Police and Crime Commissioner for Lincolnshire and Chief Constable of Lincolnshire Police

Year Ended 31 March 2020

Audit results report

26 August 2022

Building a better working world

The Police and Crime Commissioner for Lincolnshire and Chief Constable of Lincolnshire Police 26 August 2022

Lincolnshire Police Headquarters
Deepdale Lane
Nettleham
LN2 2LT

Dear Joint Independent Audit Committee

We are pleased to attach our audit results report for the forthcoming meeting of the Joint Independent Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of Police and Crime Commissioner for Lincolnshire and Chief Constable of Lincolnshire Police for 2019/20.

We have substantially completed our audit of the Police and Crime Commissioner for Lincolnshire and Chief Constable of Lincolnshire Police (the 'PCC and CC', the 'Group' or the 'Force') for the year ended 31 March 2020.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

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

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

We welcome the opportunity to discuss the contents of this report with you at the Joint Independent Audit Committee meeting on the 7th of September 2022.

Yours faithfully

Neil Harris

Associate Partner | Government and Public Sector Assurance

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This 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.

01 Executive Summary

Executive Summary

Scope update

In our Audit Planning Report dated 14 January 2020 tabled at the 27 January 2020 Joint Independent Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Changes to our risk assessment

As a result of the large audit difference noted in respect of the impact of the McCloud adjustment on the 18-19 police pension scheme due to the assumptions used by the Force's actuary, we elevated our initial risk assessment to that of Significant Risk for the 19-20 audit, and performed procedures to determine whether similar assumptions giving rise to the prior year error had been repeated in the current year.

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published 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. However, we were unable to conclude our audit by 30 November 2020 due to a whistleblower case reported to us by management, which required additional input from management and the involvement of our forensics specialists in order to assess the impact on our audit reporting.

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

- **Valuation of Property Plant and Equipment** - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has 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 Authority'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 property, plant and equipment.
- **Disclosures on Going Concern** – The unpredictability of the current environment gives rise to a risk that the Group might not appropriately disclose the key factors relating to going concern, underpinned by the Group's actual year end financial position and forecasted performance for the going concern period of 12 months after the auditor's report date.
- **Events after the balance sheet date** – We identified an increased risk that further events after the balance sheet date concerning the Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure needs to reflect the specific circumstances of the Local Authority. The significant delay in issuing the accounts exacerbates the risk of insufficient disclosure of events after the balance sheet date.
- **Adoption of IFRS16** – The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred. The Authority 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.

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

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

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19. The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. We have set out the impact on our audit fee in Section 09.

Executive Summary

Scope update

Changes in materiality:

In our Joint Independent Audit Committee Planning Report, we communicated that our audit procedures would be performed using a materiality for the Group of £3.8m, with performance materiality, at 75% of overall materiality, of £2.9m, and a threshold for reporting misstatements of £0.2m. We have considered whether any change to our materiality is required in light of Covid-19. We considered it did not. However, due to the length of time that the 18-19 financial statements have remained open together with the absolute value of errors (both adjusted and unadjusted) in the prior year, we reduced our performance materiality to 50%. We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. This resulted in updates to materiality measures as follows:

Entity £	Basis of materiality	Materiality £'000	Performance Materiality £'000	Threshold for reporting differences £'000
Group	2% of the gross expenditure on provision of services	3,824	1,912	191
Police and Crime Commissioner	2% of the gross assets	1,315	657	65
Chief Constable	2% of the gross expenditure on provision of services	3,067	1,534	153
Police Pension Fund	2% of benefits payable	843	422	42

We clarified our scoping of the group audit as follows:

Group scoping	Scoping by entity and scope definitions	Group audit team involvement
Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as: 1. **Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements. 2. **Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures. Our audit scoping has identified 2 significant components and 0 non-significant components.	**Full scope:** locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations. This scope is relevant to the PCC and CC as single entities.	The same EY audit team has performed the audit work on both the PCC and CC components, and on the Group.

Executive Summary

Status of the audit

We have substantially completed our audit of Police and Crime Commissioner for Lincolnshire and Chief Constable of Lincolnshire Police financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit Planning Report dated 14 January 2020. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 4. However until work is complete, further amendments may arise:

- Completion of professional practice consultations concerning the significant risk on value for money arrangements around the whistleblower procurement matter;
- Completion of subsequent events review;
- Receipt of the signed management representation letter;
- Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

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

Audit differences

PCC

We identified three unadjusted audit differences in the draft financial statements which management has chosen not to adjust. We ask that they be corrected or a rationale as to why they are not corrected be approved by the Joint Independent Audit Committee and included in the Letter of Representation. The aggregated impact of the unadjusted audit differences is a net credit of £38k to other comprehensive income and a credit of £200k to Surplus or deficit on the provision of services. We agree with management's assessment that the impact is not material.

We have also identified audit differences with an aggregated impact of a net credit of £4,357k to other comprehensive income, which have been adjusted by management. Details can be found in Section 5 Audit Differences.

We also suggested a number of enhancements to disclosures, which were all corrected by management.

CC

We have not identified any adjusted or unadjusted audit differences pertaining to 2019/20, apart from a number of enhancements to disclosures, which were all corrected by management.

Executive Summary

Areas of audit focus

Our Audit Planning Report dated 14 January 2020 identified key areas of focus for our audit of The Police and Crime Commissioner for Lincolnshire and Chief Constable of Lincolnshire Police's financial statements This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

Audit findings and conclusions: fraud risk – misstatements due to fraud or error

- We have performed the procedures set out in our audit plan and found no indications of misstatements due to fraud or error caused by management override of controls.

Audit findings and conclusions: fraud risk – incorrect capitalisation of revenue expenditure

- We have tested 35 capital additions in year back to source documentation to ensure appropriately capitalised. No instances of inappropriate capitalisation were noted as a result of this procedure.

Audit findings and conclusions: significant risk – valuation of land and buildings

- The PCC has engaged a new valuer for the 2019/20 financial year end, Align Property Partners. We selected a sample of 10 assets (covering 85% of the total value of assets subject to revaluation at 31 March 2020) and used our EY Real Estate specialists to review the detailed valuation methodology including testing the assumptions used and calculations made.
  Management's Specialist has used a blend of approaches namely the Market approach for the non-specialised components of the police stations (such as office accommodation) and a Cost approach for the specialised areas (such as custody suites). Typically, where an asset has a significant proportion of specialised features, a Cost approach is used in isolation (on the basis that the specialised elements will render the facility as a whole to be specialised). This is particularly the case where, as in the Lincolnshire Police portfolio, there is a lack of an observable market for certain uses, such as offices. We have discussed the above with Management's Specialist who contend that given the separation of uses the non-specialised areas could feasibly be separately occupied and let/sold on the open market. However, given the size of the non-specialised accommodation, there is often a lack of an observable market for such uses were the PCC not to remain in occupation (as evidenced in the lack of comparable evidence for key valuation assumptions). EY Real Estate specialists have therefore had to undertake corroborative valuation workings on the sampled assets. We recommend in future years a change in valuation methodology to the depreciated replacement cost method where observable market data is unavailable.

Areas of audit focus (continued)

Audit findings and conclusions: significant risk – valuation of land and buildings (continued)

- Of our 10 sampled assets, 2 were valued outside of the acceptable range calculated by the EY Real Estates specialist as follows:
  - Lincoln dog school (£237k) – undervalued by £133k (there are no comparable assets in the portfolio therefore we conclude this is an isolated error)
  - Skegness former magistrates court (£250k) – overvalued by £75k (The building was purchased by Lincolnshire Police in March 2018 for £150,000 from Homes England and there is no observable market data to support the increased value. Since there are no comparable assets in the portfolio we consider that this is an isolated error).

  The Lincoln Headquarters and the Nettleham Communication Building have been valued individually for 2019/20. Both assets have been valued (inappropriately in our view) on an Investment (income capitalization) approach. Taken separately we believe that the Nettleham Communication Building is undervalued by £784k. Taken together (as a combined asset) the valuation would be in an acceptable range. We have therefore not recorded an audit misstatement in respect of this asset.

In addition, within the draft financial statements the Southpark Bluelight building was included in property, plant and equipment at Cost. This is not in compliance with the Code as the asset should have been revalued to fair value at the point that it was brought into operational use. Management have subsequently obtained a valuation for the leasehold asset which our EY Real Estate specialists have reviewed. This has resulted in an upward revaluation of £4.4m being recorded in the final financial statements to correct the original valuation.

Audit findings and conclusions: inherent risk – accounting for pension liability

- Last year the government's appeal in relation to the age discrimination present in public sector schemes was ruled against in the High Court. Consequently, some members of the schemes need to be compensated with higher benefits. Some schemes made an allowance for this impact as past service cost in their accounts last year. As no guidance had been provided in how new members would be compensated, the adjustment made was an estimate. On the 21 July 2020 a consultation document was released which provided further details on how benefits would be changed to remove the age discrimination. Consequently, following the conclusion of the McCloud judgement, management requested an update to the Actuary report to take into consideration the impact of the judgement. The revised actuary report indicated the LGPS pension liability had been understated by £303k, and the police pension scheme liability had been overstated by £6.5m. Management updated the accounts for the revised actuarial calculations.
- We have performed all of our planning procedures, and have no additional matters to report.

Audit findings and conclusions: significant risk – McCloud impact in respect of police pension scheme

Our specialists' audit procedures confirmed that for 2020 Hymans followed the same approach as they originally did for 2019 (ie they have not made explicit allowance for the full impact of the salary increase assumption of CPI + 1%, and no allowance has been made for the membership profile underlying the scheme). EY specialists recognised that McCloud/Sergeant impact are highly sensitive to a number of factors, and so it is highly unlikely that they would replicate the actuary's estimate exactly. Thus, EY's specialists estimated a potential variation in the McCloud impact on the Group's pension liability by approximately £5m. This is below 1% of the total Group pension liability, which we considered to be a reasonable variance range and did not propose an audit adjustment.
Furthermore, management disclosed in the financial statements the valuation of the pension liability as a major source of estimation uncertainty, key assumptions used in the valuation were disclosed along with sensitivity analyses. The accounts also disclose a key non-adjusting event subsequent to the balance sheet date in relation to McCloud and the impact that event had on the pension liability in the subsequent financial reporting. We considered the disclosures to be sufficient and appropriate.

Executive Summary

Areas of audit focus (continued)

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 Independent Audit Committee.

Control observations

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. However, during the audit we identified a number of observations and improvement recommendations in relation to management's financial processes and controls. These are outlined below and set out in more detail in section 7 of this report.

- Management response to CIPFA's Financial Management Capability Review of Lincolnshire Police
- Management response to Internal Audit's recommendations around procurement
- Consideration should be given to the lack of policy and controls in respect of Rest Days in Lieu balances.
- Processes should be enhanced to ensure that evidence taken from HR systems to support accumulated absences figures in the statutory financial statements is retained to provide a clear audit trail in support of the provisions recorded.

Executive Summary

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 Planning Report dated 14 January 2020 we identified the first two significant risks in the table below. Subsequently, we identified the third significant risk on value for money as described in the table below.

What is the significant value for money risk?	What arrangements does the risk affect?
1. The latest Medium Term Financial Plan (MTFP) shows there is a gap between funding and expenditure in years 2019/20-2021/22, with savings of £3.2m, £6.7m & £7.2m, respectively, required to achieve a balanced budget. Savings plans have yet to be fully developed to address the gap. Given the level of the savings required this presents a risk to the PCC's and CC's financial position.	Deploy resources in a sustainable manner
2. Work by your predecessor external auditors and Internal Audit has highlighted a number of staff appointments and payments which have not followed recruitment and financial procedures. Whilst the amounts are not material, these may indicate a wider potential risk around governance and control.	Take informed decisions
3. New risk: management brought to our attention a procurement whistleblowing event, which had the potential to result in procurement decisions taken by the Group not aligned with the value for money requirements.	Work with partners and other third parties

We reported out findings about your arrangements to secure economy efficiency and effectiveness in your use of resources in Section 05.

Executive Summary

Other reporting issues

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

We are still to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, however, the Authority falls below the £500million threshold for review as per the NAO's group instructions.

We have no other matters to report.

Independence

Please refer to Section 10 for our update on Independence.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

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

What judgements are we focused on?

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What did we do?

We undertook our standard procedures to address fraud risks, which included:

- Identifying fraud risks during the planning stages.
- Inquiring of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Considering the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Developing a testing approach to journal entries.
- Assessing accounting estimates for evidence of management bias.
- Evaluating the business rationale for significant unusual transactions.
- Ensuring financial performance targets are not materially misstated.
- Performing appropriate tests to assess whether provisions and manual accruals and other creditors are both complete and fairly stated.
- Performing mandatory procedures regardless of specifically identified fraud risks.

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 the Authority's normal course of business.

Significant risk

Risk of fraud in revenue and expenditure recognition – Incorrect capitalisation of Revenue Expenditure and Revenue Expenditure Financed through Capital Under Statute

What is the risk?

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

This could materialize as a result of capitalizing expenditure on revenue items or miss-classifying Revenue Expenditure Financed through Capital under Statute (REFCUS).

Note – since there was no REFCUS in the 19/20 financial year, our focus was on inappropriate capitalisation of revenue expenditure.

What judgements are we focused on?

Capitalisation of expenditure as property, plant and equipment which does not meet the criteria for capital and should be recognised in the comprehensive income and expenditure statement.

What did we do?

We undertook procedures to address the specific risk we have identified, which included:

- Reviewing revenue recognition accounting policies to ensure the treatment is consistent with prior year
- Discussing any changes to accounting policies with management prior to conducting any testing
- Sample testing additions to property, plant and equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised.

What are our conclusions?

We have tested 35 capital additions in year back to source documentation to ensure they were appropriately capitalised. No instances of inappropriate capitalisation were noted as a result of this procedure.

Significant risk

Valuation of Land and Buildings

What is the risk?

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

What judgements are we focused on?

Management used a new valuer for 2019/20.

We focused on the valuation techniques used by management's specialist, and whether those were appropriate for the characteristics of the assets being valued.

We focused on the assumptions within the valuation calculations and whether those could be supported by observable evidence.

What did we do?

- Considered the work performed by the Group 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 of Practice. We also considered if there were any specific changes to assets that have occurred and if these were communicated to the valuer;
- Reviewed assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated (there were none);
- Considered changes to useful economic lives as a result of the most recent valuation;
- Tested accounting entries have been correctly processed in the financial statements; and
- Made use of our valuation experts to review any change in valuation methodology and as deemed appropriate for a sample of asset valuations review the underlying calculations and assumptions in detail.

Significant risk

Valuation of Land and Buildings (cont'd)

What are our conclusions?

Overall, the value of PPE is free from material misstatement but the valuation approach used was inappropriate for a number of assets which are of a specialised nature and should be reconsidered for future years.

What were our findings?

- We selected a sample of 10 assets (covering 85% of the total value of assets subject to revaluation at 31 March 2020) and used our EY Real Estate specialists to review the detailed valuation methodology, including testing the assumptions used and calculations made.
  Management's specialist used a blend of approaches namely the market approach for the non-specialised components of the police stations (such as office accommodation) and a cost approach for the specialised areas (such as custody suites). Typically, where an asset has a significant proportion of specialised features, a cost approach is used in isolation (on the basis that the specialised elements will render the facility as a whole to be specialised). This is particularly the case where, as in the Lincolnshire Police portfolio, there is a lack of an observable market for certain uses, such as offices. We have discussed the above with management's specialist who contend that given the separation of uses the non-specialised areas could feasibly be separately occupied and let/sold on the open market. However, given the size of the non-specialised accommodation, there is often a lack of an observable market for such uses (as evidenced in the lack of comparable evidence for key valuation assumptions). EY Real Estate specialists have therefore had to undertake corroborative valuation workings on the sampled assets. We recommend in future years a change in valuation methodology to the depreciated replacement cost method where observable market data is unavailable.

  Of our 10 sampled assets, 2 were valued outside of the acceptable range calculated by the EY Real Estates specialist as follows:
  - Lincoln dog school (£237k) – undervalued by £133k (there are no comparable assets in the portfolio therefore we conclude this is an isolated error)
  - Skegness former magistrates court (£250k) – overvalued by £75k (The building was purchased by Lincolnshire Police in March 2018 for £150,000 from Homes England and there is no observable market data to support the increased value. Since there are no comparable assets in the portfolio we consider that this is an isolated error).

  In addition, the Lincoln Headquarters and the Nettleham Communication Building were valued individually for 2019/20. Both assets were valued (inappropriately in our view) on an Investment (income capitalization) approach. Taken separately we believe that the Nettleham Communication Building is undervalued by £784k. Taken together (as a combined asset) the valuation would be in an acceptable range. We have therefore not recorded an audit misstatement in respect of this asset.

In addition, within the draft financial statements the Southpark Bluelight building was included in property, plant and equipment at cost. This is not in compliance with the Code as the asset should have been revalued to fair value at the point that it was brought into operational use. Management have subsequently obtained a valuation for the leasehold asset which our EY Real Estate colleagues have reviewed. This resulted in a revaluation of £4.4m being recorded in the final financial statements to correct the original valuation. We recorded this in our summary of corrected audit differences.

Significant risk

Valuation of Police Pension Scheme liability – McCloud Judgement

What is the risk?

Last year the government's appeal in relation to the age discrimination present in public sector schemes was ruled against in the High Court. Consequently, some members of the schemes need to be compensated with higher benefits. An allowance was made for this impact as a past service cost in the accounts last year. This was subject to a large audit adjustment as the assumptions used by the Actuary in calculating the impact on the police pension scheme were found to be inappropriate and not specific to the Lincolnshire membership profile. On the 21 July 2020 a consultation document was released which provided further details on how benefits would be changed to remove the age discrimination. There is a risk that the actuary again uses inappropriate assumptions in the calculation of the impact on the police pension scheme.

What judgements are we focused on?

Her Majesty's Treasury released a Consultation in July 2020 which set out further details of how the equalisation treatment is to be implemented. In the case of Police Schemes, the active membership originally assumed to be in scope was reduced in size, so that no new joiners (in the 2015 Police Scheme) were to be taken into account.

We have focused on the assumptions made by the actuary to estimate the liability arising.

What did we do?

- We engaged EY pensions actuarial specialists to review in detail the assumptions used by the Authority's actuary (Hymans) in calculating the McCloud impact.

What are our conclusions?

Our specialists' audit procedures confirmed that for 2020 Hymans followed the same approach as they originally did for 2019 (ie they have not made explicit allowance for the full impact of the salary increase assumption of CPI + 1%, and no allowance has been made for the membership profile underlying the scheme). EY specialists recognised that McCloud/Sergeant impact are highly sensitive to a number of factors, and so it is highly unlikely that they would replicate the actuary's estimate exactly. Thus, EY's specialists estimated a potential variation in the McCloud impact on the Group's pension liability by approximately £5m. This is below 1% of the total Group pension liability, which we considered to be a reasonable variance range and did not propose an audit adjustment.

Furthermore, management disclosed in the financial statements the valuation of the pension liability as a major source of estimation uncertainty, key assumptions used in the valuation were disclosed along with sensitivity analyses. The accounts also disclose a key non-adjusting event subsequent to the balance sheet date in relation to McCloud and the impact that event had on the pension liability in the subsequent financial reporting. We considered the disclosures to be sufficient and appropriate.

Areas of Audit Focus

Inherent risk – Pension liability valuation

The Local Authority Accounting Code of Practice and IAS19 require extensive disclosures within the financial statements regarding membership of the Police Pension Scheme and the Local Government Pension Scheme administered by Lincolnshire County Council.

The PCC and CC's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the respective balance sheets of the PCC and CC. The information disclosed is based on the IAS 19 report issued to PCC and CC by the Authority's actuary. 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.

We have:

- Liaised with the auditors of Lincolnshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Lincolnshire Police Force;
- Assessed the work of the LGPS Pension Fund and the Police Pension actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within the PCC and CC's financial statements in relation to IAS19.

Findings and conclusion:

- Last year the government's appeal in relation to the age discrimination present in public sector schemes was ruled against in the High Court. Consequently, some members of the schemes need to be compensated with higher benefits. Some schemes made an allowance for this impact as past service cost in their accounts last year. As no guidance had been provided in how new members would be compensated, the adjustment made was an estimate. On the 21 July 2020 a consultation document was released which provided further details on how benefits would be changed to remove the age discrimination. Consequently, following the conclusion of the McCloud judgement, the Authority requested an update to the Actuary report to take into consideration the impact of the judgement. The revised actuary report indicated the LGPS pension liability had been understated by £303k, and the police pension scheme liability had been overstated by £6.5m. Management updated the accounts for the revised actuarial calculations.
- We have performed all our planned procedures and have no additional matters to report.

03 Audit Report

Draft audit report – subject to items listed on page 7 being cleared

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

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Lincolnshire 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 Lincolnshire and Group Movement in Reserves Statement;
- Police and Crime Commissioner for Lincolnshire and Group Comprehensive Income and Expenditure Statement;
- Police and Crime Commissioner for Lincolnshire and Group Balance Sheet;
- Police and Crime Commissioner for Lincolnshire and Group Cash Flow Statement;
- Related notes 1 to 49; and
- Police and Crime Commissioner for Lincolnshire Police Officer Pensions – Home Office Memorandum Account and related notes 1 to 6.

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 Lincolnshire 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 Lincolnshire and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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 Financial Statements set out on pages 1 to xx, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Draft audit report – subject to items listed on page 7 being cleared

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

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 Lincolnshire put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities for the Statements of Accounts set out on page 45, 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.

Draft audit report – subject to items listed on page 7 being cleared

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Draft audit report – subject to items listed on page 7 being cleared

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

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 Lincolnshire 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 Lincolnshire, 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 Lincolnshire, for our audit work, for this report, or for the opinions we have formed.

Neil Harris (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
7 September 2022

04 Audit Differences

Audit Differences

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

Summary of adjusted differences

We highlight the following misstatements greater than performance materiality of each entity, as illustrated in the Executive Summary, Section 01, which have been corrected by management that were identified during the course of our audit:

PCC and Group:

- Understatement of Southpark/Bluelight Campus lease when brought into operational use by £4.3m

There were no other corrected audit differences above the performance materiality of each entity.

We also noted a series of observations on financial statements disclosures, which were all corrected by management. The most significant disclosure adjustment was in relation to estimation uncertainties around the valuation of pension liability and relevant non-adjusting subsequent events disclosure.

Audit Differences

Summary of unadjusted differences

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

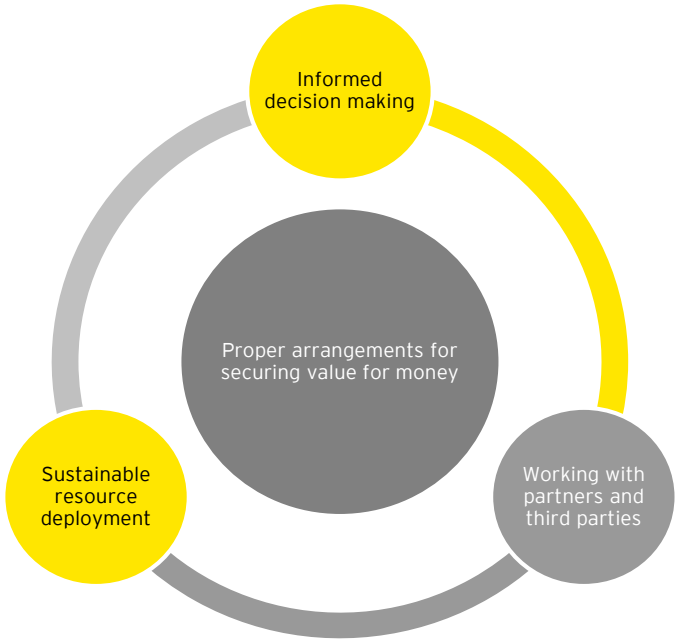
Uncorrected misstatements 2019/20 (£000)	Effect on the current period:			Balance Sheet (Decrease)/Increase	
	Comprehensive income and expenditure statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)
PCC/Group:					
Judgemental differences:					
‣ Transfer of Special Grant income to CIES from deferred income on the BS	(200,000)			200,000	
‣ Understatement of Lincoln dog school	(113,000)		113,000		
‣ Overstatement of Skegness former magistrates court	75,000		(75,000)		
Balance sheet totals			38,000	200,000	
Income effect of uncorrected misstatements (before tax)	(238,000)				
Turnaround effect. See Note 1 below.	88,683				
Cumulative effect of uncorrected misstatements, after turnaround effect	(149,317)				
CC:					
Cumulative effect of uncorrected misstatements, before turnaround	Nil				
Turnaround effect. See Note 1 below.	(138,703)				
Cumulative effect of uncorrected misstatements, after turnaround effect	(138,703)				
Uncorrected disclosure misstatements					
There are no uncorrected disclosure misstatements					

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2020.

Note 1: turnaround effect is the impact of uncorrected misstatements identified in the prior period, on results of the current period.

05 Value for Money

Value for Money



Background

We are required to consider whether the Force 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' 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.

Overall conclusion

We identified three significant risks around these arrangements. The tables on the following slides present our findings in response to the risks in our Audit Planning Report dated 14 January 2020 as well as any risks identified since then and any other significant weaknesses or issues we want to bring to your attention.

Value for Money Risks

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

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

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

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report dated 14 January 2020 as well as any additional risks identified since then.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
The latest Medium Term Financial Plan (MTFP) shows there is a gap between funding and expenditure in years 2019/20-2021/22, with savings of £3.2m, £6.7m & £7.2m respectively required to achieve a balanced budget. Savings plans have yet to be fully developed to address the gap. Given the level of the savings required this presents a risk to the PCC's and CC's financial position.	Deploy resources in a sustainable manner	In 2019/20 the LPCC group delivered a surplus ahead of the budget set due to increases in grant funding secured in year. This enabled it to make a contribution to reserves of £3.2m. The MTFP has been updated since and currently does not include a need for savings for 2020/21 and beyond, due to increases in police grant funding and council tax precept secured. The PCC has set a minimum level of reserves at £5.5m, as at 31/3/20 the level of reserves are: General reserves - £3.2m Earmarked reserves - £12.4m Overall – no indication of any issues which would give rise to the need to qualify the VFM conclusion for 2019/20.
Work by your predecessor external auditors and Internal Audit has highlighted a number of staff appointments and payments which have not followed recruitment and financial procedures. Whilst the amounts are not material, these may indicate a wider potential risk around governance and control.	Take informed decisions	We reviewed the impact of issues noted relating to governance arrangements around recruitment and expense payments for our 2018/19 VFM assessment. We concluded that for 2018/19, whilst there were evidence of weaknesses, the 2018/19 VFM conclusion would not be qualified in relation to this issue. No further new information has come to light which would impact on this assessment for 2019/20. As a result we consider that it is again appropriate to issue an unqualified VFM conclusion for 2019/20.

Value for Money Risks

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
During the completion of our 2018/19 audit, the Group's senior management brought to our attention a whistleblowing event related to the Group's procurement process outsourced to a third party service provider. This indicated towards risks around arrangements to work with partners and other third parties and we consider this risk to be relevant for 2019/20 audit as well.	Work with partners and other third parties	**Whistleblower event and management's response** In June 2020, the Chief Finance Officer of PCC brought to our attention that a potential procurement issue brought up by a whistleblower had arisen which they wanted to investigate before signing the representation letter. Following the initial notification, management informed us that they had received legal advice which stated that since the procurement team were employed by the outsourcing provider and not the Group, legally the public sector procurement regulations would not apply. However, the Group's management was concerned about compliance with laws and regulations and they sought assurance as to whether any breach in public sector procurement rules had in fact occurred. They engaged an internal audit team to perform a scope of work to determine whether in fact any behaviour of concern had occurred and to assess the robustness and the effectiveness of the Group's governance arrangements. The internal audit team reported on their work in August 2021 and concluded that the internal audit of procurement undertaken in 2018/19 provided satisfactory assurance. They also raised some recommendations aimed at addressing some of the weaknesses that have occurred during this specific procurement process to ensure that lessons are learned, and that the same mistakes are not repeated in future procurement exercises. We extracted key controls recommendations in Section 07. Thus, management concluded that sufficient assurance was obtained that the Group did not breach any laws and regulations in relation to this whistleblower event.

Value for Money Risks

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
During the completion of our 2018/19 audit, the Group's senior management brought to our attention a whistleblowing event related to the Group's procurement process outsourced to a third party service provider. This indicated towards risks around arrangements to work with partners and other third parties and we consider this risk to be relevant for 2019/20 audit as well.	Work with partners and other third parties	**Work performed by the audit team** The rationale for our scope of work is that failure to adhere to public procurement regulations could have several potential ramifications for the Group: ‣ Legal challenge/claims from potential suppliers treated 'unfairly' in the contract award process ‣ Key contracts in place at the Group found to be let in breach of public procurement rules could be declared ineffective, putting operational delivery at risk. Our initial assessment was that this issue had the potential to have a more than inconsequential effect on the organisation and the financial statements, thus we engaged EY's forensics specialists to review the documentation provided by management and to enable us to achieve a conclusion of the impact of this matter on the financial statements and value for money arrangements. EY's forensics team produced a report with their assessment results and conclusions. We used this report to arrive at our preliminary judgment that the matter is inconsequential to the financial statements. We also arrived at an initial conclusion that the matter is inconsequential for value for money arrangements because the transactions involved did not go ahead and management ceased working with the relevant outsourcing organisation involved in the procurement matter. We also reviewed material contracts and minutes of relevant bodies of the Group and did not identify any similar concerns. In addition, we will obtain relevant management representations prior to signing the auditor's report. Please see the illustrative representations in Appendix C. We are in the process of completing our consultations on this matter with the professional practice team on our findings before we issue our audit report. We will notify the Joint Independent Audit Committee if there are any remaining matters that may impact on our audit report.

06 Other reporting issues

Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Chief Constable for Lincolnshire Financial Statements 2019/20 and the Lincolnshire Police and Crime Commissioned Financial Statements 2019/20 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Chief Constable for Lincolnshire Financial Statements 2019/20 and the Lincolnshire Police and Crime Commissioned Financial Statements 2019/20 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report .

Whole of Government Accounts

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

We are still to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, however, the Authority falls below the £500million threshold for review as per the NAO's group instructions.

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.

Other matters

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

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

This audit results report includes all matters arising from our audit which we consider should be reported to you.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the PCC and CC to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the PCC and CC have put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have 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 controls.

The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2019/20 audit.

	High	Moderate	Low	Total
Total number of observations	0	3	1	4

Key:

- A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.
- Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
- Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

Assessment of Control Environment

Area	Financial management	Rating	

Observation

Management response to CIPFA's Financial Management Capability Review of Lincolnshire Police

During 2019, PCC invited CIPFA to conduct an assessment of the Authority's financial management. The aim was to establish the current level of capability and assist in building a development programme to allow a more devolved system of budget management to operate. While the report recognises significant strengths of the Authority's financial management systems, it also highlights some areas where budget management and monitoring could be strengthened and improved across the Authority. We highlight in our report the importance of management's follow-up on CIPFA's recommendations, however we found the arrangements to be generally acceptable during 2019/20 from a VFM perspective. We will revisit the progress the PCC and CC are making to implement these recommendations and strengthen their financial management arrangements.

Management comment

Since the transition from G4S services to in-house, PCC and CC are implementing a priority based budgeting exercise for the 2023/24 financial year onwards, the outcome of which will lead to a new competency framework for budget holders. The CFO's are implementing a full restructure of the Finance function to meet future needs. Once the team is in place, the Finance Business Partners will assist in delivering training to budget holders in their financial management responsibilities.

The Commercial & Contract Managers will also adopt a business partnering approach with budget holders, providing support on all aspects of commercial activities including obtaining best value from all procurement activity and managing contracts to obtain the best service outcomes for the organisation .

Area	Procurement	Rating	

Observation

Management response to Internal Audit's recommendations around procurement

As part of our work on value for money arrangements, we reviewed the results of the internal audit's review of procurement arrangements at PCC. For more details on the background of this review, refer to Section 05: audit response to significant risk on work with partners and other third parties.

The key recommendations given by the internal audit team reflecting the issues raised by the whistleblower emphasized the importance of open and fair communication with all the relevant suppliers involved in a tendering process and a transparent communication of staff with potential suppliers at supplier events.

While we bring to your attention the importance of management's response and actions to internal audit's controls recommendations, we also remind you that the impact on the 2019/20 financial statements was determined to be inconsequential and our audit report remains unmodified in this respect (refer to Section 05 for details on our audit response).

Management comment

Management explained to us that the potential procurement in the whistleblower's complaint was under the responsibility of an outsourcing service provider and no contract was carried out with or on behalf of the Group. Nevertheless, the CC's Chief Finance Officer reminded staff in person via an extended Chief Officer Team meeting that the Force's own approach to competitive procurement should be employed for any involvement in procurement, whichever organisation was carrying it out.

Assessment of Control Environment

Area	Payroll	Rating	
Observation	Consideration should be given to the lack of policy and controls in respect of Rest Days in Lieu balances.		
Management comment	The historic policy has not been refreshed in recent years. We will review current practice and produce an updated policy for implementation.		

Area	Payroll	Rating	
Observation	Processes should be enhanced to ensure that evidence taken from HR systems to support accumulated absences figures in the statutory financial statements is retained to provide a clear audit trail in support of the provisions recorded.		
Management comment	We will ensure that in the future all system reports produced to support figures in the statutory financial statements will be retained and included in the working papers.		

08 Data Analytics

Data analytics

Analytics Driven Audit

Data analytics

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

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

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

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

Journal Entry Analysis
We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our Audit Planning Report dated 14 January 2020.

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

09 Independence

Confirmation and analysis of Audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 14 January 2020.

We complied with the APB 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 that should be reviewed by both you and ourselves. It is therefore important that you and your Joint Independent Audit Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Joint Independent Audit Committee on 7 September 2022.

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

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

Description	Final Fee 2019/20 £	Planned Fee 2019/20 £	Final Fee 2018/19 £
Total Audit Fee – PCC Code work	*	22,554	*
Total Audit Fee – CC Code work	*	11,550	*
Total non-audit services	Nil	Nil	Nil

* The final fee for 2019/20 and 2018/19 will be subject to additional fees for the work carried out in response to significant risks and change of scope, specifically the work identified in this report covering:

- Additional pensions procedures as a result of the McCloud and GMP judgements, and the engagement of EY Pensions;
- Prior period adjustment in respect of the LGPS (2018/19 only);
- Use of 50% performance materiality;
- The engagement of EY Real Estate to assess the calculation of assets and challenge the Authority's valuer in respect of assumptions used;
- The VFM significant risks identified, including our response to the whistleblower allegation described in Section 05; and
- Additional procedures required in respect of post balance sheet events due to delays in completing the audits;
- Delays in executing the lease contract for South Park and implication on auditors' time needed for follow-up and document implications (2019/20 only).

We will discuss these fees with management in the first instance, before agreeing them with you and requesting approval from Public Sector Audit Appointments (PSAA).

Relationships, services and related threats and safeguards

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

There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

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 Joint Independent Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the Joint Independent 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 until 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 2021

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021:

https://www.ey.com/en_uk/about-us/transparency-report-2021

10 Appendices

Appendix A

Required communications with the Joint Independent Audit Committee

There are certain communications that we must provide to the Joint Independent 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 Joint Independent 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 Planning Report dated 14 January 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Planning Report dated 14 January 2020
Significant findings from the audit	▸ 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 ▸ Findings and issues regarding the opening balance on initial audits	Audit results report
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit results report

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ 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
Misstatements	▸ 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
Subsequent events	▸ Enquiry of the Joint Independent Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit results report
Fraud	▸ Enquiries of the Joint Independent 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: 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 Joint Independent Audit Committee responsibility.	Audit results report

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: ▸ 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
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit Planning Report dated 14 January 2020 and Audit results report
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	We have received all requested confirmations
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the Joint Independent 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 Joint Independent Audit Committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Group Audits	▸ An overview of the type of work to be performed on the financial information of the components ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▸ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	Audit Planning Report dated 14 January 2020/audit results report
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Audit results report
Fee Reporting	▸ Breakdown of fee information when the Audit Planning Report dated 14 January 2020 is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit Planning Report dated 14 January 2020, and Audit Results Report

Management representation letter - draft

Draft Management representation letter for PCC (a separate, similar, representation letter will be required for CC)

Management Rep Letter

7 September 2022

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

Dear Neil,

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

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2. We acknowledge, as members of management of the Group and Authority, our responsibility for the fair presentation of the consolidated and Authority financial statements. We believe the consolidated and Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group 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. We have approved the consolidated and Authority financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Authority financial statements are appropriately described in the Group and Authority financial statements.

4. As members of management of the Group and Authority, we believe that the Group and Authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic and the effects of the conflicts and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.

Management representation letter - draft

Draft Management representation letter for PCC (a separate, similar, representation letter will be required for CC)

Management Rep Letter

5.We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and Authority financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because we deem them to be insignificant overall to the users of the financial statements.

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

1. We acknowledge that we are responsible for determining that the Group and Authority's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the consolidated and Authority financial statements may be materially misstated as a result of fraud.

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

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Authority's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Authority'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.

5. We confirm that we have provided you with all the relevant and appropriate information surrounding the procurement concerns raised by the whistleblower. There were no other similar instances of concern that we did not make available to you. There have been no contractual commitments by our organisation related to the whistleblower concerns.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

Management representation letter - draft

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Management Rep Letter

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and Authority financial statements, including, where relevant, those related to the COVID-19 pandemic and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

3. We have made available to you all minutes of the meetings of the Group and Authority: the Joint Independent Audit Committee, the Police and Crime Panel and the Public Assurance Meetings (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 dates:

- Joint Independent Audit Committee: 7 September 2022;
- Police and Crime Panel: 24 June 2022;
- Public Assurance Meetings: 30 May 2022.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and Authority financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

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

7. From the date of our last management representation letter for our 2017/18 audit through the date of this letter, we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact on the Group and Authority financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and Authority financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent. The Group and Authority had no guarantees given to third parties.

E. Going Concern

1. The Going Concern note to the consolidated and Authority financial statements discloses all the matters of which we are aware that are relevant to the Group and Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

Management representation letter - draft

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Management Rep Letter

F. Subsequent Events

1. Other than described in Note 49 to the consolidated and Authority financial statements, there have been no events, including events related to the COVID-19 pandemic and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to year end which require adjustment of or disclosure in the consolidated and Authority financial statements or notes thereto.

G. Group audits

Necessary adjustments have been made to eliminate all material intra-group unrealised profits and transactions amongst the Authority, subsidiary undertakings and associated undertakings.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Annual Governance Statement and the Chief Finance Officer's Narrative Report.

2. We confirm that the content contained within the other information is consistent with the financial statements.

I. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the consolidated and Authority financial statements.

2. The key assumptions used in preparing the consolidated and Authority financial statements are, to the extent allowable under the requirements of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, aligned with the statements we have made in the other information or other public communications made by us.

J. Use of the Work of a Specialist

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

K. Estimates

Valuation of property, plant and equipment and valuation of defined benefit pension liability (the "Estimates")

1. We 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 CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the significant assumptions used in making the Estimates appropriately reflect our intent and ability to carry out the valuation on behalf of the entity.
3. We confirm that the disclosures made in the consolidated and Authority financial statements with respect to the accounting Estimates are complete, including the effects of the COVID-19 pandemic and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting Estimates and disclosures in the consolidated and Authority financial statements due to subsequent events, including due to the COVID-19 pandemic.

Management representation letter - draft

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Management Rep Letter

L. Retirement benefits

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

Yours faithfully,

_____

Chief Financial Officer

_____

Chairman of the Joint Independent Audit Committee

EY | Assurance | Tax | Transactions | Advisory

About EY
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