

**Police & Crime Commissioner
for Surrey and the Chief
Constable for Surrey Police**

Audit Results Report

Year ended 31 March 2020

16 November 2020

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the top right corner of the logo area.

Building a better
working world

16 November 2020



Dear Mr Munro and Mr Stephens

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Joint Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of the Police and Crime Commissioner for Surrey (PCC) and Chief Constable for Surrey Police (CC) for 2019/20.

We have substantially completed our audit of the respective sets of financial statements for the year ended 31st March 2020.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the respective financial statements in the form at Section 3, before the statutory deadline of the 30 November 2020.

As part of our audit planning we also identified three significant value for money risks in respect of the Robustness of Medium Term Financial Planning, the Implementation of EQUIP (the Enterprise Resource Planning (ERP)) system and Delivery of the Building the Future programme. We have concluded our work on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use by yourselves as the PCC and the CC, the Joint Audit Committee and the senior management of your respective offices. 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 Joint Audit Committee meeting on 25 November 2020.

Yours sincerely

MARK HODGSON

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

United Kingdom

Contents



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. 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 Hywell Ball, 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, dated 13 March 2020, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions as identified in our Audit Plan Addendum of 14 May 2020:

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, were issued and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

Changes to our risk assessment as a result of Covid-19

As a result of COVID-19, we reviewed our Audit Plan, and issued an Addendum, which provided an overview of the additional areas that we would need to be cognisant of during our audit, in light of financial reporting requirements that Covid-19 may present. In our dialogue with you we specifically discussed the following key areas:

Changes to our risk assessment as a result of Covid-19

- ▶ **Pension liability valuation and actuarial assumptions:** There are additional risks in relation to the valuation of pension assets.
- ▶ **Valuation of Land and Buildings** - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a “material uncertainty”. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the PCC’s external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of land and buildings. We revised our risk assessment on key estimates (valuation of Land and buildings) and are using EY specialists to support our work in this area.
- ▶ **Disclosures on Going Concern** - Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the PCC and the CC would not appropriately disclose the key factors relating to going concern, underpinned by managements’ assessment with particular reference to Covid-19 and the PCC’s and the CC’s actual year end financial position and performance.
- ▶ **Events after the balance sheet date** - We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the PCC and the CC.
- ▶ **Adoption of IFRS16** - The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of police body financial statements has been deferred until 1 April 2021. The PCC and CC will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20. We therefore no longer consider this to be an area of audit focus for 2019/20.

Executive Summary

Scope update

Changes in materiality:

- ▶ We updated our planning materiality assessment using the 2019/20 draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of 2% of gross expenditure for the draft 2019/20 financial statements, compared to the 2% of our materiality measure of 2% of gross expenditure of the audited 2018/19 financial statements, our materiality levels have changed slightly from those reported in our Audit Plan, to:
 - ▶ Group - £6.125 million (Audit Plan - £6.890 million);
 - ▶ PCC - £3.466 million (Audit Plan - £3.299 million);
 - ▶ CC - £6.054 million (Audit Plan - £6.823 million);
 - ▶ PPF - £0.959 million (Audit Plan - £0.910 million).

Performance materiality, at 75% of overall materiality and thresholds for reporting misstatements at 5% of performance materiality have remained unchanged. We have considered whether any change to our materiality is required in light of Covid-19. Following this consideration we remain satisfied that the basis for planning materiality, performance materiality and our audit threshold for reporting differences reported to you in our Audit Planning Report remain appropriate.

Information Produced by the Entity (IPE)

We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from your systems. We undertook the following to address this risk:

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

Additional EY consultation requirements concerning the impact on auditor reports.

The uncertainty created by Covid-19 increases the importance of giving the right assurance to Surrey Police and its stakeholders. In light of issues with going concern and material uncertainty in respect of PPE valuations, we have sought additional consultation on the content of the wording of the auditor's report. This consultation process has involved significant senior level input from the audit team and EY's risk management team.

The changes to audit risks and audit approach have increased the level of work we have been required to undertake. We are currently quantifying the impact on the audit fee and will present our final fee to the respective Section 151 officers on completion of the audit and report this to you at the appropriate time.

Executive Summary

Status of the audit

Our audit work in respect of Surrey Police's PCC and CC audit opinions are substantially complete. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the PCC and CC financial statements in the form which appears at Section 3. However, until work is complete, further amendments may arise.

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

- ▶ receipt of IAS 19 assurance from the Surrey County Council Pension Fund auditor;

Other Closing Procedures:

- ▶ completion of subsequent events review;
- ▶ agreement of the final set of accounts;
- ▶ receipt of signed management representation letters for the PCC and the CC; and
- ▶ final manager and engagement partner review.

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

Executive Summary

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Surrey Police's financial statements. This report sets out our observations and conclusions. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

Risk	Findings & Conclusions
Management Override: Misstatements due to fraud or error	We have completed our audit work in respect of journal entries, estimates and unusual transactions. We have not identified any indications of management overriding controls.
Incorrect capitalisation of revenue expenditure	We have completed our audit work on capital additions and have not identified any incorrect classification of revenue spend.
Pensions Liability Valuation	We have reviewed the accounting entries and disclosures in the draft financial statements and assessed the work of the respective fund actuary's. On 16 July 2020, HM Treasury issued a consultation regarding transitional arrangements for public sector pensions to eliminate discrimination as identified through the McCloud case. We are currently concluding on whether this has a material impact to the financial statements. We are also waiting for the assurance letter from the auditor of Surrey County Council Pension Fund to enable us to conclude our work in this area for the liability relating to police staff pensions.
Valuation of Property, Plant & Equipment	We have completed our review of PPE valuations, including a review of assets not revalued. Using the work of our EY Real Estate Specialists we have not identified any material misstatements. As a result of RICS "material uncertainty" clauses included within the valuation reports we have requested that the estimation uncertainty disclosure (Note 4) is enhanced in this area and our audit report will include an Emphasis of Matter paragraph to draw attention to this disclosure.
IFRS 16 - Leases	The national implementation of this International Financial Reporting Standard (IFRS) has been deferred until April 2021. We will review this as part of next year's audit.

This report sets out our latest observations and conclusions on the above matters, and any others identified, in the "Areas of Audit Focus" section of this report.

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

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

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

Executive Summary

Audit differences

We have identified 4 unadjusted audit differences in the draft financial statements which management has chosen not to adjust. We request that they are either corrected or, a rationale as to why they are not corrected is approved by the PCC and CC and included in the Letter of Representation. We agree with management's assessment that the impact of these unadjusted differences is not material.

We have also identified 2 adjusted audit differences higher than the reporting threshold set. We also identified some minor disclosures errors which management have agreed to adjust. We provide details in Section 4 - Audit Differences.

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

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 the 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 the three significant risks in terms of our Value for Money Conclusion and our high-level conclusions are below:

1. Robustness of Medium Term Financial Planning:

- Surrey Police has a Medium Term Financial Plan (MTFP) in place for the next three year period. There is a good record of making savings and the Force has worked collaboratively with Sussex Police for a number of years to generate efficiencies and savings. It will be important that this arrangement continues to be robustly monitored to ensure the estimated savings of £18.5 million over the next 4 years (2021/22 to 2024/25) materialise to the planned timeframe.

2. Implementation of the ERP system:

- The Equip Programme is behind the anticipated Go Live dates of February 2020 for Surrey and Sussex Police Forces and June 2020 for Thames Valley Police) with no agreed plan or expected Go-Live dates in place at the date of this report.
- A new Senior Responsible Officer (SRO) was appointed in January 2020, and it clear that they have been both active and effective in the role to date.

Executive Summary

Value for money

- Sussex Police has taken the appropriate legal advice from Weightmans LLP throughout 2019/20 and have also commissioned appropriate contract reviews in the period under our review (Grant Thornton and Berkley Partnership Review).
- The governance structure surrounding the Equip Programme is clear and features multiple layers. The Sussex Police Joint Audit Committee actively monitors the Programme's progress. The delivery of the programme has been severely impacted by technical differences of opinion between the two parties. The EQUIP Strategic Board meetings are held frequently and within these meetings EY has identified some instances of good quality risk assessments arrangements.

3. Delivery of the Building the Future programme:

- In 2019/20, the Building the Future (BTF) programme was in the early planning phase of a project that is projected to be completed in 2024/25. Adequate progress has been made in terms of setting up appropriate arrangements and meeting key milestones
- These are ambitious plans in relation to the Force Estate, and significant investment is required to address some legacy challenges in relation to ICT 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 medium-term financial plans.

Other reporting issues

Annual Governance Statement

We have reviewed the information presented in the draft Annual Governance Statement (AGS) for consistency with our knowledge of Surrey Police. We have nothing to report on this as the draft AGS has been amended to reflect the Head of Internal Audit Opinion for 2019/20.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your WGA return. The extent of our review, and the nature of our report, is specified by the NAO. We have yet to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. This will be completed at the end of the audit and we will report our findings in our final Audit Results Report.

Independence

We can confirm that we remain independent of the PCC and CC and include an update in Section 8.



02

Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error (Group, PCC, CC)

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.

We have considered where this risk specifically manifests itself and this is in the posting of investment journals (see following slide).

What did we do?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- ▶ We inquired of management about risks of fraud and the controls put in place to address those risks;
- ▶ We obtained an understanding of the oversight given by those charged with governance of management's processes over fraud;
- ▶ We considered the effectiveness of management's controls designed to address the risk of fraud;
- ▶ We performed mandatory procedures regardless of specifically identified fraud risks, including:
 - ▶ testing of journal entries and other adjustments in the preparation of the financial statements;
 - ▶ reviewing accounting estimates for evidence of management bias; and
 - ▶ evaluating the business rationale for significant unusual transactions.
- ▶ We utilised our data analytics capabilities to assist with our work, including journal entry testing; and
- ▶ We assessed journal entries for evidence of management bias and evaluate for business rationale.

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. We did not identify any other transactions during our audit which appeared unusual or outside of the normal course of business



Areas of Audit Focus

Significant risk

Risk of fraud in revenue and expenditure recognition - specifically incorrect capitalisation of revenue expenditure (Group, PCC)

What is the risk?

In considering how the risk of management override may present itself, we conclude that this is primarily through management taking action to override controls and manipulate in year financial transactions that impact the medium to longer term projected financial position.

A key way of improving the revenue position is through the inappropriate capitalisation of revenue expenditure. Surrey Police has a significant fixed asset base and therefore has the potential to materially impact the revenue position through inappropriate capitalisation of its revenue expenditure.

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?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- ▶ sample tested additions to property, plant and equipment, to ensure that they had been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised.
- ▶ identified the controls that Surrey Police has in place to prevent incorrect capitalisation of revenue expenditure.
- ▶ considered the effectiveness of management's controls designed to address the risk.
- ▶ tested the year end journals which moved expenditure from revenue to capital.

What are our conclusions?

- Our testing has not identified any material misstatements from inappropriate capitalisation of revenue expenditure.
- 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.

Areas of Audit Focus

Other areas of audit focus (continued)

What is the risk/area of focus?

Police Pension Liability Valuation (Group, PCC, CC)

The Group and CC police pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the balance sheet. At 31 March 2019 this totalled £2.157 billion.

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

Valuation of Property, Plant and Equipment (Group, PCC)

The fair value of Property, Plant and Equipment (PPE), primarily land and buildings, represents a significant balance in Surrey Police's 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 did we do?

We completed the following procedures:

- ▶ assessed the work of the Police Pension Fund actuary including the assumptions they have used by relying on the work of PwC, being the Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY Pensions actuarial team;
- ▶ assessed the work of Hymans Robertson, the actuary for the Surrey County Council Local Government Pension scheme, as Surrey police are admitted members of this pension fund.
- ▶ reviewed and tested the accounting entries and disclosures made within the PCC and the CC's financial statements in relation to IAS19.

We are currently concluding our work in this area, as we are awaiting the necessary assurances from the auditor of Surrey County Council Pension Fund.

We completed the following procedures:

- ▶ considered the work by Surrey Police's external valuers, 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 valuers 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;
- ▶ reviewed assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated;
- ▶ Used our EY specialists to review two assets, the new Leatherhead HQ site (fair value of £20.485 million) and Salfords Custody suite (fair value of £7.255 million); and
- ▶ tested that accounting entries have been correctly processed in the financial statements.

We updated our risk assessment in light of the impact of Covid-19 and the fact that the external valuer had highlighted a 'material uncertainty' in their valuation report. However the valuer carried out a post-valuation review, in August 2020, and has removed its 'material uncertainty' paragraph.

Areas of Audit Focus

Other areas of audit focus (continued)

What is the risk/area of focus?

Going Concern Disclosures

Covid-19 has created a number of financial pressures throughout Local Government. It is creating financial stress through a combination of increasing service demand leading to increased expenditure in specific services, and reductions in income sources. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19.

There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in Chief Financial Officers using their s114 powers. This could be under s114(3), insufficient resources to fund likely expenditure.

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

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

To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

What did we do?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- ▶ Obtained and reviewed managements going concern assessment;
- ▶ Challenged management's assessment of going concern;
- ▶ Reviewed supporting evidence such as cash flow forecasts, employer covenants and post year-end valuation statements for evidence to support managements going concern assessment; and
- ▶ Ensured sufficient disclosure within the financial statements.

Following our work in this area we consider Management's assessment to be robust and appropriate and following discussion Surrey Police have included an additional detailed disclosure note within the revised financial statements in respect of going concern.

As a result of these procedures we do not have any matters to raise.



04 Audit Report



Audit Report

Draft audit report – Police & Crime Commissioner for Surrey & Group

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 2020 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 Pensions Fund Account Statements; and
- ▶ related notes 1 to 40.

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

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the 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.



Audit Report

Draft audit report – Police & Crime Commissioner for Surrey & Group

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 Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ▶ the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Police and Crime Commissioner'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 2019/20", other than the financial statements and our auditor's report thereon. Chief Finance Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in 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 April 2020, 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 2020.



Audit Report

Draft audit report – Police & Crime Commissioner for Surrey & Group

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 Chief Finance Officer

As explained more fully in the “Statement of Responsibilities” set out on page 16, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

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

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

Auditor’s responsibilities for the audit of the financial statements

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



Audit Report

Draft audit report – Police & Crime Commissioner for Surrey & Group

Our opinion on the financial statements

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, 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 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the 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 Police and Crime Commissioner'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.



Audit Report

Draft audit report – Chief Constable of Surrey Police

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 2020 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 23; and
- Chief Constable of Surrey Police Pensions Fund Account Statements.

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

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 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Chief Constable for 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.



Audit Report

Draft audit report – Chief Constable for Surrey Police

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 Chief Constable'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 2019/20", 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 April 2020, 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 2020.



Audit Report

Draft audit report – Chief Constable for Surrey Police

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 the “Statement of Responsibilities” set out on page 18, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the 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.



Audit Report

Draft audit report – Chief Constable for Surrey Police

Our opinion on the financial statements

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, 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 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the 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.



05 Audit Differences



Audit Differences

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

Summary of Unadjusted Audit differences

Our audit identified only a limited number of misstatements which our team have highlighted to management for amendment. We have included all known amounts greater than £0.306 million for the Group, £0.173 million for the PCC, £0.302 million for the CC and £48k for the Police Pension Fund in our summary of misstatements.

We consider that only the following misstatements to be so significant as to merit bringing to your attention:

Unadjusted audit differences:

We identified 3 unadjusted audit differences in the draft financial statements which management has chosen not to adjust. We request that they are either corrected or, a rationale as to why they are not corrected is approved by the PCC and CC and included in the Letters of Representation. We agree with management’s assessment that the impact is not material to our audit opinion.

There were three unadjusted audit differences, as follows:

- ▶ PCC and Group: Referral Centre commitment of £0.286 million to NHS England for 2018/19 which was not recognised until 2019/20.
- ▶ CC and Group: 2018/19 expenditure; This relates to an extrapolated difference of £0.752 million (Note 1 and 2) in relation to expenditure that was incorrectly recognised in 2019/20. This was due to expenditure relating to 2018/19 not being accrued for in that year and incorrectly recognised in 2019/20.
- ▶ Pension Fund: Lump sum payment of £0.128 million relating to 2018/19 recognised in 2019/20.

Note 1 – for purchase invoices under £10,000, the Actual error was £3,000 in a sample of £4,000. This gives an error rate of 67.60% . On the full expenditure population of £577,000, this gives a projected error of £390,000.

Note 2 – for purchase invoices over £10,000, the Actual error was £55,000 in a sample of £459,000. This gives an error rate of 11.90% . On the full expenditure population of £3.045 million, this gives a projected error of £362,000.

The combined extrapolated error for Purchase invoices incorrectly recognised in 2019/20 is therefore £0.752 million.

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 Audit differences

Our audit identified only a limited number of misstatements which our team have highlighted to management for amendment. We have included all known amounts greater than £0.306 million for the Group, £0.173 million for the PCC, £0.302 million for the CC and £48,000 for the Police Pension Fund in our summary of misstatements.

We consider that only the following misstatements to be so significant as to merit bringing to your attention:

Adjusted audit differences:

There were five adjusted audit differences, the details of which are as follows

1. **PCC and Group: Cashflow misstatements:** there were numerous adjustments to the Cashflow Statement (a primary statement) which have been amended. This was the result of numerous inconsistencies with other areas of the accounts.
2. **PCC and Group:** Reclassification of Intangible Asset Additions, of £1.741 million, which were initially recognised as PPE additions (from PPE AUC to Intangible Assets Under Development):
 - ▶ Dr Intangible Assets Under Development £1.741 million
 - ▶ Cr PPE AUC £1.741 million
3. **PCC and Group:** Mole Valley and Runnymede returns for Council Tax Debtors of £0.400 million not initially reflected:
 - ▶ Dr Short-Term Debtors £0.400 million,
 - ▶ Dr MIRS £0.400 million,
 - ▶ Cr Taxation and Non-Specific Grant Income £0.400 million,
 - ▶ Cr Capital Adjustment Account £0.400 million
4. **PCC and Group:** Movement between budgets (virement) of £0.458 million relating to the Victims Services Commissioning Grant initially reflected as both Expenditure and Income:
 - ▶ Dr Income £0.458 million,
 - ▶ Cr Supplies and Services Expenditure £0.458 million
5. **CC and Group:** CIES movements, of £2.081 million, relating to PPE revaluations which were initially included in depreciation:
 - ▶ Dr (Gains)/Losses on PPE Revaluations £2.081 million,
 - ▶ Cr Depreciation £2.081 million



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 Audit differences (Continued)

Disclosures

- Note 2 - Going Concern: The PCC and CC draft financial statements did not include the necessary going concern disclosures. Surrey Police have included an additional detailed disclosure note within the revised financial statements in respect of going concern.
- Note 3 - Estimation Uncertainty: The disclosures relating to the Property, Plant and Equipment valuations have been updated to explain the impact of COVID-19 and the findings from the valuer’s post-valuation market review.
- There are a number of minor disclosures that also needed amending.

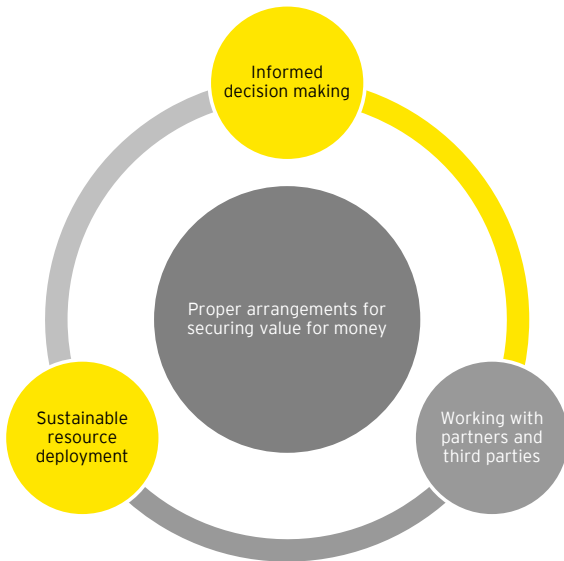


06

Value for Money



Value for Money



Background

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

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

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

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

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

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

Impact of Covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities' (including Police) response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019/20 VFM arrangements conclusion. We did not identify any significant failures.

Risk identification

In our Audit Plan we identified the following three significant risks in terms of our Value for Money Conclusions for the PCC and the CC:

1. Robustness of Medium Term Financial Planning;
2. Implementation of EQUIP, the Enterprise Resource Planning (ERP) system; and
3. Delivery of the Building the Future programme

Our work on these three areas, to date, is reported overleaf. Overall, we conclude that appropriate arrangements are in place to secure economy, efficiency and effectiveness in the use of resources.



Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
<p>1. Robustness of Medium Term Financial Planning</p> <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. A full savings plan has been identified for 2019/20 and officers are working to identify savings for 2020/21 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 £10.5 million. This scenario takes a pessimistic view of central government funding and local freedoms to increase precept from 2020/21 onwards.</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 2019/20. 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>In order to address this risk we will carry out a range of procedures including:</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 2020/21 and beyond.

What are our findings?
<p>Surrey Police’s Medium Term Financial Plan (MTFP) documents its forecasted financial plan from 2020/21 to 2024/25. We have reviewed the core assumptions on government grant, council tax income and saving program estimates of the MTFP . These assumptions have been assessed based on the rationale provided by management and wider external factors and appear to be reasonable.</p> <p>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 2020/21 planned budget savings total £1.4 million and although the plan is expected to be delivered, any underachievement will negatively impact future years.</p> <p>The future savings plan is £18.5 million over the next four years, which matches the efficiency requirement so there is no budget deficit over the four years. It will be important that the MTFP continues to be robustly monitored to ensure the estimated savings of £18.5 million over the next 4 years materialise to the planned timeframe as the worst case savings scenario has been estimated at some £32.9 million to 2024/25.</p>



Value for Money

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
<p>2. Implementation of EQUIP, the Enterprise Resource Planning (ERP) system</p> <p>This is a significant joint project with Thames Valley and Sussex Police aiming to modernise key financial systems. This multi-million pound IT restructure has been subject to a significant number of inputs and assumptions regarding delivery. Last year, we undertook a detailed review of the arrangements that Surrey Police had in place to manage the risks associated with the implementation of the ERP system.</p> <p>The project has experienced well documented challenges in respect of delivery to time and budget and it is currently rated an amber / red risk status with a revised go live date of September 2020 for Surrey and Sussex.</p>	<p>Take informed decisions</p> <p>Deploy resources in a sustainable manner</p> <p>Work with partners and other third parties</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> • understand the current status of the project versus the revised project timeline. • review the forecast budget and the estimated likely outturn and the impact of this on the MTFP. • assess how management continue to respond to the issues raised and how any associated risks are being mitigated.

What are our findings?

The EQUIP Programme is behind its anticipated “go live” date of January 2021. However, the delays and challenges have been recognized by the PCC and the CC and a new Senior Responsible Officer (SRO) was appointed in January 2020 to lead on this programme. The SRO has been effective in the role, to date, reporting each month to the Strategic Programme Board and regularly to the CC’s and PCC’s on options going forward. The programme has taken appropriate legal advice from Weightmans LLP throughout 2019/20 and the current year.

Two other reviews on the EQUIP Programme were also carried out, during 2019/20, by Grant Thornton (GT) and Berkeley Partnership (BP). We have not seen clear action/implementation plans in response to the outputs of either engagement. However, actions from the Grant Thornton report had already been implemented or were in progress when the output of the review was received and, the results of the BP work were discussed in a Legal Counsel review, as part of ongoing project discussions. The EQUIP delays have resulted in escalations of the expected total programme cost, but at this time there is no agreed final cost. Under the project arrangements between Sussex and its partner forces, Sussex will be liable for 32% of the total programme cost.

The governance structure surrounding the EQUIP Programme is clear and features multiple layers. The JAC has received regular reports on the Programme’s progress. The delivery of the programme has been severely impacted by technical differences of opinion between the two parties. The EQUIP Strategic Board meetings are held frequently and within these meetings EY has identified some instances of good quality risk assessments arrangements.

Although the EQUIP programme governance, mediation and remedial arrangements in place are adequate, there are clearly lessons to be learned around user specifications, contract project management and the reporting of the achievement of KPIs. The final costs of the EQUIP programme should be appropriately quantified and appropriately reflected within an update to Sussex’s Medium Term Financial Plan and annual budget, as soon as is practicable to do so.



Value for Money Risks

What is the significant value for money risk?

3. Delivery of the Building the Future programme

The Building the Future (BTF) programme is a 4 - 5 year challenging project for Surrey Police to transform the Force estate and introduce agile working practices supported by mobile technology. A site in Leatherhead was purchased for some £15 million in March 2019 to replace five sites, including the HQ, Reigate and Woking teams. An interim Programme Manager has been appointed and the PCC has established and chairs the six weekly BTF Board which has already made key decisions on roles and timetable.

Given the financial, operational and reputational risks involved in a project of this significance, we will be reviewing the arrangements the PCC and Force have taken to appropriately manage those risks.

What arrangements does the risk affect?

Take informed decisions
Deploy resources in a sustainable manner

What will we do?

In order to address this risk we will carry out a range of procedures including:

- consider the arrangements that have been put into place to plan, manage and report the project, including the governance arrangements that have been put into place and how specialised support has been considered.

What are our findings?

Comprehensive reporting to the PCC's and CC's Joint Audit Committee, in July 2019, outlined that proposals have been informed by expert specialist consultants. Early involvement of contractors and sub-contractors, working collaboratively with the client, consultants and the design team, in the design phase of the project enabled the development of an integrated system solutions across all aspects of the project. The roles, responsibilities, organisational and governance structure has been approved by the Building the Future (BTF) Programme Board and reported to the Joint Audit Committee.

The design, planning and construction timeline is currently estimated at 4.5 years from the appointment of the architect and master planning team. A procurement strategy was agreed by the BTF Board on 11th March 2020 for four key appointments; the Project Manager, Quantity Surveyor, architecturally led multi-disciplinary consultant team and the Planning Consultant. In terms of disposal of the existing estate, including Mount Browne, a workshop was held recently to start to formulate a disposal strategy with a view to maximising value and therefore supporting the financial business case.

Whilst the ultimate trajectory of Covid19 in the UK remains uncertain, it is becoming more and more apparent that the pandemic will have an impact on the BTF Programme in a number of ways. These include workplace design, impact on anticipated disposal values and construction prices. The situation and the evolving advice will be monitored and the PCC's Programme Board appraised of risks and possible impacts.

Therefore, we conclude that adequate progress has been made in terms of setting up appropriate arrangements for the Building the Future programme. These are ambitious plans in relation to the Force Estate, and significant investment is required to address some legacy challenges in relation to ICT 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 medium-term financial plans.



07 Other reporting issues

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 Statement of Accounts 2019/20 with the audited financial statements.

- Financial information in both the PCC and the CC Statement of Accounts 2019/20 and published with the financial statements was consistent 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 reviewed the draft Annual Governance Statements (AGS) for both the PCC and the CC. We have nothing to report on this as the draft AGS has been adequately amended to reflect the “Limited” Head of Internal Audit Opinion for 2019/20.

Whole of Government Accounts

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

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the date of this report we have not yet received the Group Audit instructions from the NAO.

We will complete this work in line with the instructions issued by the NAO when it is appropriate to do so.

Other reporting issues

Other reporting issues

Other powers and duties

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

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

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; and
- ▶ Group audits.

We have discussed the outstanding disclosures and supporting working papers for Going Concern earlier in this report on page 29. Depending on the outcome of that work we may need to include an additional paragraph in our audit opinions as shown on pages 18 (PCC) and 23 (CC).



08

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Surrey Police 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 Surrey Police has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

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.

We considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.



10

Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 13 March 2020.

We complied with the FRC Ethical Standards. 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 you and your Audit Committee 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 Joint Audit Committee on 25 November 2020.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and you as the PCC and the CC, 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 01 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

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

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

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

Fee Analysis

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

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

	Proposed Final Fee 2019/20	Scale Fee 2019/20	Final Fee 2018/19
	£'s	£'s	£'s
Total audit fee - Audit Code work	29,805	41,355	41,355
2018/19 Additional VFM Risk Fee	-	-	10,735
Changes in work required to address professional and regulatory requirements and scope associated with risk (See Note 1)	22,445	-	-
Revised Proposed Scale Fee	63,800	41,355	-
Additional specific one-off work required for Covid-19 considerations	Note 2	-	-
Additional specific one-off work required for VFM Risks	Note 2	-	-
Total Fees	tbc	41,355	52,090

All fees exclude VAT

These additional fees are being discussed with management and is subject to approval by the PSAA Ltd. We will provide an update on the additional fees at the conclusion of the audit in the Annual Audit Letter.

Notes:

Note 1 - For 2019/20 the scale fee has been re-assessed to take into account a number of risk factors as outlined below:

- Procedures performed to address the risk profile of Surrey Police- £12,285
- Additional work to address increase in Regulatory standards - £8,685
- Client readiness and IT support for Data Analytics - £1,475

This additional fee has been discussed and agreed with management and is subject to approval by the PSAA Ltd.

Note 2 - As set out in this report, we have had to perform additional audit procedures to respond to the financial reporting an associated audit risks pertaining to Covid-19. We have also needed to perform additional work around the VFM Significant Risks over and above our initial assessment in Note 1 above. As we are concluding our work in relation to these areas, we can quantify the fee impact at this time. We will provide an update on the additional fee implications at the conclusion of the audit and report this within the Annual Audit Letter.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2020

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf







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Appendices





Appendix A

Required communications with the Audit Committee





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

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee 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 Plan - 13 March 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - 13 March 2020
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 - 25 November 2020





Appendix C - continued

		 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 	Audit Results Report - 25 November 2020
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 - 25 November 2020
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 - 25 November 2020
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ 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 Authority 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 Audit Committee responsibility. 	Audit Results Report - 25 November 2020





Appendix C – continued

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ 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 Authority 	Audit Results Report - 25 November 2020
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ 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 <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit Results Report - 25 November 2020

Appendix C - continued

 Our Reporting to you		
Required communications	 What is reported?	  When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - 25 November 2020
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	Audit Results Report - 25 November 2020
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - 25 November 2020


Appendix C – continued

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit Results Report - 25 November 2020
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report - 25 November 2020
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - 25 November 2020
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the Audit Plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Plan - 13 March 2020 Audit Results Report - 25 November 2020




Appendix E - Request for a Management Representation Letter

Request for a Management Representation Letter



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INVESTOR IN PEOPLE

Kelvin Menon
Chief Finance Officer
Office of the Surrey Police & Crime Commissioner.

Peter Gillett
Chief Finance Officer to the Chief Constable,
Surrey Police Headquarters.

11 November 2020

Ref:
Your ref:

Direct line: 01223 394547

Email: M.hodgson@uk.ey.com

Dear Kelvin & Peter,

**Office of the Police & Crime Commissioner for Surrey / Chief Constable for Surrey
2019/20 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 and Police 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 Police and Crime Commissioner and Chief Constable, as those charged with governance respectively.


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 (PCC) / Chief Constable (CC) for Surrey ("the PCC/CC") for the year ended 31 March 2020 and includes the Group reporting consolidation.

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 PCC and CC as of 31 March 2020 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 2019/20.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.



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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 the Accounts and Audit Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. That you acknowledge as members of management of the PCC/CC, your responsibility for the fair presentation of the PCC/CC's financial statements. That you believe the PCC/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 PCC/CC in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and are free of material misstatements, including omissions. That you have approved the PCC/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 PCC/CC, you believe that the PCC/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 2019/20, that are free from material misstatement, whether due to fraud or error. You have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on our system of internal controls.
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;

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



Appendix E – Request for a Management Representation Letter (continued)

Request for a Management Representation Letter



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

1. That you acknowledge that you are responsible to determine that the PCC/CC's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. That you have disclosed to us the results of our assessment of the risk that the 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/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 PCC/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 PCC/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, including those related to the COVID-19 pandemic.
3. That you have made available to us all minutes of the meetings of the PCC/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: 25 November 2020.



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4. That you confirm the completeness of information provided regarding the identification of related parties. You have disclosed to us the identity of the PCC/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 PCC/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.
7. That from the date of your last management representation letter to us, through the date of this letter, you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to 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 (please specify the Note) all guarantees that you have given to third parties.

E. Subsequent Events

1. That other than the disclosure described in Note X (insert Note) to the PCC/CC's financial statements, there have been no events, including events related to the COVID-19 pandemic, 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:



Appendix E – Request for a Management Representation Letter (continued)

Request for a Management Representation 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.

G. Expenditure Funding Analysis

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

H. Going Concern

1. That the PCC/CC has prepared the financial statements on a going concern basis and that Note X (insert note) to the financial statements discloses all of the matters of which you are aware that are relevant to the PCC/CC's ability to continue as a going concern, including significant conditions and events, your future financial plans and the veracity of the associated future funding allocations from the Home Office, the sufficiency of cash flows to support those financial plans.

I. Ownership of Assets

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

J. Reserves

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

K. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the values of the PCC/CC's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the PCC/CC's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.



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2. 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 2019/20.
3. 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.
4. You confirm that the disclosures made in the PCC/CC 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 2019/20.
5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the PCC/CC 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. 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 PCC/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.
3. 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 2019/20.
4. 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.
5. You confirm that the disclosures made in the consolidated and PCC/CC 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 2019/20.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and PCC/CC financial statements due to subsequent events.



Appendix E - Request for a Management Representation Letter (continued)

Request for a Management Representation Letter



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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 for the year 2019/20".
2. You confirm that the content contained within the other information is consistent with the financial statements.

N. 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.

O. 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 covers the Group, PCC and CC, which is appropriately signed and dated (by both the respective s151 officer, the PCC and the CC) on the proposed audit opinion date (date to be advised) on formal headed paper.

Yours sincerely

Mark Hodgson
Associate Partner
Ernst & Young LLP
United Kingdom

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ED None

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