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

Annual Audit Letter for the year ended 31 March 2019

26 October 2022

Building a better working world

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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 Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

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

01 Executive Summary

Executive Summary

We are required to issue an Annual Audit Letter to the Police and Crime Commissioner for (PCC) and the Chief Constable of Lincolnshire (CC) following completion of our audit procedures for the year ended 31 March 2019. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Group, PCC and CC's: ► Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Group, PCC and CC respectively as at 31 March 2019 and of its expenditure and income for the year then ended.
► Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the PCC and CC's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception:	
► Consistency of Annual Governance Statements	The Annual Governance Statements for both the PCC and the CC were consistent with our understanding of the Group.
► Public interest report	We had no matters to report in the public interest.
► Written recommendations to the Group, which should be copied to the Secretary of State	We had no matters to report.
► Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Group's Whole of Government Accounts return (WGA).	The Group is below the specified audit threshold of £500 million specified by the National Audit Office. Therefore, we did not perform any audit procedures on the consolidation pack.

Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Group, PCC and CC communicating significant findings resulting from our audit.	Our final Audit Results Report was issued on the 26 August 2022 for the Police and Crime Commissioner for Lincolnshire and the Chief Constable of Lincolnshire (joint report).
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 8 September 2022.

The above opinions and audit certificates were issued by Neil Harris, the then Engagement Partner for the audit at that time. We would like to take this opportunity to thank the staff at Lincolnshire Police for their assistance during the course of our work.

Mark Hodgson

Audit Partner

For and on behalf of Ernst & Young LLP

02 Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

The purpose of this Annual Audit Letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Group.

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the 7 September 2022 meeting of the Joint Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Group.

Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we issued in January 2019 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- Expressing an opinion:
  - On the 2018/19 financial statements; and
  - On the consistency of other information published with the financial statements.
- Forming a conclusion on the arrangements the Group has to secure economy, efficiency and effectiveness in its use of resources.
- Reporting by exception:
  - If the annual governance statements are misleading or not consistent with our understanding of the Group;
  - Any significant matters that are in the public interest;
  - Any written recommendations to the Group, which should be copied to the Secretary of State; and
  - If we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The Group is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Police

The Group are responsible for preparing and publishing their respective statements of accounts accompanied by an Annual Governance Statement for each set of accounts for the PCC and the CC. In the Annual Governance Statements, the PCC and the CC reports publicly each year on how far they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in year, and any changes planned in the coming period.

The Group is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

03 Financial Statement Audit

Financial Statement Audit

Key Issues

The Group's Statements of Accounts is an important tool for the Group to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Group's Statements of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report for the PCC and the CC on 8 September 2022.

Our detailed findings were reported to the 7 September Joint Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risks	Conclusion
Misstatements due to fraud or error As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement. Local authorities have a statutory duty to balance their annual budget and are operating in a financially challenged environment with reducing levels of government funding and increasing demand for services. Achievement of budget is critical to minimizing the impact and usage of the Authority's usable reserves and provides a basis for the following year's budget. Any deficit outturn against the budget is therefore not a desirable outcome for the authority and management, and therefore this desire to achieve budget increases the risk that the financial statements may be materially misstated. Taking these pressures into account we concluded that this could materialize as a result of capitalizing expenditure on revenue items or miss-classifying Revenue Expenditure Financed through Capital under Statute (REFCUS).	We did not identify any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied or management bias. We did not identify any other transactions during our audit which appeared unusual or outside the normal course of business. Our audit work found no evidence of any inappropriate capitalisation of revenue expenditure.

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risks	Conclusion
Valuation of Property, Plant and Equipment The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) 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. In addition for 2018/19, the Group and PCC had changed its appointed valuer, increasing the risk of misstatement in this area	We concluded that the Property, Plant and Equipment valuations were materially correct. We considered the work of your valuers, Lambert Smith Hampton, including the adequacy of their professional qualifications and capabilities, the scope of the work they were engaged to perform and the results of their work. We engaged EY Real Estate to perform a detailed review of the valuations and form a view as to whether the assumptions used and valuation methods applied are appropriate and arrive at a valuation as at 31 March 2019 which are in an acceptable range (relative to materiality). Additionally, we verified the source data used in the valuations (floor areas etc) back to supporting evidence.

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Risks	Conclusion
Pension asset valuation The Group is required to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Lincolnshire County Council and the Police Pension Fund. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. We are required to undertake procedures on the assumptions of the actuary.	We are satisfied that the required IAS 19 disclosures have been reflected in the financial statements and were based on accurate supporting information. The PCC/CC requested a further actuarial report to account for the impact on the pension liabilities from the effect of the McCloud/ Sargeant and GMP judgements and change in asset values, reported by the Pension Fund auditor. We assessed the assumptions within the Authority's updated actuarial reports and reviewed the movement on the total fund asset values. Due to the complexity and scale of adjustment to the police pension scheme, we engaged the support of the EY pension advisory group. In our view, after reviewing the Actuary's calculations, we concluded that no explicit allowance had been made for: • The full impact of the salary increase assumption of CPI+1% • The membership profile underlying the scheme. And the impact was material to the size of the liability recorded in the financial statements. Management engaged the Actuary to perform a revised calculation where the above issues were addressed. The impact of these changes has been to increase the Pension Fund liability by £68 million. Management amended the financial statements to reflect these increases. Additionally, we are satisfied that the prior period adjustment posted in the PCC and CC financial statements regarding Local Government pensions costs relating to G4S members which should also moved over to the PCC at the time of the contract change, has been calculated and accounted for appropriately.

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Materiality	Planning materiality	Audit differences
Group	£1.9 million	£95,000
Chief Constable	£1.6 million	£80,000
Office of the Police and Crime Commissioner	£0.6 million	£30,000
Police Pension statement	£0.4 million	£20,000

Item	Thresholds applied
Reporting threshold	We agreed with the Joint Audit Committee that we would report to the Committee all audit differences in excess of £95,000 -£20,000 respectively as above.

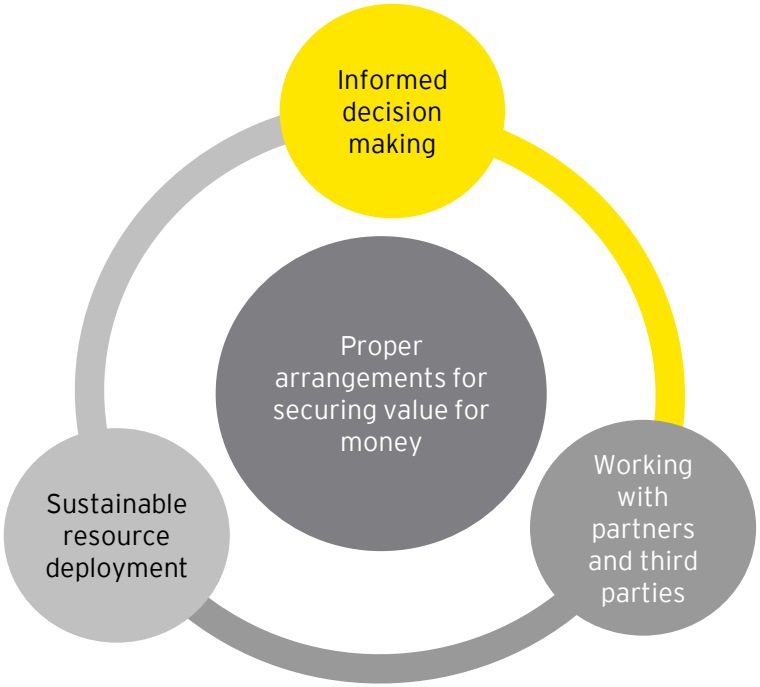
04 Value for Money

Value for Money

We are required to consider whether the Group 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.

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.



We identified three significant risks in relation to these criteria.

We did not identify any significant weaknesses in the PCC and CC's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 8 September 2022.

Value for Money Risks

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

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

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

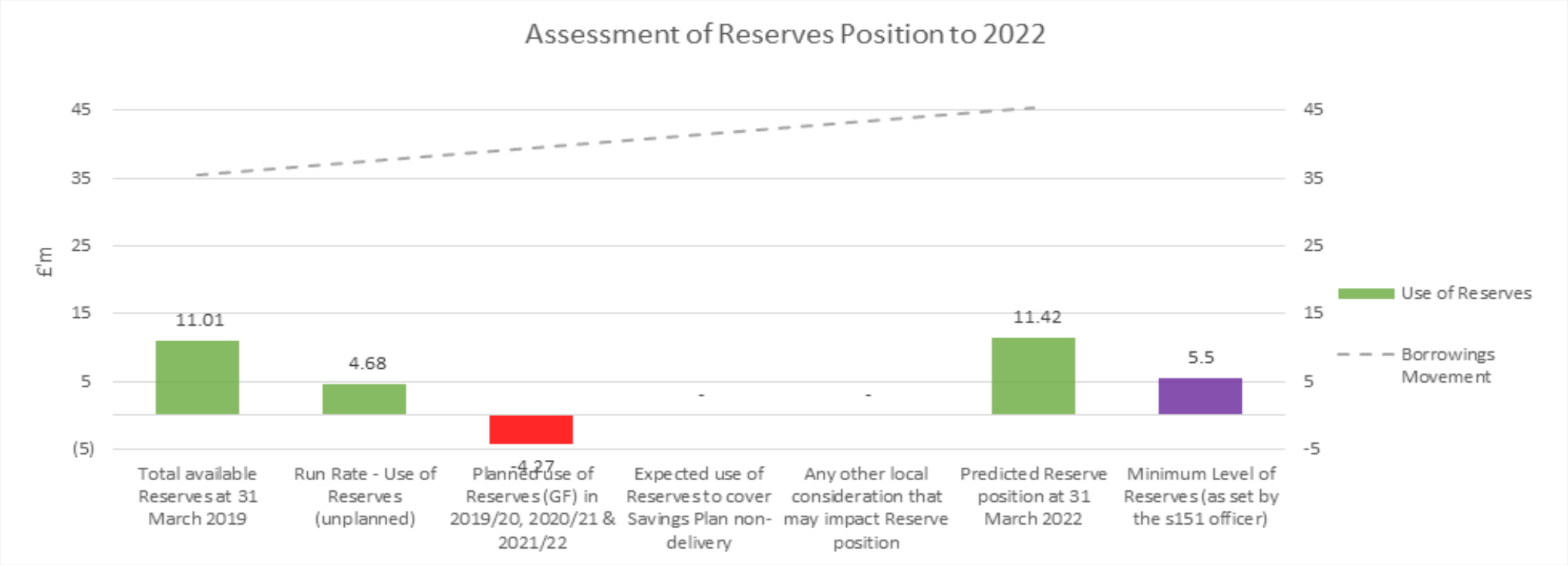
The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
At the time of our audit planning report, 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 £3.5m, £6.4m & £6.9m respectively required to achieve a balanced budget. Savings plans had 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	The PCC and CC had planned for a £5.1 million overspend on its £122.3 million budget for 2018/19 with the deficit being covered by planned £5.1 million use of reserves. In the event, the PCC and CC overspent by £4 million allowing reserves to be replenished. For 2019/20 and beyond, we have evaluated the PCC's and CC's financial position as follows: **The key assumptions made within the 2019/20 annual budget:** The process for setting the PCC and CC's budget is sound. We concluded that the MTFP identifies the key assumptions expected to underpin the 2019/20 budget. We noted, however, that the MTFP could usefully include scenario planning to provide guidance to the public on how PCC and CC made decisions on the level of precept to set. The MTFP could also refer to uncertain events, such as Brexit, within its assumptions. **An assessment of the sensitivity of those assumptions underlying the 2019/20 MTFS:** Using sensitivity analysis, by considering the PCC's and CC's outcomes against planned under and overspends, past savings achieved, planned use of reserves in 2019/20 to 2021/22 and dependency on innovative income streams, we have determined that the PCC and CC should have sufficient reserves above its minimum level of set at £5.5 million. **Review of Arrangements to Achieve Savings within the MTFP:** Although the MTFP indicates that reserves are not being used to support the budget, the PCC and CC need to achieve savings £3.2m, £6.7m & £7.2m in 2019/20, 2020/12 and 2021/22 respectively to achieve a balanced budget.

Value for Money Risks

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
At the time of our audit planning report, 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 £3.5m, £6.4m & £6.9m respectively required to achieve a balanced budget. Savings plans had 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	The CC has set out the detail of how the savings are going to be achieved across the three years detailing a rationale and timetable base on reductions in Police Officer, PCSO and Police Staff numbers and other non-pay initiatives. The CC reported the process to the PCC Chief Executive in early February with the involvement of the Chief Officer Team and Police and Crime Strategic Board and has followed a consultation process involving union representatives. In considering savings, the CC had also prudently considered the costs arising from staff redundancies. The CC is also taking account of external advice. Therefore, the CC has put in place reasonable arrangements to achieve the savings required. However, the PCC and CC could improve its processes through: • Producing business cases that detail the posts that are considered at risk, the opportunity cost of the impact of the redundancy will have on the workload for the relevant department and how the transition fits into the Policing Model or the Police and Crime Plan; and • A report which sets out how the PCC and CC's proposed reduction in staff numbers has been considered in the light of HMIC's PEEL requires improvement assessment for Efficiency and addresses the fall in policing operational performance in some areas highlighted in the PCC Performance reports for2018/19.

Value for Money



Our Assessment

In our assessment we considered:

- The PCC's and CC's level of savings requirement to balance the General Fund budget in each of the next 3 years;
- The PCC's and CC's history of over or under spending on the General Fund budget, and the impact this trajectory would have on the use of General Fund reserves. We noted that for both 2017/18 and 2018/19 the PC and CC had been able to contribute more to reserves as the outturn overspend was less than planned in both years;
- The PCC's and CC's history of delivering savings plans and therefore the potential to call upon reserves to make up a shortfall in future savings plan delivery;
- The PCC's and CC's planned use of reserves both to deliver projects and to support the General Fund budget in each of the next 3 years; and
- Reliance upon any income other than grant income which has not been confirmed post 2018/19, upon which the PCC's and CC's are reliant.

The graph shows borrowing increasing over the next three years from £35.5 million to £45.3 million.

As a result of our assessment, we are satisfied that the PCC's and CC's General Fund reserve balance at the 31 March 2022 will remain above the approved minimum level of £5.5 million. We note that the balanced budget by 31 March 2022 is dependent upon delivery of savings plans outlined in the MTFP.

Value for Money Risks

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
Work by your predecessor external auditors and Internal Audit had highlighted a number of staff appointments and payments which had not followed recruitment and financial procedures. Whilst the amounts were not material, these may indicate a wider potential risk around governance and control	Take informed decisions	**Payment of Relocation Expenses** In their 2017/18 ISA260 report, KPMG drew attention to an item of expenditure amounting to £14,579 to a member of the CC's chief officer team recorded in the 2017/18 financial statements of which the PCC and CC Chief Finance Officers had previously been unaware. The sum concerned temporary rental allowance payments where a chief officer does not wish to locate their home permanently. We have reviewed the correspondence between the PCC and CC, the legal advice undertaken, and representations made to the Home Office. We note that legal advice and the Home Office considered there was no provision in Police Regulations for the payments to be made but that the Home Secretary in Mach 2019 exercised discretion to allow the payments to be made. From our review of processes, we consider that at the time of the initial decision, the Force did not follow expected governance procedures in checking Home Office regulations, demonstrating how value for money would be achieved, consulting with key staff and documenting the decision. However, we note that PCC acted appropriately in seeking legal advice and contacting the Home Office. We also note that the CC ceased payments and took steps to recover the payments made once presented with the legal guidance. We also note that the CC exercised the right to seek authorisation from the Home Secretary for approval of the payment. In addition, management followed appropriate arrangements by consulting HMRC and external advisors during 2019/20 to consider the implications for the tax liability on the payment. The PCC and CC have made the payments in an open and transparent manner recording the payments within the Remuneration Report.

Value for Money Risks

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
Work by your predecessor external auditors and Internal Audit had highlighted a number of staff appointments and payments which had not followed recruitment and financial procedures. Whilst the amounts were not material, these may indicate a wider potential risk around governance and control	Take informed decisions	**Recruitment and Retention** In October 2018, Internal Audit reported their findings from a Recruitment and Reward audit concluding that: • In 3 out of 20 cases tested procedures recruitment procedures were not followed with individuals directly approached and offered the role without an open and effective application and selection process. We note that Force considers that the decision was made given the significant staffing uncertainty arising from many unanticipated departures at the time; • The one ex-gratia payment made in 2017/18 breached financial procedure rules; and • One bonus payment out of ten tested was made that was not in line with the bonus scheme. A follow up Internal Audit report in June 2019 found that recommendations had been partially implemented but noted that the Force, in particular, had: • Not produced a template to enable adherence to authorisation levels for ex-gratia payments; and • Continued to make bonus payment although the payment was in breach of regulations We are informed that the first of these recommendations has now been dealt with. **Conclusion** There are serious weaknesses evident within the Force's procedures for decision making for relocation expenses and recruiting staff and for the payments of ex-gratia and bonuses. However, we have considered the number of significant findings in relation to the number of transactions tested, actions taken by the PCC and Force to address weaknesses once they have been found and the degree to which the Force and CC has implemented Internal Audit recommendations. Therefore, we have decided not to qualify the VFM Conclusion. However, the PCC and CC need in future to ensure that recruitment and reward decisions are made in line with Home Office regulations and internal procedures and by consulting with appropriate colleagues, taking external advice where warranted and documenting decisions made.

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	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	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.

05 Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

The Group is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack, in line with the guidance provided to us.

Annual Governance Statement

We are required to consider the completeness of disclosures in the PCC's and the CC's Annual Governance Statements, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Group or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Group to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2018/19 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Other Reporting Issues (cont'd)

Independence
We communicated our assessment of independence in our Audit Results Report to the Joint Audit Committee on the 7 September 2022. 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 regulatory and professional requirements.

Control Themes and Observations
It is the responsibility of the Group 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 Group has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice. As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control. 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. 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 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. We did not identify any other matters.

07 Audit Fees

Audit Fees

Our final fee for 2018/19 is set out below, at the scale fee set by the PSAA and reported in our 26 August 2022 Audit Results Report.

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19
	£'s	£'s	£'s
Total Audit Fee – PCC Code work (Note 1)	46,752	22,554	22,554
Total Audit Fee – CC Code work (Note 1)	28,849	11,550	11,550
Total non-audit services	**Nil**	**Nil**	**Nil**

Note 1: We anticipate charging an additional fee of £41,497 in 2018/19 to take into account the additional work 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;
- Use of 50% performance materiality;
- The engagement of EY Real Estate to assess the calculation of asset values and challenge the Authority's valuer in respect of assumptions used;
- Going concern and financial resilience assessment, including required internal consultations with professional practice directors;
- 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 and documentation update due to delay in signing the auditor's report.

This additional fee is split as follows:

- PCC - £24,198
- CC - £17,299

We have notified these fees to Management, before submitting them to Public Sector Audit Appointments (PSAA) for determination. We will report our final fee to you in a separate fee letter, if required.

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