This report is made solely to Police and Crime Commissioner for Surrey, 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 Surrey, for our audit work, for this report, or for the opinions we have formed.



Draft Audit Report - Chief Constable

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF SURREY

Opinion

We have audited the financial statements of the Chief Constable of Surrey for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Chief Constable of Surrey Movement in Reserves Statement;
- Chief Constable of Surrey Comprehensive Income and Expenditure Statement;
- Chief Constable of Surrey Balance Sheet;
- Chief Constable of Surrey Cash Flow Statement and the related notes 1 to 21; and
- Chief Constable of Surrey Pension Fund Account.

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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Surrey as at 31 March 2019 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 2018/19.

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 Surrey 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.



Draft Audit Report - CC

Our opinion on the financial statements

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the "*Statement of Accounts for the year 2018/19*", other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, the Chief Constable for Surrey put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.



Draft Audit Report - CC

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; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibilities of the Chief Financial Officer

As explained more fully in “*Statement of Responsibilities*” set out on page 14, 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 2018/19, and for being satisfied that they give a true and fair view.

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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



Draft Audit Report - CC

Our opinion on the financial statements

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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 Surrey has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

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

Use of our report

This report is made solely to the Chief Constable of Surrey, 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 Surrey, for our audit work, for this report, or for the opinions we have formed.



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 adjusted differences

We have included all known amounts greater than £0.314 million for the Group, £0.166 million for the PCC and £0.310 million for the CC in our summary of misstatements.

Adjusted differences

There were four corrected audit differences that we wish to bring to your attention. These were

1. Group & PCC **accounts: CIES** - insertion of line 'Income for services provided by the Chief Constable' of £11.860 million
2. Group & PCC - Balance Sheet - overstatement of Creditors and Prepayments for paid 2019/20 invoices relating to business rates of £1.302 million;
3. Group & PCC - Balance Sheet - PPE Valuation: Land and buildings valuation increase of £0.242 million between the valuation date (December 2018) and year-end (March 2019) which was not reflected in the interim valuations, but was included in the draft financial statements.
4. Group & PCC - Balance Sheet - Reclassification from “PPE - Assets Under Construction” to “Intangible assets - Assets Under Development” of five software items.

Disclosure Adjustments

There were 6 changes to disclosures, as follows:

1. **PCC: Exclusion of the PCC Cashflow Statement (a primary statements), the PCC Expenditure and Funding Analysis**, their prior-year comparatives and relevant supplementary notes (ie. useable and unusable reserves).
2. **Group / PCC: Note 11 - Property, Plant and Equipment:** Reclassification in the note between asset types relating to additions and reclassifications with no net impact
3. **Group: Note 24 - Officers' Remuneration and CC: Note 14 Officers' Remuneration.** There are various errors in the disclosure of senior officers' salaries as pensions and vice versa. The number of employees bandings originally incorrectly included seconded staff;
4. **Group/ PCC - Cash Flow from Operating Activities - Note 34 - Increase in debtors** originally incorrectly stated
5. **Group/PCC - Note 26. CC - Note 15 - External Audit Costs** - The £17,900 of additional fees payable in respect of other services provided by Grant Thornton (2017/18 external auditors) during the year was not originally disclosed
6. **IFRS 9 disclosure note** - comparatives need to be amended.



Audit Differences

McCloud ruling

As noted in the Executive Summary, a national issue has resulted in a relatively late change to the IAS 19 Pension liability disclosure. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft financial statements recognise this matter a contingent liability.

However, since the year-end there have been some movement in the understanding and assessment of the likely outcome and in the potential impact of any outcome, which has led to the need for a re-assessment of the scheme liabilities under IAS19, together with supporting disclosure notes.

As a result the impact of this ruling now needed to be incorporated into the assessment of the scheme liabilities together with further associated disclosure added to recognise this as a source of estimation uncertainty, key judgements and an adjusted Post Balance sheet event.

We note the value of the adjustments below:

- Change in the net pension liability of £78.0 million for the Chief Constable
- Change in the net pension liability of £4.0 million for the Police and Crime Commissioner

Summary of unadjusted differences

There is one unadjusted difference, which management have chosen not to adjust for.

- **Group & PCC accounts: Balance Sheet** - Addition of £0.172 million, which relates to 2017/18 expenditure on Property, Plant & Equipment was recognised in 2018/19.

Officers believe that this is as a result of a dispute with the supplier who had issued invoices early which related to goods received in 2018/19. Officers may have correctly challenged this supplier however there is no written evidence of a challenge and therefore that it does correctly relate to 2018/19 expenditure.

We will require consideration by 'those charged with governance' and the rationale for the non adjustment to be made within the Letter of Representation.



05

Value for Money Risks





Value for Money

Background

We are required to consider whether the PCC and CC have put in place 'proper arrangements' to secure economy, efficiency and effectiveness on their use of resources. This is known as our value for money conclusion. For 2018/19 this is based on the overall evaluation criterion:

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

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

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

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

Overall conclusion

We have recently completed our work on the value for money conclusion. In our Audit Plan we reported that we had identified two significant risks in respect of:

- Delivery of a robust Medium Term Financial Plan; and
- the Tri-Force Enterprise Resource Planning (ERP) system.

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

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public".

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

The tables on pages 23 to 27 presents the findings of our work in response to the risks areas in our Audit Planning Report.

We found no issues and therefore have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



Value for Money Risk

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
1. Delivery of a robust Medium Term Financial Plan		
<p>Surrey Police has a Medium Term Financial Plan (MTFP) in place which takes account all relevant factors. There is a good record of making savings and the Force has used the HMICFRS Value for Money Profiles and worked with Sussex Police, South East Region forces and other Blue Light Services to develop a plan which has currently identified savings of £5.6m (£5.3m to be delivered in 2018/19 and £0.3m to be delivered in 2019/20). In the March 2018 version of your MTFP just over half of these savings schemes were rated as red.</p> <p>However, current identified savings are insufficient to meet the budget gap over the next four years. A full savings plan has been identified for 2018/19 and officers are working to identify savings for 2019/20 and beyond. The analysis in your MTFP of the worst case scenario over the next four years shows a budget gap and therefore savings target of £16.1m. This scenario takes a pessimistic view of central government funding and local freedoms to increase precept from 2019/20 onwards.</p> <p>There are also ambitious plans in relation to estates and significant investment is required to address some legacy challenges in relation to ICT that need to be addressed in the short to medium term. It will be important that you are able to track the interdependencies between these areas and other areas of investment in terms of their impact on the operations of the force and your financial plans, particularly in relation to capital financing. It will also be essential that the benefits associated with these schemes are clearly identified at the outset and robustly monitored through to delivery.</p> <p>The Force is working on a new iteration of the MTFP in which needs to identify savings for future years to close the budget gap as well as factor in ICT costs which are currently not included beyond 2018/19. The new MTFP will also need to align to the recently refreshed Police & Crime Plan for Surrey.</p>	<p>Take informed decisions</p> <p>Deploy resources in a sustainable manner</p>	<p>We will:</p> <ul style="list-style-type: none"> • assess the key assumptions made within the annual budget and MTFP • review the progress made in identifying savings for 2019/20 and beyond.



Value for Money Risk - Delivery of a robust Medium Term Financial Plan

What are our findings?

Surrey Police's Medium Term Financial Plan (MTFP) documents its forecasted financial plan from 2019/20 to 2023/24. The core assumptions of the MTFP are:

- Core government grant increasing by 2.1%
- Savings programme estimates
- An increase in the PCC's Council Tax allocation of £24m for 2019/20
- Review of the ICT strategy
- A continuation of the growth of grants for Victim's Services.

These assumptions have been assessed based on the rationale provided by management and wider external factors and appear to be reasonable. Both the Council Tax (precept) increase, and the grants income increases are as a result of factors that are out of the Authority's control.

The savings included in the MTFP are in accordance with the changes agreed by the Strategic Change Board. The savings programme forecasts savings of:

£2.7 million in 2019/20;

£1.052 million in 2020/21;

£0.127 million in 2021/22;

£0.126 million in 2022/23; and

£0.126 million in 2023/24.

Surrey Police have provided reasons for the changes to the Savings Plan figures, which total £2.7m in 2019/20. Although it is difficult to have complete certainty over these forecasts, the logic and rationale behind them is reasonable and appears to be based on past experiences, with the exception of the *"finance and services"* savings, which cannot be fully assessed. Officers are forecasting £0.628 million of savings from *"Total finance and services"* in 2019/20. However, in 2018/19 they achieved savings of £0.2 million in this area, creating a forecast increase of 214%. This represents a significant year on year increase to be found through the PCC's and CC's implementation of new smaller projects. Although the cost savings are mentioned in multiple documents, no details have been given about what the initiatives are, so the feasibility and realism of these projects cannot be fully assessed.



Value for Money Risk - Delivery of a robust Medium Term Financial Plan

What are our findings?

However, the PCC currently has a forecast budget gap of £14.1 million over the same period (2019/20 and 2022/23). The savings plan appears to be largely based on sound assumptions, but is not sufficient to cover the forecast budget gap. If the PCC is unable to identify further savings, this has the potential to impact the ability to meet their future targets and obligations or reduce reserves to a level which is would only just be above the minimum prescribed by the respective Chief Finance Officers (£7.1 million) -see analysis below. It should be noted that we have not been provided with evidence that the PCC has considered the impact of the savings or the budget gap on achievement of its targets.

Identified Budget gap - £14.1 million

Identified Savings - £4.13 million

Residual shortfall - £9.97 million

General Fund reserves - £17.2 million (as at 31 March 2019)

Potential General Fund balance at 31 March 2023 - £7.23 million. This is just above the minimum level prescribed by the Chief Finance Officers.

At the present time, financial planning arrangements are adequate based on the current level of reserves and future plans. However, the PCC/CC need to develop more robust savings plans for the back end of the Medium Term Financial Plans, so as not to be so reliant on the use of reserves to cover the budget gap. The use of reserves beyond this level to support the budget is not sustainable.

Recommendations

1. We also recommend that the PCC and CC continue to develop robust plans (through individual business cases) to deliver the unidentified savings budget gap in 2022/23 to safeguard against reducing the General Fund Reserve below the minimum level set by the Chief Financial Officer.



Value for Money Risk

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
2. Development and the implementation of the tri-force Enterprise Resource Planning (ERP) system		
<p>A new Enterprise Resource Planning (ERP) system is currently being developed for implementation in August 2019. This is a significant joint project with Sussex and Thames Valley Police to modernise the key financial and HR systems. The project is a multi-pound IT restructure and so is subject to a significant number of inputs and assumptions regarding delivery.</p> <p>However, the ERP implementation programme has experienced significant slippage and Surrey Police has incurred costs in excess of those envisaged in the initial business case. The programme is currently going through a process of re-planning and there is a risk that weaknesses in the governance and management of the programme are a barrier to the effective use of resources at both the PCC and Surrey Police.</p> <p>Grant Thornton’s review of the ERP programme identified some significant risks to successful future delivery of the programme. There are six key areas which have the potential to become material risks to the delivery of the ERP programme. These are:</p> <ul style="list-style-type: none"> • Timeline, • Resource, • Business change, • Data migration, • Interdependencies, and • Decision making. <p>Grant Thornton were satisfied that the slippage experienced by the programme during 2017/18 was not as a result of any significant deficiencies in the arrangements in place at Surrey Police.</p> <p>We will look at how management has demonstrated its commitment to respond robustly to Grant Thornton’s findings and work towards mitigating the risks identified during 2018/19.</p>	<p>Take informed decisions</p> <p>Deploy resources in a sustainable manner</p> <p>Work with partners and other third parties</p>	<p>We will:</p> <ul style="list-style-type: none"> • understand the current status of the project versus the initial project timeline. • review the forecast budget versus initial budget and also the estimated likely outturn. • comment on how management has responded to the issues raised and have mitigated the risks identified.



Value for Money Risk - Tri-Force ERP system

What are our findings?

As part of our planning the PCC & CC updated us on progress with the implementation of the new Enterprise Resource Planning (ERP) system.

This is a significant joint project with Surrey and Sussex Police which will modernise the key financial systems in effect at Surrey Police. The project is a multi-pound IT restructure and so is subject to a significant number of inputs and assumptions regarding delivery.

As part of our review for the value for money conclusion we have obtained a detailed understanding of the current status of the project. This has included:

- Current estimated delivery and 'Go-live' dates versus original project dates;
- Current estimated cost of the project to Surrey Police versus original budgeted and forecast costs; and
- Governance arrangements in place at Surrey Police supporting delivery and review of the project.

Our work has involved reviewing a raft of key documentation supporting the project delivery, consideration of the independent reviews which have been commissioned into the project and discussions with officers playing a significant role in project implementation.

The ERP implementation programme has experienced significant slippage on the original timetable. Based on the assumption that current plans are met, the project will be completed with an overall delay of around two years. The delays incurred so far have resulted in additional costs of £8.8 million between the three forces, which represent approximately 40% of the original contract cost. Costs to complete the work are estimated at an additional £4.8 million.

Review of minutes of meetings of the committees charged with governance over the EQIP programme (EQIP Project Board and Joint Audit Committee) shows evidence of shared decision making between the Forces. There is also evidence that those present in the meetings have engaged in serious discussions and debates about the programme, showing the expected level of governance is in place.

Attendance at both the Board meetings and the Joint Audit Committee meetings have been good with multiple attendees from each Force. Meetings have been held on a regular basis - quarterly for the Joint Audit Committee and monthly for the EQIP Project Board.

The process of renegotiation appears to be sound. The Joint Authority is meeting weekly with the contractor and is keeping detailed records of the actions coming out of these meetings, including the person responsible for each actions, helping them to stay on top of the outstanding tasks. There is evidence the Joint Authority has sought legal advice throughout the renegotiation period in respect of both the licensing issue and the settlement agreement.

The Forces have engaged Grant Thornton (GT) to provide further programme assurance by carrying out three reviews; October 2018, March 2019 and June 2019. The recommendations made in the latest GT report have been taken on board by the Joint Authority, with all recommendations noted as being completed (52 recommendations) or in progress (14 recommendations). Discussions with the EQIP Project Manager indicate they are feeling confident about the progress that has been made.



Value for Money

Value for Money Risks - Tri-Force ERP system

What are our findings?

We have seen evidence that the Force's approach to risk management is pre-emptive, which helps to ensure that procedures are implemented and helps to mitigate risks as much as possible when compared with a reactive approach. This will help the Force to be suitably prepared to respond to risks in an appropriate and timely manner when they do occur. Without this preparation, a risk could have a significantly more detrimental effect on the Force's functionality and finances.

Most recently the Chief Constables', following feedback and recommendations from the JAC Chairs have engaged The Berkeley Partnership to carry out an external review of the governance of the programme focusing on the current contractual position with the contractor and a review of the current commercial/technical state of the programme. The Forces expect that The Berkeley Partnership will conclude the review by mid August.

Whilst the ERP project has seen significant slippage in the 'go live' date, coupled with overspending as a result - we are satisfied that the arrangements in place during 2018/19 to manage the ERP project were appropriate.



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 PCC and CC Statement of Accounts 2018/19 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.

- We have concluded that, subject to reviewing the final versions of the accounts, the financial information in the PCC and CC Statement of Accounts 2018/19 and published with the financial statements is consistent with the audited financial statements.
- We have also concluded that the Annual Governance Statement is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

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

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

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We did not identify any issues which required us to issue a report in the public interest. We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities. We have taken no such action.

Correspondence from the Public

We have not received any correspondence from members of the public. We did not receive any formal objections or questions from members of the public

Other reporting issues

Other matters

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

We have no other matters to report.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the PCC and CC to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the PCC and CC have put adequate arrangements in place to satisfy 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 not tested the operation of controls.

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

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



09

Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 31st January 2019.

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

We consider that our independence in this context is a matter which you should review, as well as us. It is important that the JAC consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit JAC on the 23 July 2019.

The FRC Ethical Standard also requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.



Fee analysis

We set out below a summary of the fees paid for the year ended 31st March 2019. We confirm that we have not undertaken non-audit work outside the NAO Code.

	Final Fee 2018/19	Scale Fee 2018/19
	£'s	£'s
Total Audit Fee - PCC Code work	<i>Note 1</i>	29,805
Total Audit Fee - CC Code work	<i>Note 1</i>	11,550
Additional fees for VFMC - Medium Term Financial Planning	<i>Note 2</i>	0
Additional fees for VFMC - ERP system	<i>Note 2</i>	0
Total	TBC	41,350

Note 1: As a result of the additional time spent on the audit of the PCC and the CC financial statements in relation to the audit adjustments and McCloud issue, we will need to charge an additional audit fee and so cannot confirm our final fee for 2018/19 at this stage.

Note 2: As a result of the VFM conclusion significant risks we will be discussing with the Chief Financial Officers, for the PCC and the CC, an additional audit fee and so cannot confirm our final fee for 2018/19 at this stage.

We will discuss and agree our proposed additional fee with the Chief Finance Officers before gaining formal approval from Public Sector Audit Appointments Ltd (PSAA) for the scale fee variation. We will report our final fee to you within our Annual Audit Letter or separate fee letter (depending on timing).





A close-up photograph of a person's hand reaching into a filing cabinet to touch a folder. The cabinet is filled with numerous folders of various colors (yellow, blue, white) and sizes, each containing stacks of papers. The background is a textured, light-colored wall.

10 Appendices

Appendix A

Required communications with the PCC and CC





There are certain communications that we must provide to the PCC and CC. 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 PCC and CC 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 presented at the JAC meeting on 31 January 2019
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report presented at the JAC meeting on 31 January 2019
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit results report presented at the JAC meeting on 23 July 2019





Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Public Interest Entities	<p>For the audits of financial statements of public interest entities our written communications to the audit committee include:</p> <ul style="list-style-type: none"> ▶ A declaration of independence ▶ The identity of each key audit partner ▶ The use of non-member firms or external specialists and confirmation of their independence ▶ The nature and frequency of communications ▶ A description of the scope and timing of the audit ▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▶ Materiality ▶ Any going concern issues identified ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management ▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee ▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The identification of any non-EY component teams used in the group audit ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant 	<p>Audit planning report presented at the JAC meeting on 31 January 2019; and</p> <p>Audit results report presented at the JAC meeting on 23 July 2019</p>

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"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about the PCC for Surrey's ability to continue for the 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report presented at the JAC meeting on 23 July 2019
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report presented at the JAC meeting on 23 July 2019
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the PCC, CC, the Monitoring Officer and senior officers to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the PCC and CC ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the PCC and CC, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to PCC, CC & Management responsibility. 	Audit results report presented at the JAC meeting on 23 July 2019

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	Significant matters arising during the audit in connection with the PCC's and CC's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the PCC or CC 	Audit results report presented at the JAC meeting on 23 July 2019
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report presented at the JAC meeting on 31 January 2019; and Audit results report presented at the JAC meeting on 23 July 2019



Appendix B - Request for a Letter of Representation - Group/PCC

Management Rep Letter



Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ
Tel: + 44 1223 394400
Fax: + 44 1223 394401
ey.com



Ian Perkin,
Treasurer of the Police & Crime Commissioner Police and Crime
Commissioner for Surrey
PO Box 412
Guildford
Surrey
GU3 1YJ

17 July 2019

Ref:
Your ref:
Direct line: 01223 394547
Email: M.Hodgson@uk.ey.com

Dear Ian,

Office of the Police & Crime Commissioner for Surrey – 2018/19 financial year Request for a letter of representation

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the PCC.

I would expect the letter of representation to include the following matters.

General statement

That the letter of representations is provided in connection with our audit of the financial statements of the Office of the Police & Crime Commissioner for Surrey ("the Group and PCC") for the year ended 31 March 2019.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Office of the Police & Crime Commissioner for

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Surrey as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

You understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit is conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent we 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, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and PCC the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. That you acknowledge as members of management of the Group and PCC, your responsibility for the fair presentation of the consolidated and PCC financial statements. We believe the consolidated and PCC 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 and PCC in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and are free of material misstatements, including omissions. We have approved the consolidated and PCC financial statements.
3. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the PCC, we believe that the PCC has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, that are free from material misstatement, whether due to fraud or error.
5. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, if relevant, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

That you have not corrected these differences identified and brought to your attention by us because (please specify the reasons for not correcting the misstatements).
or;
6. That there are no unadjusted differences identified during the current audit and pertaining to the latest period presented.



Appendix B - continued

Management Rep Letter



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

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

C. Information Provided and Completeness of Information and Transactions

1. You have provided us 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 as agreed in terms of the audit engagement.
 - Additional information that we have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. That all material transactions have been recorded in the accounting records and are reflected in the financial statements.



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3. That you have made available to us all minutes of the meetings of the PCC and its relevant committees (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: 23 July 2019.
4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the PCC related parties and all related party relationships and transactions of which you 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 period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
6. That you have disclosed to us, and the Group and PCC has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the financial statements.
2. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that you have given to third parties.

E. Subsequent Events

1. That other than described in the relevant note to the Group and PCC's financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Group audits

1. You confirm that the necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst the PCC and its subsidiary undertakings (Chief Constable) and associated undertakings.

G. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
2. In respect of accounting estimates recognised or disclosed in the financial statements:



Appendix B - Continued

Management Rep Letter



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- That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
- That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Group audits

2. That there are no significant restrictions on your ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
3. That the necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst PCC, subsidiary undertakings and associated undertakings.
4. You confirm that entities excluded from the consolidated financial statements are immaterial on a quantitative and qualitative basis.

I. Expenditure Funding Analysis

1. You confirm that the financial statements reflect the operating segments reported internally to the PCC.

J. Going Concern

1. That you have made us aware of any issues that are relevant to the Group and PCC's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

K. Ownership of Assets

1. That except for assets capitalised under finance leases, the Group and PCC has satisfactory title to all assets appearing in the balance sheet(s), 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 sheet(s).

L. Valuation of Property, Plant and Equipment Assets

1. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the



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context of the CIFFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

2. You confirm that the significant assumptions used in making the valuation of assets appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
3. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Property Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and PCC financial statements and the underlying accounting records. You 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.
4. You confirm that the disclosures made in the consolidated and PCC financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIFFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and PCC financial statements due to subsequent events.
6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
7. You confirm that for assets carried at historic cost, that no impairment is required.

L. Reserves

1. You have properly recorded or disclosed in the consolidated and PCC financial statements the useable and unusable reserves.

M. Retirement benefits

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

N. Use of the Work of a Specialist – Pension Liabilities

1. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and PCC financial statements and the underlying accounting records. You 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 you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.



Appendix B - continued

Management Rep Letter



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O. Valuation of Pension Liabilities

1. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. You confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. You confirm that the disclosures made in the consolidated and PCC financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
4. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and PCC financial statements due to subsequent events.

P. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2018-2019.
2. You confirm that the content contained within the other information is consistent with the financial statements.

Q. Specific Representations

We do not require any specific representations in addition to those above.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the PCC, the PCC's s151 officer and Chair of the Joint Audit Committee) on the proposed audit opinion date (to be confirmed) on formal headed paper.

Yours sincerely

Mark Hodgson
Associate Partner
Ernst & Young LLP
United Kingdom

Appendix C - Request for a Letter of Representation - CC

Management Rep Letter



Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ
Tel: + 44 1223 394400
Fax: + 44 1223 394401
ey.com



Peter Gillet
Executive Director of Commercial & Financial Services
Surrey Police
c/o Sussex Police Headquarters
Church Lane
Lewes
BN72DZ

17 July 2019

Ref:
Your ref:
Direct line: 01223 394547
Email: MHodgson@uk.ey.com

Dear Peter,

Office of the Chief Constable for Surrey – 2018/19 financial year Request for a letter of representation

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Chief Constable.

I would expect the letter of representation to include the following matters.

General statement

That the letter of representations is provided in connection with our audit of the financial statements of the Office of the Chief Constable for Surrey ("the CC") for the year ended 31 March 2019.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Office of the Chief Constable for Surrey as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

You understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit is conducted in accordance with International Standards on Auditing (UK and

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Ireland), which involves an examination of the accounting system, internal control and related data to the extent we 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, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the CC the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. That you acknowledge as members of management of the CC, your responsibility for the fair presentation of the CC's financial statements. We believe the CC financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the CC in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and are free of material misstatements, including omissions. We have approved the CC financial statements.
3. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the CC, you believe that the CC has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, that are free from material misstatement, whether due to fraud or error.
5. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, if relevant, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

That you have not corrected these differences identified and brought to your attention by us because (please specify the reasons for not correcting the misstatements).

or:

6. That there are no unadjusted differences identified during the current audit and pertaining to the latest period presented.



Appendix C - Continued

Management Rep Letter



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

1. You acknowledge that you are responsible to determine that the CC's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. You acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. You have disclosed to us the results of your assessment of the risk that the CC financial statements may be materially misstated as a result of fraud.

You have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the CC (regardless of the source or form and including without limitation, any allegations by "whistleblowers") including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or CC's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the CC's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. You have provided us 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 as agreed in terms of the audit engagement.
 - Additional information that we have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. That all material transactions have been recorded in the accounting records and are reflected in the financial statements.



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3. That you have made available to us all minutes of the meetings of the CC and its relevant committees (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: 23 July 2019.
4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the CC related parties and all related party relationships and transactions of which you 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 period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
6. That you have disclosed to us, and the CC has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the financial statements.
2. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that you have given to third parties.

E. Subsequent Events

1. That other than described in the relevant note (Note X) to the CC's financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
2. In respect of accounting estimates recognised or disclosed in the financial statements:
 - That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.



Appendix C - Continued

Management Rep Letter



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- That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Expenditure Funding Analysis

1. You confirm that the financial statements reflect the operating segments reported internally to the CC.

I. Going Concern

1. That you have made us aware of any issues that are relevant to the CC's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

J. Ownership of Assets

1. That except for assets capitalised under finance leases, the CC has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the CC's assets, nor has any asset been pledged as collateral. All assets to which the CC has satisfactory title appear in the balance sheet(s).

K. Reserves

1. You have properly recorded or disclosed in the CC financial statements the useable and unusable reserves.

L. Retirement benefits

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.
2. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and CC financial statements and the underlying accounting records. You 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 you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2018-19.
2. You confirm that the content contained within the other information is consistent with the financial statements.



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N. Specific Representations

We do not require any specific representations in addition to those above.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the Chief Constable, the CC's s151 officer and Chair of the Joint Audit Committee) on the proposed audit opinion date (to be confirmed) on formal headed paper.

Yours sincerely

Mark Hodgson
Associate Partner
Ernst & Young LLP
United Kingdom

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