Police & Crime Commissioner for Lincolnshire/Chief Constable for Lincolnshire Police

Audit Results Report

Year ended 31 March 2021

18 September 2023

Building a better working world

Police & Crime Commissioner for Lincolnshire and the Chief Constable for Lincolnshire Police
Police Headquarters
Deepdale Lane
Nettleham, Lincoln
LN2 2LT

18 September 2023

Dear Mr Jones and Mr Haward,

2020/21 Audit Results Report

We are pleased to attach our Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Joint Independent Audit Committee (JIAC). We will update the JIAC at its meeting scheduled for 13 September 2023 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Police & Crime Commissioner for Lincolnshire (PCC) and Chief Constable for Lincolnshire Police (CC)'s accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

This report is intended solely for the information and use of the Joint Independent Audit Committee and senior management for your respective officers. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Joint Audit Committee meeting on the 4 October 2023.

Yours faithfully

Mark Hodgson

Mark Hodgson
Partner
For and on behalf of Ernst & Young LLP

Contents

01 Executive Summary

02 Areas of Audit Focus

03 Audit Report

04 Audit Differences

05 Value for Money

06 Other reporting issues

07 Assessment of Control Environment

08 Independence

09 Appendices

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 report is made solely to the Joint Independent Audit Committee and management of Lincolnshire Police 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 Lincolnshire Police 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 of Lincolnshire Police 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 Executive Summary

Executive Summary

Scope update

In our Provisional Audit Plan presented at the 5 December 2022 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. We have not required any update to that Audit Plan.

Status of the audit

We have substantially completed our audit of the Police & Crime Commissioner for Lincolnshire and the Chief Constable for Lincolnshire Police financial statements for the year ended 31 March 2021 and have performed the procedures outlined in our Provisional Audit Plan.

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

- Provisions – We are awaiting a response for support for our sample items; and
- Collaboration assurances - Leicestershire and Derbyshire Police.

Closing Procedures:

- Subsequent events review;
- Review of Going Concern note and performing associated audit procedures up to the date of authorisation of the respective financial statements;
- Agreement of the final set of financial statements;
- Receipt of signed management representation letter; and
- Final Manager and Engagement Partner reviews.

Further details of each outstanding item, actions required to resolve and responsibility is included in Appendix B.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Financial Statements, which could influence our final audit opinion. A current draft of which is included in Section 03.

Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the PCC/CC has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the PCC/CC a commentary against specified reporting criteria (see below) on the arrangements the PCC/CC has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
  How the PCC/CC plans and manages its resources to ensure it can continue to deliver its services;
- Governance
  How the PCC/CC ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
  How the PCC/CC uses information about its costs and performance to improve the way it manages and delivers its services.

Status of the audit – Value for Money (VFM)

In the Provisional Audit Plan, we reported that we had yet to complete our detailed VFM planning. We have now completed our Value for Money (VFM) risk assessment and have not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

As a result, we have completed our planned VFM procedures and have no matters to report by exception in the Auditor's Report (see Section 3).

We plan to issue the VFM commentary by the end of November 2023 as part of issuing the Auditor's Annual Report. We will then also able to certify completion of the audit at that time.

Executive Summary

Audit differences

At the date of issuing this report, subject to the completion of remaining audit procedures, we have identified the following audit differences:

Uncorrected differences:

We identified 4 unadjusted audit differences in the draft financial statements of PCC. We ask that they be corrected or a rationale as to why they are not corrected be approved by the PCC and included in the Letters of Representation. The aggregated impact of unadjusted audit differences on the Balance Sheet and Comprehensive Income & Expenditure Statement is £323,500. Details of these can be found within Section 04 of the report, however we outline these below:

- Property, Plant and Equipment Valuations (Net impact £323,500 understatement of Property, Plant and Equipment):
  - £369,000 factual misstatement relating to the South Park asset. Factual understatement due to incorrect floor areas used in the valuation.
  - £189,000 judgemental misstatement relating to Lincoln Dog School. Judgemental understatement due to differing views on methodology.
  - £234,500 judgemental misstatement relating to Former Skegness Magistrates. Judgemental overstatement due to differing views of investment yields.
- Special Grant income (2019/20 finding):
  - £195,627 identified in the prior year in relation to the Special Grant. £1.8 million was received in relation to this, but only £1.6 million was recognised within that period. The remainder was held on the Balance Sheet to be recognised as income or returned to the Home Office. Our prior year finding identified the £0.196 million as an unadjusted audit difference, as the income should have been recognised in 2019/20. This amount remains on the Balance Sheet at 31st March 2021, and therefore becomes a factual uncorrected difference in 2020/21. However, the turnaround impact of this error from 2019/20 is nil on the Comprehensive Income and Expenditure for the year.

Corrected differences:

Factual differences: Our audit identified a difference amounting to £646,550 wherein an expense in relation to the G4S contract should have been recognised in 2020/21, but was not accrued for within 2020/21. This difference has been corrected by the Management.

Disclosure differences:

During the audit we have identified a limited number of disclosure amendments in the draft financial statements, the most significant of which is in relation to both the PCC/Group and CC Accounts:

- A Going Concern disclosure note was not included within the financial statements. Management have agreed to include these notes within the revised financial statements.

Review of the revised financial statements that have implemented these adjustments will require review. Until we have concluded on the outstanding work it is possible that further adjustments will also need to be reported.

Executive Summary

Areas of audit focus

In our Provisional Audit Plan, we identified a number of key areas of focus for our audit of the Police & Crime Commissioner for Lincolnshire and the Chief Constable for Lincolnshire Police 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 "Areas of Audit Focus" section of this report.

Audit findings and conclusions: Fraud Risk- Misstatements due to fraud or error – management override of controls

We have completed our work in this area and have no matters to report.

Audit findings and conclusions: Risk of fraud in revenue and expenditure recognition – specifically the inappropriate capitalisation of revenue expenditure

We have completed our work in this area and have no matters to report.

Audit findings and conclusions: Significant Risk - Pension liability valuation (Local Government Pension scheme (LGPS))

We have found no issues with the methodology, assumptions or data used in the calculation of the Local Government Pension Scheme IAS19 report for 31 March 2021. The net Pension Liability calculated by the actuary Barnett Waddingham is considered to be supported and within a threshold range set by our EY actuarial team during their roll forward recalculation.

We do note that the liability is split between the PCC and CC Accounts based on a percentage, that has been derived from 2018/19 membership figures. We have raised a recommendation that going forward the PCC and CC obtain separate IAS19 reports for each entity, as opposed to applying a percentage split, which will help with more accurate reporting of the respective net Pension Liability.

Audit findings and conclusions: Significant Risk - Pension Liability Valuation (Police Pension Scheme)

We have found no issues with the assumptions or data used in the calculation of the Police Pension Scheme IAS19 report for 31 March 2021. We have gained assurance over the contributions receivable, benefits payable and lump sum payments through substantive analytical procedures and have gained sufficient comfort over the assumptions and liability from the roll-forward calculation.

Executive Summary

Areas of audit focus (continued)

Audit findings and conclusions: Significant Risk – Valuation of Land & Buildings in Property, Plant and Equipment (PPE)

Our sample testing of key asset information used in the valuations identified that incorrect floor areas had been used in the calculation of the South Park Police HQ asset, resulting in a material understatement of the asset of £0.369 million.

We engaged EY Real Estates (EYRE) specialists to review in detail a sample of assets revalued in the year. Our assessment of the methodology used by the valuer identified issues with the basis of valuation for 5 assets: Lincoln Dog School, Nettleham HQ, Nettleham Communications, Boston Sector Station and Skegness Divisional HQ. These assets were valued using an Investment (income capitalization) approach, however, it would be more appropriate for these to be valued using the Depreciated Replacement Cost (DRC) approach. Typically, where an asset has a significant proportion of specialised features, a cost approach is used in isolation. 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 mixed use, specialised offices.

Our recalculation of a carrying value for our sample of assets at the balance sheet date identified that the following assets would fall outside an acceptable range: Lincoln Dog School (due to the methodology finding above) and Skegness Former Magistrates (unsupportable yields used for the owner-occupied and the leased portion). Therefore, the difference between the current valuation and our estimate has been taken as an audit difference, based on a judgemental difference (the basis of valuation).

Further information is outlined in Section 02 and Section 04 of this report.

Audit findings and conclusions: Inherent Risk - Disposals of Property, Plant and Equipment – Vehicles, Plant & Furniture

We have completed our work in this area and have no matters to report.

Audit findings and conclusions: Area of Focus - Going Concern Compliance with ISA 570

There are no matters to report with regards to the PCC and CC's ability to continue as a Going Concern. We did identify that there was no disclosure note for Going Concern within the draft financial statements, which Management have agreed to include. We have reviewed Management's assessment paper to support the disclosure. We have no further matters to report but will review this area up to authorisation of the financial statements.

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

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

Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

However, during the audit we identified a number of observations and improvement recommendations in relation to management's financial processes and controls. We have set out our observations below:

Recommendation: Management to perform a review of the work performed by external specialists

Our review of PPE valuations identified errors relating to the discrepancies in the floor areas used by the valuers for Nettleham HQ Land (APP) and South Park Campus (Kier) when compared to internal floor plans and site areas. The reports from the external valuer were not subject to a quality review by Management to ensure consistency with internal records.

Recommendation: A separate IAS19 report be requested for the PCC and the CC in respect of the Local Government Pension Scheme (LGPS)

The split of the LGPS net liability between the PCC and the CC is currently calculated using a percentage from 2018 of membership figures, which has not been updated since. We would expect two separate reports for the CC and PCC for valuation of the IAS19 net pension liability for LGPS considering there are two separate financial statements for the two entities.

Other reporting issues

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

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. The WGA group audit team have confirmed they do not require any further work or submissions from component auditors on WGA returns for 2020/21.

Independence

No independence issues have been identified. Please refer to Section 08 for our update on Independence.

02 Areas of Audit Focus

Fraud risk

Misstatements due to fraud or error

What is the risk?

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

As part of our work to identify fraud risks during the planning stages, we have identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation.

What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- Identified what specific fraud risks exist during audit planning;
- Enquired of management about risks of fraud and the controls put in place to address those risks;
- Understood the oversight given by those charged with governance of management's processes over fraud;
- Considered the effectiveness of management's controls designed to address the risk of fraud;
- Determined an appropriate strategy to address those identified risks of fraud;
- Performed overall analytical review procedures to identify any unusual movements for further investigation;
- Performed mandatory procedures regardless of specifically identified fraud risks, including tests of journal entries and other adjustments in the preparation of the financial statements;
- Reviewed accounting estimates for evidence of management bias; and
- Evaluated the business rationale for significant unusual transactions.

What are our conclusions?

We have not identified any material weakness in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied, or of any management bias in accounting estimates. We have not identified any inappropriate journal entries or other adjustments to the financial statements.

Fraud risk

Risk of fraud in revenue and expenditure recognition – specifically in inappropriate capitalise of revenue expenditure

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.

For the Group and PCC single entity, we consider that the risk could specifically manifest itself in the inappropriate capitalisation of revenue expenditure i.e. not recognising expenditure in the Comprehensive Income and Expenditure Statement (CIES) and financing the spend from capital.

This risk has been associated to the following testing areas:

- Balance Sheet - Property, Plant and Equipment – Additions (Group & PCC)

What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- Sample tested 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;
- Reviewed and tested revenue and expenditure recognition policies; and
- Used our data analytics tool to identify and test journal entries that move expenditure into capital codes.

What are our conclusions?

Our sample testing of additions to Property, Plant and Equipment found that they had been correctly classified as capital and included at the correct value.

Our sample testing did not identify any revenue items that were incorrectly classified.

Our data analytics procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.

Areas of Audit Focus

Significant risk

Valuation of Pension Liabilities (Local Government Pension Scheme)

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the PCC and CC to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Yorkshire Pension Fund on behalf of Lincolnshire County Council. The PCC and CC pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the balance sheets. At 31 March 2021 this totalled £74.2 million.

The information disclosed is based on the IAS 19 report issued to the PCC and the CC by the Actuary. Accounting for this scheme 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's specialist and assumptions underlying fair value estimates.

Due to the nature, volume and size of the transactions and the appointment of a new actuary to the Pension Fund (Barnett Waddingham) for 2020/21, we have increased the level of risk from inherent to significant for this financial year.

What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- assessed the work of the LGPS Pension Fund actuary (Barnett Waddingham) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the NAO for all Local Auditors, and considering any relevant reviews by the EY actuarial team;
- evaluated the reasonableness of the LGPS Pension Fund actuary (Barnett Waddingham) calculations by comparing them to the outputs of our own auditor's actuarial model;
- reviewed and tested the accounting entries and disclosures made within the PCC and CC financial statements in relation to IAS 19, including any updates to the value of year end assets; and
- Liaised with the auditors of Lincolnshire Pension Fund, to obtain assurances over the information supplied to the actuary.

What are our conclusions?

We have agreed the LGPS Pension Scheme's IAS19 disclosures to the actuary's report to ensure these are fairly stated in the accounts.

We have reviewed the assessment of the actuary by PwC and EY Pensions and have undertaken the work required and determine the assumptions to be appropriate.

The net pension liability calculated at 31 March 2021 by Barnett Waddingham is considered to be supported and the roll forward method is appropriate, as concluded by our EY actuarial team.

We have gained adequate assurance that the updated triennial valuation as at 31 March 2022 does not impact the liability disclosed in the 2020/21 accounts.

We have raised a control recommendation in relation to the split of the LGPS net liability between the PCC and the CC, as it is currently calculated using a percentage from 2018 of membership figures, which has not been updated since. We recommend two separate reports for the CC and PCC for valuation of the IAS19 net pension liability for LGPS considering there are two separate financial statements for the two entities. Refer Section 7 for control recommendation.

Areas of Audit Focus

Significant risk

Valuation of the Police Pension Scheme liability

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the CC to make extensive disclosures within its financial statements regarding its membership of the Police Pension Scheme administered and underwritten by HM Government.

The Group and CC Pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the balance sheets of the PCC and CC. At 31 March 2021 this totalled £1,670.1 million.

Accounting for the scheme 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.

Following a material audit difference made in 2019/20 accounts as a result of the assumptions used by the Police PF actuary, we have increased the level of risk from inherent to significant for this financial year.

What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- Considered the work performed by the Police Pension Fund actuary (Hymans Robertson), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Assessed the work of the actuary including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by the NAO for all Local Auditors, and considering any relevant reviews by the EY actuarial team;
- Reviewed and tested the accounting entries and disclosures made within the financial statements in relation to IAS19;
- Gained assurance over data that has been provided to the actuary;
- Tested a sample of lump sums and pension payments for new police pensioners;
- Completed a predictive analytical review for both the pensions payroll and employees and employers pension contributions; and
- Assessed management's arrangements to reconcile the active and pensioner membership numbers.

What are our conclusions?

We have agreed the Police Pension Scheme's IAS19 disclosures to the revised actuary's report to ensure these are fairly stated in the accounts.

We have reviewed the assessment of the actuary by PwC and EY Pensions and have undertaken the work required and determine the assumptions to be appropriate.

We have gained assurance over the lump sum commutations through sample testing.

We have gained assurance over the benefits payable and contributions receivable through substantive analytical procedures.

We have gained assurance over the reasonableness of the roll-forward estimate for the Police Pension Liability.

Areas of Audit Focus

Significant risk

Valuation of Land & Buildings in Property, Plant and Equipment (PPE)

What is the risk?

The fair value of Property, Plant and Equipment (PPE) represents 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.

The PCC will engage an external expert valuer who will apply a number of complex assumptions to these assets. Annually assets are assessed to identify whether there is any indication of impairment.

As the PCC's asset base is significant, the outputs from the valuer are subject to estimation and audit differences identified in 2019/20 accounts, there is a risk that PPE may be under/overstated. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- Considered the work performed by the external valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuer in performing their valuation;
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Challenged the assumptions used by the valuer by reference to external evidence and through engaging our EY Real Estate valuation specialist team;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries have been correctly processed in the financial statements.

What are our conclusions?

We did not identify any issues with the PCC/CC's valuer, their scoping of work, professional capabilities or results of their work.

No issues were identified with the useful economic lives of assets or the accounting entries disclosed in the financial statements and supporting notes.

We have identified findings in relation to the methodology and inputs used in the calculation of the estimates by the external valuers. We have outlined these further on the following page.

Significant risk

Further details on procedures/work performed

Methodology Findings:

We identified issues with the methodology applied to the valuations for the following assets: Nettleham HQ, Nettleham Communications, Lincoln Dog School, Boston Sector Station and Skegness Divisional HQ. All of which had been valued using an Investment (income capitalization) approach, however, it would be more appropriate for these to be valued using the Depreciated Replacement Cost (DRC) approach.

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 space) 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 mixed use, specialised offices.

We have raised this issue with Management and we have discussed with the external valuer, Align Property Partners (APP), and they have agreed to review their valuation basis and use a pure Cost Approach for these assets in future years. On this basis we have not raised a recommendation.

Current Value Findings:

The methodology findings above led to a recalculation of the Lincoln Dog School asset using the Depreciated Replacement Cost (DRC) approach, which resulted in a judgemental misstatement that the asset is understated by £0.189 million at 31 March 2021.

We engaged EY Real Estates (EYRE) to review a sample of assets. This included the Skegness Former Magistrates, of which the current value was deemed outside of a supportable range as a result of unsupportable yields used for the owner-occupied and the leased portion. This led to a judgemental misstatement that the asset was overstated by £0.235 million.

The two judgemental misstatements identified above had a net impact on Property, Plant and Equipment and the Revaluation Reserve of £0.046 million overstatement of assets. All other assets identified above were within range and considered supportable.

Data Input Findings:

Our testing of the data inputs used by the valuers for their valuation calculations resulted in issues identified with the floor and site areas used. One of these findings resulted in a misstatement above our threshold. The South Park asset valued by Kier did not consider up-to-date floor plan areas, and as a result, the asset is understated by £0.369 million at 31 March 2021 after Management's Expert (Kier) reassessed the valuation for this asset.

A control recommendation has been raised in relation to this in Section 07 "Assessment of Control Environment" of this report.

Inherent risk

Disposals of Property, Plant and Equipment – Vehicles, Plant & Furniture

What is the risk?

In the current year, disposals of Property, Plant & Equipment (PPE) represent a significant amount at £13.4 million (a reduction from gross block and accumulated depreciation) in the Group/PCC accounts, however, there is no impact on the net book value due to the disposal.

Due to the material amount of disposals there could be an increased risk that the accounting treatment and disclosures are incorrect.

What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- Documented our understanding of the processes and controls in place to mitigate the risks identified, and walked through those processes and controls to confirm our understanding;
- Tested a sample of PPE disposals to determine that the transactions are accounted for in the correct period and at the correct amount;
- For the samples selected, we obtained an understanding of the nature of disposals, identified circumstances which led to asset being disposed and verified the sale proceeds being received in bank; and
- Ensured that the correct accounting treatment is done with respect to accumulated depreciation and gain/loss on disposal.

What are our conclusions?

Our sample testing of disposals from Property, Plant and Equipment found that they had been correctly classified as such and included at the correct value.

We have identified a disclosure misstatement, the net gain or loss on disposal (PCC & Group) had been presented as gross income and gross expenditure in the 'Expenditure Analysed by Nature' note (Note 5), however this is to be recognised as a 'net gain on disposal' within the Expenditure note. Management have amended the financial statements for this disclosure difference.

Area of focus

Going Concern: Compliance with ISA570

What is the risk?

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the PCC Group will be the audit of the 2020/21 financial statements.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 states that organisations can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

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

The revised standard increases the work we are required to perform when assessing whether the PCC Group is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Joint Audit Committee.

What did we do and what judgements did we focus on?

In order to address this risk we undertook the following audit procedures:

- Challenged management's identification of events or conditions impacting going concern, tested management's resulting assessment of going concern, and evaluated the supporting evidence obtained which includes consideration of the risk of management bias;
- Challenged management's assessment of going concern, including the cashflow forecast covering the foreseeable future and its impact on liquidity;
- Determined whether management's assessment is appropriate and compliant with any updated reporting requirements;
- Considered all of the evidence obtained, whether corroborative or contradictory; and
- Considered the appropriateness of financial statement disclosures around going concern.

What are our conclusions?

There are no matters to report with regards to the PCC and CC's ability to continue as a Going Concern.

The draft financial statements did not include a Going Concern disclosure note, to support Management's basis for the preparation of those statements. Management have included a Going Concern disclosure in the respective revised financial statements.

03 Audit Report

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Our proposed opinion on the financial statements

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 2021 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,
- Police and Crime Commissioner and Group Expenditure and Funding Analysis and related notes 1 to 48, and
- Police Officer Pension Home Office Memorandum Account 2020/21.

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 2020/21.

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 2021 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 2020/21; and
- have been prepared properly in accordance with the requirements of the Local Audit and Accountability Act 2014.

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.

DRAFT

Our proposed opinion on the financial statements

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the police and crime commissioner's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.
Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the police and crime commissioner's ability to continue as a going concern.

Other information

The other information comprises the information included in the 'Financial Statements 2020/21', other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information contained within the 'Financial Statements 2020/21'.

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.

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 course of 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 themselves. 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.

DRAFT

Our proposed opinion on the financial statements

Matters on which we report by exception

We report to you if:
- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity,
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014,
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014,
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014,
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014,
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, or
- we are not satisfied that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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 Statement 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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

DRAFT

Our proposed opinion on the financial statements

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Police and Crime Commissioner and determined that the most significant are:

- Local Government Act 1972,
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- The Local Audit and Accountability Act 2014,
- The Accounts and Audit Regulations 2015,
- The Police Reform and Social Responsibility Act 2011,
- Anti-social behaviour, Police and Crime Act 2014,
- Police Pensions scheme regulations 1987,
- Police Pensions regulations 2006; and
- Police Pensions regulations 2015.

In addition, the Police and Crime Commissioner has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

DRAFT

Our proposed opinion on the financial statements

We understood how the Police and Crime Commissioner is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, Internal Audit, those charged with governance, the Joint Audit Committee and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance.

We corroborated this through our reading of the Police and Crime Commissioner's committee minutes, policies and procedures and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Police and Crime Commissioner's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we, inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Police and Crime Commissioner's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was appropriate.
To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested the appropriateness of the journal and that it was accounted for appropriately. We assessed accounting estimates for evidence of management bias and evaluated the business rationale for significant unusual transactions.
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 reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether the Police and Crime Commissioner had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Audit Report – continued

DRAFT

Our proposed opinion on the financial statements

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Police and Crime Commissioner had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
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.

Delay in certification of completion of the audit
We cannot formally conclude the audit and issue an audit certificate until we report the outcome of our work on the Police and Crime Commissioner's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts 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.

Audit Report – Chief Constable

DRAFT

Our proposed opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF LINCOLNSHIRE

Opinion

We have audited the financial statements of the Chief Constable of Lincolnshire for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Chief Constable of Lincolnshire Movement in Reserves Statement,
- Chief Constable of Lincolnshire Comprehensive Income and Expenditure Statement,
- Chief Constable of Lincolnshire Balance Sheet,
- Chief Constable of Lincolnshire Cash Flow Statement,
- Chief Constable of Lincolnshire Expenditure and Funding Analysis and the related notes 1 to 25, and
- Chief Constable of Lincolnshire Police Officer Pension Home Office Memorandum Account 2020/21.

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 2020/21.

In our opinion the financial statements:
- give a true and fair view of the financial position of the Chief Constable of Lincolnshire as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21; and
- have been prepared properly in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Chief Constable for Lincolnshire in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

DRAFT

Our proposed opinion on the financial statements

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the chief constable's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.
Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Chief Constable's ability to continue as a going concern.

Other information

The other information comprises the information included in the 'Financial Statements 2020/21', other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information contained within the 'Financial Statements 2020/21'.

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.

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 course of 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 themselves. 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.

DRAFT

Our proposed opinion on the financial statements

Matters on which we report by exception

We report if:
- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity,
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014,
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014,
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014,
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014,
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014. or
- we are not satisfied that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

Responsibilities of the Chief Finance Officer

As explained more fully in the 'Statement of Responsibilities for the Statement of Accounts' set out on page 36, 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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Constable either intends to cease operations, or have no realistic alternative but to do so.
The Chief Constable is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

DRAFT

Our proposed opinion on the financial statements

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Chief Constable and determined that the most significant are:

- Local Government Act 1972,
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- The Local Audit and Accountability Act 2014,
- The Accounts and Audit Regulations 2015,
- The Police Reform and Social Responsibility Act 2011,
- Anti-social behaviour, Police and Crime Act 2014,
- Police Pensions scheme regulations 1987,
- Police Pensions regulations 2006; and
- Police Pensions regulations 2015.

In addition, the Chief Constable has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

DRAFT

Our proposed opinion on the financial statements

We understood how the Chief Constable is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of Management, the Head of Internal Audit, those charged with governance, the Joint Audit Committee and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance.

We corroborated this through reading the Chief Constable's committee minutes, policies and procedures and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Chief Constable's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified, inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Chief Constable's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was appropriate.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested the appropriateness of the journal and that it was accounted for appropriately. We assessed accounting estimates for evidence of management bias and evaluated the business rationale for significant unusual transactions.

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 reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether the Chief Constable had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Audit Report – continued

DRAFT

Our proposed opinion on the financial statements

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Chief Constable had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Chief Constable of Lincolnshire has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we report the outcome of our work on the Chief Constable's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

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

04 Audit Differences

Audit Differences

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

Summary of adjusted differences

Adjusted misstatements (PCC and CC):
Factual difference: Our audit identified a difference amounting to £646,550 wherein an expense in relation to the G4S contract should have been recognised in 2020/21, but was not accrued for within 2020/21. This difference has been corrected by the Management.

Disclosure misstatements (PCC and CC):
Our audit identified a limited number of misstatements within disclosures which our team have highlighted to Management for amendment.

These have been corrected during the course of the audit and relate to disclosure and presentational matters in the Statement of Accounts. We consider that only the following item merits bringing to your attention:

- A Going Concern disclosure note was not included within the draft financial statements. Management have include these notes within the revised financial statements.

We are still in the process of concluding our audit procedures on the 2020/2021 engagement. If further material audit adjustments are identified we will ensure that these are brought to the attention of the JIAC.

Summary of unadjusted differences

There are no uncorrected disclosure differences.

Summary of unadjusted differences – Chief Constable

There are no uncorrected differences within the Chief Constable's financial statements.

Audit Differences

Summary of unadjusted differences – Police & Crime Commissioner and Group

In addition we highlight the following misstatements to the financial statements and/or disclosures 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 PCC and CC and provided within the Letters of Representation:

Uncorrected misstatements 31st March 2021 (£)	Effect on the current period:		Balance Sheet (Decrease)/Increase			
	Comprehensive income and expenditure statement Debit/(Credit)	Other Comprehensive Income Debit/(Credit)	Assets current Debit/(Credit)	Assets non current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)
Errors PCC/Group:						
Factual Misstatement:						
‣ South Park asset valued using the incorrect floor areas, leading to an understatement of asset.		(369,000)		369,000		
‣ The PCC recognised £1.6m of £1.8m special grant income in 2019-20, but should've recognised all. The remainder is held on the balance sheet and therefore the finding remains and is now pertinent to 2020-21 as the income should be recognised.	(195,627)				195,627	
Judgemental Misstatement:						
‣ Current value not supported for Lincoln Dog School (judgemental based on valuation method used).		(189,000)		189,000		
‣ Current value not supported for Skegness Former Magistrates (judgemental based on use of yields).		234,500		(234,500)		
Turnaround effect of prior year misstatements. See Note 1 below.	195,627					
Balance sheet totals	-	-	-	323,500	195,627	-
Income effect of uncorrected misstatements	-	(323,500)	-	-	-	-

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 31st March 2021.

Note 1: turnaround effect is the post-tax impact of uncorrected misstatements related to the prior period, on results of the current period.

05 Value for Money

Value for money

PCC/CC's responsibilities for value for money (VFM)

The **PCC/CC** is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the **PCC/CC** is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the **PCC/CC** tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the Cipfa code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

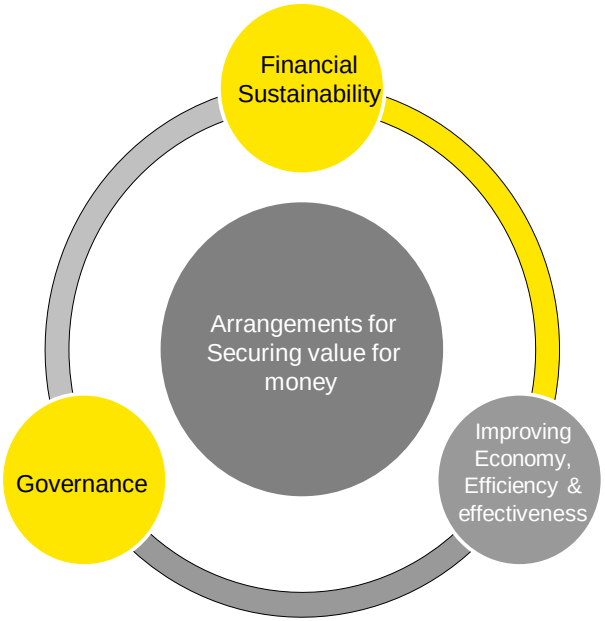
Risk assessment and Status of our VFM work

In the Provisional Audit Plan, we reported that we had yet to complete our detailed VFM planning. after signing the accounts. We will then also able to certify completion of the audit at that time.

We have now completed our Value for Money (VFM) risk assessment and have not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

As a result, we have completed our planned VFM procedures and have no matters to report by exception in the Auditor's Report (see Section 3).

We plan to issue the VFM commentary by the end of November 2023 as part of issuing the Auditor's Annual Report. We will then also able to certify completion of the audit at that time.



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 Narrative Report 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 Narrative Report and published with the financial statements was consistent with the audited financial statements, subject to completion of our final review procedures on the Narrative Report.

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.

The WGA group audit team have confirmed they do not require any further work or submissions from component auditors on WGA returns for 2020/21.

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 did not receive any correspondence or objections from any members of the Public.

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 and 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

All matters significant to your oversight are included within this report. We have no other matters to report.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

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

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

The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2020/21 audit.

	High	Moderate	Low	Total
Open at 1 April 2020	0	3	1	4
Closed during FY21	0	3	1	4
New points raised in FY21	0	2	0	2
Total open points as at 31 March 2021	**0**	**2**	**0**	**2**

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	Rating
Property, Plant and Equipment Valuations	Moderate

Observation

Our review of PPE valuations identified errors relating to the discrepancies in the floor areas used by the valuers for Nettleham HQ Land (APP) and South Park Campus (Kier) when compared to internal floor plans and site areas. The reports from the external valuer were not subject to a quality review by the management to ensure the content tied up to internal records.

Recommendation: Management to perform a review of the work performed by external specialists.

Management comment

Further internal checks have already been incorporated into subsequent audits to ensure that the floor areas are validated.

Area	Rating
Local Government Pension Scheme	Moderate

Observation

The split of the LGPS net liability between the PCC and the CC is currently calculated using a percentage from 2018 of membership figures, which has not been updated since. We would expect two separate reports for the CC and PCC for valuation of the IAS19 net pension liability for LGPS considering there are two separate financial statements for the two entities.

Recommendation: A separate IAS19 report be requested for the PCC and the CC in respect of the Local Government Pension Scheme (LGPS)

Management comment

We will ensure that future years have two separate reports for the CC & PCC for the valuation of the IAS19 net pension liability.

Assessment of Control Environment

Status of previous year's recommendations (Wording as reported in 2019/20)

Description	Update
Financial Management – Management response to CIPFA's Financial Management Capability Review of Lincolnshire Police. During 2019, the 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 highlighted 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.	**Management Response** - 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 . **Management Update** - The new structures for both Finance and the Commercial & Contract Management teams are now fully implemented. All posts in the Finance structure have been recruited to and the new Business Partnering model has been implemented. The new structure is starting to deliver the expected benefits in terms of financial management capability and a plan is being put in place to deliver further training to budget holders. The Commercial & Contract Management team have struggled to recruit to all vacant posts. This is a common problem facing all forces currently, so we are looking at alternative routes such as development posts and apprenticeships for recruitment and succession planning. This means that whilst the new structure has been put in place, progress towards the fully integrated team has been slower than originally hoped. However, a number of improvements in procurement processes have been identified and implemented already.
Procurement – 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. 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 Response** - 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. **Management Update** - This was an isolated event and no repeat has been observed in the period since this occurred. However, the Commercial Team are working on improvements to the procurement processes to ensure that all procurements are compliant and transparent.

Assessment of Control Environment

Status of previous year's recommendations (Wording as reported in 2019/20)

Description	Update
Payroll – Consideration should be given to the lack of policy and controls in respect of Rest Days in Lieu balances.	**Management Response:** The historic policy has not been refreshed in recent years. We will review current practice and produce an updated policy for implementation. **Management Update:** None provided.
Payroll – 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 Response: 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. **Management Update:** A revised process has been developed which is more robust and auditable.

08 Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY), the PCC and CC, their directors and senior management and affiliates, including all services provided by us and our network to the PCC and CC, their directors and senior management and 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 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown on the next page. Further detail of all fees has been provided to Management.

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

EY Transparency Report 2022

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 2022:

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

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2021.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements.

	Final Fee 2019/20	Proposed Fee 2020/21
	£'s	£'s
Published Scale Audit Fee – PCC Code work	22,554	22,554
Published Scale Audit Fee – CC Code work	11,550	11,550
Total Scale Audit Fee	**34,104**	**34,104**
Additional work:		
2019/20 Additional Procedures required and as reported within the Annual Audit Letter, including additional work to address regulatory expectations and changes in the risk profile. This fee has been formally determined by PSAA Ltd.	31,584	-
Changes in work required to address professional and regulatory requirements and scope associated with risk in 2020/21 (Note 1)	-	13,983
2020/21 Additional Procedures required in response to the additional procedures required in respect of: • New inherent risk: Disposals of Property, Plant & Equipment – Vehicles, Plant & Furniture • Valuation of Pension Liabilities (Local Government Pension Scheme and Police Pension Scheme) – including additional work for the LGPS triennial valuation; • New VFM requirements under the revised NAO Code of Practice; • Property, Plant and Equipment Valuations – use of specialists; • ISA 540 Estimates; and • Agreed amendments to the financial statements.	-	TBC
Total fees	**65,688**	**TBC**

All fees exclude VAT

Note 1: For 2020/21 the scale fee has been re-assessed to take into account a number of risk factors as outlined below:

- Procedures performed to address the risk profile of Lincolnshire Police - £7,508
- Additional work to address increase in Regulatory standards - £6,475

Note 2: We will set out to Management our proposed fee variation at the conclusion of the audit and submit this to PSAA for determination. PSAA have released a communication (August 2021) on external audit fees. This includes a minimum £6,000 – £11,000 in relation to additional VFM requirements and a minimum of £2,500 in relation to additional procedures required in relation to ISA 540 (Auditing accounting estimates).

09 Appendices

Appendix A

Required communications with the Police & Crime Commissioner and Chief Constable

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

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the PCC and CC of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Provisional Audit Plan – 24 November 2022 presented to the Joint Independent Audit Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Provisional Audit Plan – 24 November 2022 presented to the Joint Independent Audit Committee
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	Audit Results Report – 18 September 2023

Appendix A

		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 – 18 September 2023
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 – 18 September 2023
Subsequent events	▸ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit Results Report – 18 September 2023
Fraud	▸ Enquiries of the PCC, CC and Joint Independent Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the PCC and CC ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the PCC and CC, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to PCC, CC & Joint Independent Audit Committee responsibility.	Audit Results Report – 18 September 2023

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the PCC's and CC's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the PCC or CC	Audit Results Report – 18 September 2023
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. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016: ▸ Relationships between EY, the company and senior management, its affiliates and its connected parties ▸ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▸ Related safeguards ▸ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▸ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit	Provisional Audit Plan – 24 November 2022 presented to the Joint Independent Audit Committee Audit Results Report – 18 September 2023

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	▸ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▸ Details of any contingent fee arrangements for non-audit services ▸ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▸ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	
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 PCC, CC and audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit Results Report – 18 September 2023

Appendix A

		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.	Provisional Audit Plan – 24 November 2022 presented to the Joint Independent Audit Committee Audit Results Report – 18 September 2023
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 – 18 September 2023
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 – 18 September 2023
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report – 18 September 2023

Appendix B

Outstanding matters

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

Item	Actions to resolve	Responsibility
Provisions	Queries sent to management to support the samples.	EY and Management
Collaboration Disclosures	Request sent to the auditors of Leicestershire and Derbyshire Police for written confirmation of the results of the 2020/21 audits.	EY
Going Concern	Review of Going Concern note and performing associated audit procedures up to the date of authorisation of the respective financial statements;	EY and Management
Final Review processes	Remaining completion of documentation on the audit file and conclusion of EY Manager and EY Partner-in-Charge quality review processes	EY
Checks to the final amended set of accounts	EY to receive final set of accounts with all audit adjustments, and review it for consistency with our schedule of misstatements	EY and Management
Management representation letter	Receipt of signed management representation letter.	Management
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report.	EY and Management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion. A draft of the current opinion is included in Section 03.

Appendix C – Request for a Management Representation Letter

Request for a Management Representation Letter

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INVESTOR IN PEOPLE

Julie Flint
Chief Finance Officer
Office of the Police & Crime Commissioner for Lincolnshire

Sharon Clark
Chief Finance Officer to the Chief Constable,
Lincolnshire Police Headquarters.

4 September 2023

Ref:
Your ref:

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Dear Julie & Sharon,

Office of the Police & Crime Commissioner for Lincolnshire / Chief Constable for Lincolnshire – 2020/21 financial year- Request for a letter of representation

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

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

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

General statement

That the letter of representations is provided in connection with our audit of the financial statements of the Office of the Police & Crime Commissioner for Lincolnshire (PCC) and Group / Chief Constable (CC) for Lincolnshire ("the PCC/CC") for the year ended 31 March 2021.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial position of the PCC and CC as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022) .

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

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

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

A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts & Audit Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

2. That you acknowledge as members of management of the PCC/CC, your responsibility for the fair presentation of the PCC/CC's financial statements. You believe the PCC/CC's financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the PCC/CC in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. You have approved the PCC/CC financial statements.

3. That the significant accounting policies adopted in the preparation of the Group/PCC and CC financial statements are appropriately described in the Group/PCC and CC financial statements.

4. As members of management of the PCC/CC, you believe that the PCC/CC has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. You have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on our system of internal controls.

5. That you believe that the effects of any unadjusted audit differences, summarised in our Audit Results Report, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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

   Or

   That there are no unadjusted audit differences.

6. That you have disclosed to us any significant changes in our processes, controls, policies and procedures that you have made to address the effects of the conflict and related sanctions in

Appendix C – Request for a Management Representation Letter

Request for a Management Representation Letter

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Ukraine, Russia and/or Belarus on your system of internal controls. That you do not believe that there are any significant changes.

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

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

C. Information Provided and Completeness of Information and Transactions

1. You have provided us with:

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

2. That all material transactions have been recorded in the accounting records and are reflected in the PCC/CC's financial statements, including those related to the COVID-19 pandemic and to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

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3. That you have made available to us all minutes of the meetings of the PCC/CC and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: X September 2023.
4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of PCC/CC related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the PCC/CC's financial statements.
5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
6. That you have disclosed to us, and the PCC/CC has complied with, all aspects of contractual agreements that could have a material effect on the PCC/CC's financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. That from the date of your last management representation letter to us, through the date of this letter, you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

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

E. Subsequent Events

1. That other than the disclosure described in Note X and Y to the PCC/CC's financial statements respectively, there have been no events, including events related to the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto..

Appendix C – Request for a Management Representation Letter

Request for a Management Representation Letter

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F. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the respective PCC and CC and Group Statement of Accounts 2020/21.

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

G. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.

2. In respect of accounting estimates recognised or disclosed in the financial statements:

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

H. Expenditure Funding Analysis

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

I. Going Concern

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

J. Ownership of Assets

1. That except for assets recognised as right-of-use assets in accordance with IFRS 16 Leases, the PCC/CC has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the PCC/CC's assets, nor has any asset been pledged as collateral. All assets to which the PCC/CC has satisfactory title appear in the balance sheet(s).

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K. Reserves

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

L. Valuation of Property, Plant and Equipment Assets

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

2. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

3. You confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.

4. You confirm that the disclosures made in the PCC/CC's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on Property, Plant and Equipment valuations and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the PCC/CC's financial statements due to subsequent events, including due to the Covid-19 pandemic.

6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.

7. You confirm that for assets carried at historic cost, that no impairment is required.

M. Retirement benefits

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

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

Appendix C – Request for a Management Representation Letter

Request for a Management Representation Letter

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3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

4. You confirm that the significant assumptions used in making the valuation of the pension scheme liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

5. You confirm that the disclosures made in the PCC/CC's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the Pension Scheme Liability and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the PCC/CC's financial statements due to subsequent events, including due to the Covid-19 Pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

N. Group audits

1. There are no significant restrictions on your ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.

2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst the PCC, subsidiary undertakings (Chief Constable) and associated undertakings.

3. You confirm that entities excluded from the Group financial statements are immaterial on a quantitative and qualitative basis.

P. Specific Representations

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

I would be grateful if you could provide a letter of representation which covers the Group, PCC and CC, which is appropriately signed and dated (by both the respective s151 officer, the PCC and the CC) on the proposed audit opinion date (date to be advised) on formal headed paper.

Yours sincerely

Mark Hodgson
Partner
Ernst & Young LLP
United Kingdom

Appendix D

Implementation of IFRS 16 Leases

In previous reports to the JIAC, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect until 1 April 2023. However, officers should be acting now to assess the PCC and CC's leasing positions and secure the required information to ensure PCC and CC will be fully compliance with the 2023/24 Code. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures
Data collection	Management should: ▸ Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors. ▸ Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases ▸ Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.
Policy Choices	The PCC and CC needs to agree on certain policy choices. In particular: ▸ Whether to adopt a portfolio approach ▸ What low value threshold to set and agree with auditors ▸ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components ▸ What is managements policy in relation to discount rates to be used?
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where PCC or CC is lessee; and potentially for sub-leases, where PCC or CC is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

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