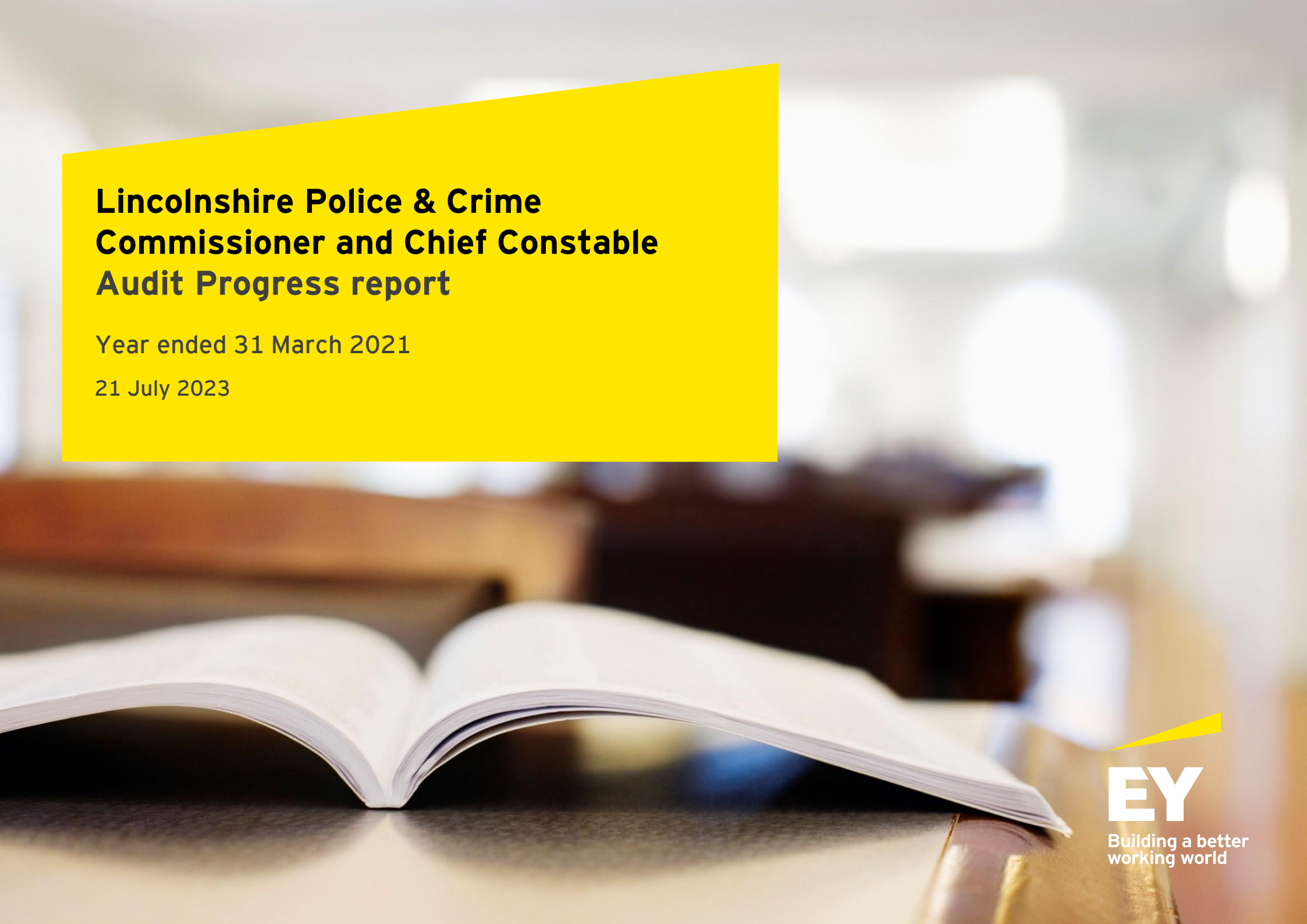
Lincolnshire Police & Crime Commissioner and Chief Constable

Audit Progress report

Year ended 31 March 2021

21 July 2023



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21 July 2023

Joint Independent Audit Committee
Police Headquarters
Deepdale Lane
Nettleham, Lincoln
LN2 2LT

Dear Joint Independent Audit Committee Members,

Audit Progress Report

We are pleased to attach our Audit Progress Report.

The purpose of the report is to update you on our external audit of the PCC and CC's 2020/21 financial statements.

We have further progressed the 2020/21 audit and we have provided detail as to the progress of the audit against the areas within the statement of accounts.

Our audits are undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. This report is intended solely for the information and use of the PCC, CC, Joint Independent Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audits.

Yours faithfully

Mark Hodgson

Mark Hodgson

Partner

For and on behalf of Ernst & Young LLP

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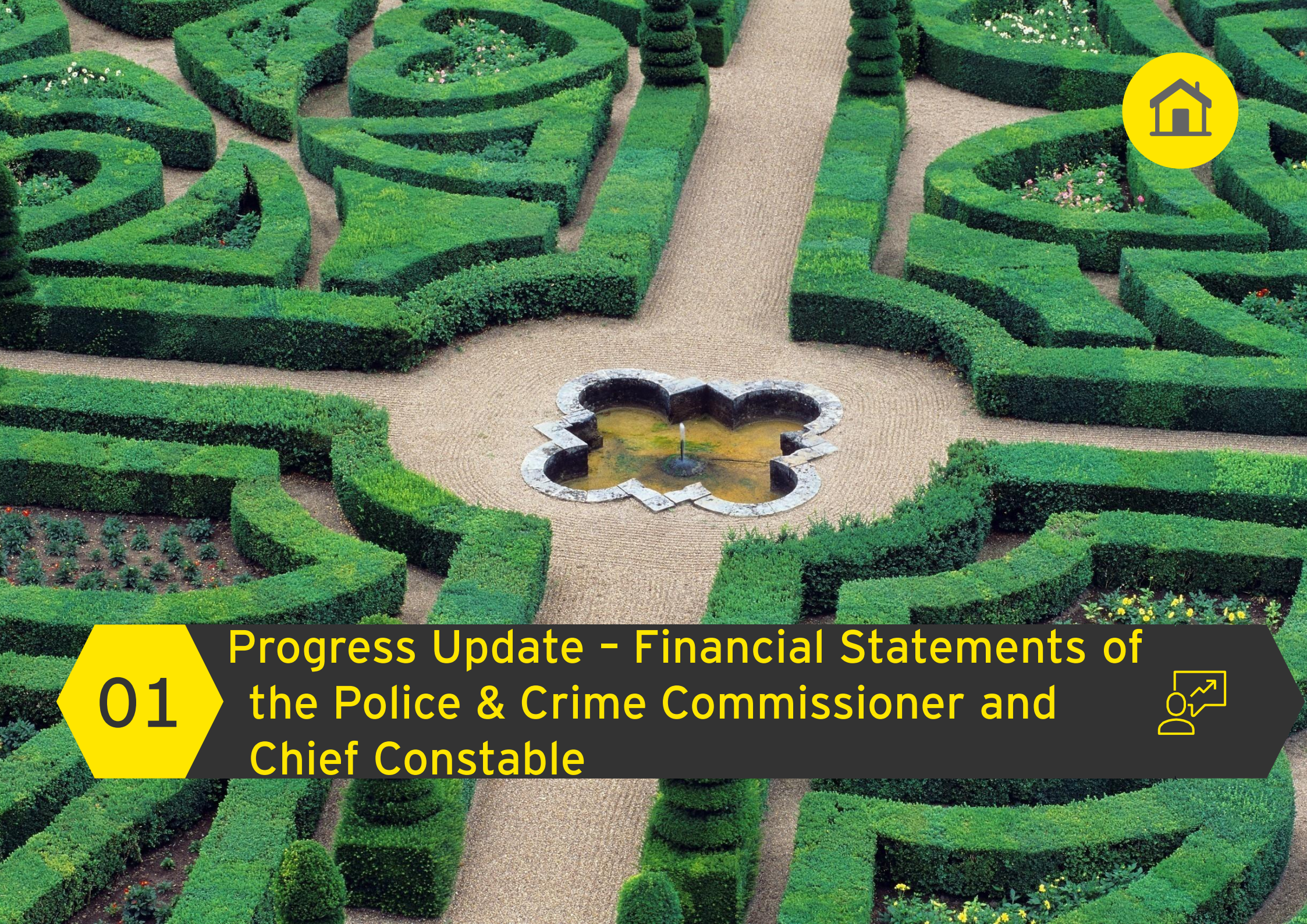
Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.
The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.
This report is made solely to the Joint Independent Audit Committee and management of Lincolnshire Police & Crime Commissioner and Chief Constable in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Joint Independent Audit Committee and management of those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Joint Independent Audit Committee and management for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Progress Update – Financial Statements of the Police & Crime Commissioner and Chief Constable

Status of the 2020/21 audit

2020/21 financial statements

In our Initial Audit Plan we identified a number of key areas of focus for our audit of the financial statements. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure.

Status of the audit

Our audit work in respect of the PCC/CC opinion is progressing. At the time of preparing this report there remain a number of significant areas to be completed before we can conclude our opinion.

Details of the outstanding items, actions required to resolve and responsibility is set out below and in Appendix A

Given that the audit process is still ongoing, new audit findings could influence our final audit opinion, we have therefore not included a draft at this time.

Risk / area of focus	Risk identified	Progress to date
Management Override: Misstatement due to fraud or error	Fraud Risk	<u>Audit procedures - Substantially complete, subject to outstanding queries</u> We have work to progress in respect of journal entries, estimates and unusual transactions. We have completed inquiries with Management, those charged with governance, the Monitoring officer, and Internal Audit to obtain an understand of risk and controls in place to mitigate those risks. We have reviewed the accounts for significant unusual transactions and identified no matters to report. We are still working through our journal testing procedures and working through the responses to our queries.
Risk of inappropriate capitalisation of revenue expenditure	Fraud Risk	<u>Audit procedures - Complete</u> We have agreed total capital expenditure to the supporting general ledger balances and selected a sample from Property, Plant and Equipment additions. We have completed our testing of this sample of capital expenditure and this is subject to review.
PPE Disposals	Inherent	<u>Audit procedures - Complete</u> We have completed our testing of a sample of disposals and this is subject to review.

Status of the 2020/21 audit

2021/22 financial statements

Risk / area of focus	Risk identified	Progress to date
Property, Plant & Equipment Valuations	Significant risk	**Audit procedures - Substantially complete, subject to outstanding queries** We have reviewed the information provided to the PCC/CC's Valuer as Management Expert, and undertaken procedures to ensure that we can rely on the Valuer as Management's expert. We have engaged our own expert to review a number of the valuations as part of our procedures. This work is being concluded. We are substantially through our inputs testing for the Valuations, with queries remaining to be discussed with the external valuer. We do have an audit difference arising in relation to the valuation of the South Park asset, due to variances identified with the floor areas.
Local Government Pensions Liability Valuation	Significant Risk	**Audit procedures - Substantially complete, subject to outstanding queries** We have assessed the work of Barnett Waddingham (Lincolnshire Pension Fund Actuary)including assumptions and methodologies applied. The Pension Fund auditors have identified a difference between the estimated investment asset valuation used to calculate the Local Government pension liability in the draft Statement of Accounts and final pension asset valuation. We have requested further details of this from the Actuary, but are yet to hear back. We have engaged EY Pensions to create an auditor's estimate for the pension liability and this has been received and concluded on with no issues. Further information required to support the in year deficit payment has been requested. We have performed the majority of procedures in relation to the Triennial Valuation at 31st March 2022, but we await Management's assessment of the impact of the triennial valuation before progressing further.
Police Pension Fund	Significant Risk	**Audit procedures - Substantially complete, subject to outstanding queries** We have assessed the work of Hymans Robertson including assumptions and methodologies applied. Sample testing is being performed on a sample of Commutations and Lump Sum payments, there are queries outstanding in relation to these. We engaged EY Pensions to create an auditor's estimate for the pension liability and are awaiting their conclusions. They are currently working through this after receiving responses from Hymans Robertson addressing their additional queries, which were delayed in being provided to us.

Status of the 2020/21 audit

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.

Our reporting threshold for audit differences is £75,000 (based on PCC calculation which is the lowest of the three).

Summary of unadjusted differences

Below we have highlighted the uncorrected misstatements currently identified and not amended for:

- Group/PCC – Balance Sheet – Short-Term Debtors - We have identified a projected misstatement in our Debtors cut off work. A debtor of £12,000 was accounted for in 2021/22 accounts, however this related to services in 2020/21. As this is a representative item it has been extrapolated across the remaining population resulting in a projected misstatement of £81,000. Management have chosen not to adjust for this projected audit difference.

- Group/ PCC – Balance Sheet – Property Plant & Equipment - A judgemental misstatement has been identified during our Property, Plant & Equipment Valuations work in relation to the South Park asset. This is an amount of £0.398 million, resulting from differences in floor areas used in the calculation by the external valuer, when compared to the floor plans we were provided with. Management have chosen not to adjust for this audit difference.

Summary of adjusted differences

We highlight the following misstatements which were identified during the course of our audit and corrected by management:

- Group/PCC – Comprehensive Income & Expenditure Statement - The presentation of the Property, Plant & Equipment disposals was showing the gross income and gross expenditure in the CIES, however as per guidance this is to be presented as a net gain/loss against expenditure.

In addition, We have identified a number of disclosure adjustments that Management will amend in the final version of the Statement of Accounts.

02 Progress Update – Value for Money

Value for money

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Performance and Audit Scrutiny Committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a requirement under the 2020 Code is for us to include the commentary on arrangements in the Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Authority's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2020/21 VFM planning

We are currently performing our detailed VFM planning procedures, but have not identified any significant risks to date.

Appendix A – Status of the audit

- Audit procedures completed
- Audit procedures started but not completed
- Audit procedures substantially completed
- Audit procedures not started

As at the date of this report our audit remains in progress. We have summarised below the status of our audit procedures to help inform the Committee of progress and findings to date.

Audit procedures completed		
Area of accounts and risks raised in our Audit planning report	**Status**	**Findings**
Tick and tie and internal consistency check of accounts	Audit procedures completed and awaiting review.	We have identified a number of disclosure adjustments that management will amend in the final version of the statement of accounts.
Agreement of the General Ledger to the Statement of Accounts	Audit procedures completed.	There are no findings to report from our audit procedures.
Comparison of the Statement of Accounts to the CIPFA disclosure checklist	Audit procedures completed.	There are no findings to report from our audit procedures.
Disclosures - Officers remuneration and exit packages including termination benefits	Audit procedures completed and awaiting review.	Amendments being made to the disclosure for the senior officers' remuneration.
Disclosures - Expenditure and Funding Analysis	Audit procedures completed and awaiting review.	There are no findings to report from our audit procedures.
Disclosures - Cash flow	Our audit procedures have commenced.	There are no findings to report from our audit procedures performed to date.
Disclosures - Leases (Finance and Operating)	Our audit procedures are substantially complete and we are working through responses to audit queries.	There are no findings to report from our audit procedures performed to date.
Disclosures – Collaboration (Joint Operations)	We are awaiting a response from the auditor of Derbyshire and Leicestershire Police.	There are no findings to report from our audit procedures performed to date.
CIES - Other Operating Income	Our audit procedures are substantially complete, awaiting response for outstanding queries.	There are no findings to report from our audit procedures performed to date.
CIES – Taxation and Non-Specific Grant Income	Audit procedures completed and awaiting review.	There are no findings to report from our audit procedures.
CIES – Other Grant Income (credited to services)	Outstanding information, which is required to complete our testing.	There are no findings to report from our audit procedures performed to date.
CIES – Employee Costs	Audit procedures completed and awaiting review.	5 starters could not be supported with signed contracts.
CIES – Income and Investment Expenditure	Audit procedures completed and awaiting review.	There are no findings to report from our audit procedures.
CIES – Operating Expenditure	Our audit procedures are substantially complete, awaiting response for outstanding queries.	There are no findings to report from our audit procedures performed to date.

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Audit procedures completed

Area of accounts and risks raised in our Audit planning report	Status	Findings
SFP - Cash and Cash Equivalents	Audit procedures completed and awaiting review.	There are no findings to report from our audit procedures.
SFP - Short-Term Debtors	Our audit procedures are substantially complete and we are working through responses to audit queries.	Projected misstatement resulting in a misstatement of £80,751 from our debtors cut off work.
SFP - PPE Additions	Audit procedures completed and awaiting review.	There are no findings to report from our audit procedures.
SFP - PPE Disposals	Audit procedures completed and awaiting review.	The gain or loss on disposal to be presented as a net figure after derecognising the carrying amounts of the assets disposed, instead of as gross income and gross expenditure (loss).
SFP - PPE Valuations	Our audit procedures are substantially complete. We are awaiting response from EY Real Estates and have queries with the external valuer.	Judgemental misstatement in the valuation of the South Park asset, due to differences identified in the floor areas.
SFP - Remaining PPE (Existence, Depreciation)	Audit procedures completed and awaiting review.	There are no findings to report from our audit procedures.
SFP - Intangibles	Our audit procedures are substantially complete and we are working through responses to audit queries.	There are no findings to report from our audit procedures performed to date.
SFP - Creditors	Outstanding information, which is required to complete our testing.	There are no findings to report from our audit procedures performed to date.
SFP - Provisions	Sample has been selected, however nothing has been received for these yet.	Not applicable.
SFP - Local Government Pension Scheme	Our audit procedures are substantially complete. Outstanding information required to complete. Awaiting response from Actuary.	There are no findings to report from our audit procedures.
SFP - Police Pension Fund	Awaiting EY Pensions Team memo. Outstanding information required to complete the sample testing.	There are no findings to report from our audit procedures.
SFP - Borrowings	Audit procedures completed and awaiting review.	There are no findings to report from our audit procedures.

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Audit procedures completed		
Area of accounts and risks raised in our Audit planning report	**Status**	**Findings**
Reserves	Our audit procedures are substantially complete and just a couple of areas to address.	There are no findings to report from our audit procedures performed to date.
Journals *Fraud Risks*: Misstatement due to fraud or error	Our audit procedures are substantially complete and we are working through responses to audit queries.	There are no findings to report from our audit procedures performed to date.
Disclosures – other disclosure notes	Audit procedures completed and awaiting review.	There are no findings to report from our audit procedures performed to date.
Disclosures – Related Parties	Audit procedures completed and awaiting review.	Disclosures to be updated to include details of precepts received from Local Authority bodies.
Closing procedures: ▸ Subsequent events review; ▸ Going Concern Assessment; ▸ Agreement of the final set of financial statements; ▸ Receipt of signed management representation letter; and ▸ Final Senior Manager and Partner reviews.	Closing procedures will be performed upon completion of audit work and receipt of final version of the Statement of Accounts. Management will be required to update their going concern assessment for 12 months post anticipated opinion date.	Not applicable