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

Auditor's Annual Report

Year ended 31 March 2021

27 October 2023

Building a better working world

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (Terms of Appointment – PSAA).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.
The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.
This report is made solely to Chief Constable, Police & Crime Commissioner, 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 Chief Constable, Police & Crime Commissioner, 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 Chief Constable, Police & Crime Commissioner, 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.
Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course

Section 1

Executive Summary

Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
Opinion on the Police & Crime Commissioner and Chief Constable's:	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the respective Police & Crime Commissioner and Group and the Chief Constable as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our audit report on the 6 October 2023.
Going concern	We have concluded that the Chief Finance Officers' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statements	Financial information published with the financial statements was consistent with the audited accounts.

Area of work	Conclusion
Reports by exception:	
Value for money (VFM)	We had no matters to report by exception on the Police & Crime Commissioner and Chief Constable's VFM arrangements. We have included our VFM commentary in Section 04.
Consistency of the annual governance statement	We were satisfied that the Annual Governance Statement was consistent with our understanding of the Police & Crime Commissioner and Chief Constable.
Public interest report and other auditor powers	We did not use our auditor powers.

Executive Summary: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance communicating significant findings resulting from our audit.	We issued our Audit Results Report on the 18 September 2023 to the Police & Crime Commissioner and Chief Constable.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have issued the audit certificate on the 27 October 2023, following this report. Refer Appendix B for audit certificate wording.

Fees

We carried out our audit of the Police & Crime Commissioner and Chief Constable's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks and additional procedures in relation to PPE, Pensions, ISA 540and Value for Money. The respective additional fees will be communicated to Management and will then be submitted for determination by PSAA Ltd. We will provide an update on the final determined fee to the Police & Crime Commissioner, the Chief Constable and their Chief Finance Officers.

We would like to take this opportunity to thank Management for their assistance during the course of our work.

Mark Hodgson

Mark Hodgson

Partner
For and on behalf of Ernst & Young LLP

Section 2

Purpose and responsibilities

Purpose and responsibilities

This report summarises our audit work on the 2020/21 financial statements.

Purpose

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on VFM arrangements, which aims to draw to the attention of the Police & Crime Commissioner and Chief Constable or the wider public relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued on the 24 November 2022. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Police & Crime Commissioner and Chief Constable;
- If we identify a significant weakness in the Police & Crime Commissioner and Chief Constable's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Police & Crime Commissioner and Chief Constable

The Police & Crime Commissioner and Chief Constable are responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

Financial Statement Audit

Financial Statement Audit

We have issued an unqualified audit opinion on the Police & Crime Commissioner and Chief Constable's 2020/21 financial statements.

Key issues

The Annual Report and Accounts is an important tool for the Police & Crime Commissioner and Chief Constable to show how it has used public money and how it can demonstrate its financial management and financial health.

On the 06 October 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the Joint Independent Audit Committee meeting on the 4 October 2023. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
Misstatements due to fraud or error - management override of controls An ever present risk that management is in a unique position to commit 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 have not identified any material weakness in controls or evidence of material management override. We did not identify any instances of inappropriate judgements being applied, or of any management bias in accounting estimates. We did not identify any inappropriate journal entries or other adjustments to the financial statements.
Inappropriate capitalisation of revenue expenditure 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. We considered 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.	Our testing did not identify any material misstatements from inappropriate capitalisation of revenue expenditure. We did not identify any material weaknesses in controls or evidence of material management override in relation to capitalisation of revenue expenditure. We did not identify any instances of inappropriate judgements being applied.

Continued over.

Financial Statement Audit (continued)

Significant Risk	Conclusion
Valuation of the Police Pension Scheme liability The Police Pension Fund liability is a material balance in the Balance Sheet. 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 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 had increased the level of risk from inherent to significant for this financial year.	We assessed the actuary as appropriate and our review of PWC's work did not identify any issues in respect of the assumptions used by Hyman's in the current year. We agreed the data submitted to the Actuary by PCC/CC and did not identify any issues. We engaged our EY Pensions Specialist to recalculate the pension liability based on the assumptions and data in the IAS 19 report to confirm accuracy. Having completed these procedures we did not identify any misstatements.
Valuation of Pension Liabilities (Local Government Pension Scheme) The Local Government Pension Fund liability is a material balance in the Balance Sheet. 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 experts and the 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 had increased the level of risk from inherent to significant for this financial year.	We assessed the actuary as appropriate and our review of PWC's work did not identify any issues in respect of the assumptions used by Barnett Waddingham's in the current year. We carried out procedures to assess the assurance provided by the Lincolnshire Pension Fund auditor over the information supplied to the actuary in relation to the PCC/CC. We engaged our EY Pensions Specialist to recalculate the pension liability based on the assumptions and data in the IAS 19 report to confirm accuracy. Having completed these procedures we did not identify any misstatements. We 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 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 recommended that separate reports for the CC and PCC for their respective LGPS Pension Liability valuation are commissioned . Refer Section 5 for control recommendation

Continued over.

Financial Statement Audit (continued)

Significant Risk	Conclusion
Valuation of land and buildings in Property, Plant and Equipment (PPE) Land and buildings is the most significant balance in the balance sheet. The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.	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, mentioned below. **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 raised this issue with Management and we discussed with their 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, where 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 overstatement impact on Property, Plant and Equipment and the Revaluation Reserve of £0.046 million. 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 05 of this report

Continued over.

Financial Statement Audit (continued)

In addition to the significant risks above, we also concluded on the following areas of audit focus.

Other area of audit focus	Conclusion
Going concern: Compliance with ISA 570 Lincolnshire Police is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period.	We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as 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 included a Going Concern disclosure in the respective revised financial statements. Management prepared a going concern assessment which they then used to form the basis of the disclosure included within the financial statements. We are satisfied that the revised disclosure note appropriately sets out the circumstances surrounding the financial implications prevalent at the date of authorisation of the financial statements.
Disposals of Property, Plant and Equipment – Vehicles, Plant & Furniture Disposal of PPE represents a significant balance in the balance sheet. Due to the material amount of disposals we considered an increased risk that the accounting treatment and disclosures are incorrect.	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 amended the financial statements for this disclosure difference.

Continued over.

Audit differences

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 within the revised financial statements.

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.

Summary of unadjusted differences – Chief Constable

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

Continued over.

Financial Statement Audit (continued)

Audit differences

Summary of unadjusted differences- Police & Crime Commissioner and Group

In addition we highlight the following misstatements to the financial statements which were not corrected by management.

Uncorrected misstatements 31 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						
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.

Continued over.

Our application of materiality

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

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £3.66 million for the Group accounts, £1.49 million for the Police & Crime Commissioner and £2.95 million for the Chief Constable. For the Group and Chief Constable this is calculated as 2% of gross revenue expenditure reported in the accounts. For the Police & Crime Commissioner materiality is calculated as 2% of gross assets.
Reporting threshold	We agreed with the Police & Crime Commissioner, the Chief Constable and the Joint Independent Audit Committee that we would report all audit differences in excess of £0.183 million, £0.075 million and £0.148 million for Group, Police & Crime Commissioner and Chief Constable respectively.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures and exit packages: we agreed all disclosures back to source data; and
- Related party transactions. we audited all disclosures and undertook procedures to confirm material completeness and accuracy of the disclosures by checking back to supporting evidence.

Section 4

Value for Money

Value for Money (VFM)

We did not identify any risk of significant weaknesses in the Police & Crime Commissioner and Chief Constable's VFM arrangements for 2020/21

Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our VFM risk assessment to the Joint Independent Audit Committee meeting on the 4 October 2023, which was based on a combination of our cumulative audit knowledge and experience, our review of committee reports, meetings with the Chief Finance Officers' and evaluation of associated documentation through our regular engagement with management and the finance team.

We reported that we had not identified any risks of significant weakness in the Police & Crime Commissioner and Chief Constable's VFM arrangements for 2020/21.

We had no matters to report by exception in the audit report

Reporting

We completed our VFM arrangements work through to September 2023 and did not identify any significant weakness in the Police & Crime Commissioner and Chief Constable's VFM arrangements.

As a result, we had no matters to report by exception in the audit report on the financial statements.

Our VFM commentary highlights relevant issues for the Police & Crime Commissioner, the Chief Constable and the wider public.

VFM Commentary

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

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

VFM Commentary

Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

For 2020/21, the significant impact that the Covid-19 pandemic has had on the Police & Crime Commissioner and Chief Constable has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

The Police & Crime Commissioner and Chief Constable has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Financial sustainability

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Police & Crime Commissioner (PCC) and Chief Constable (CC) maintain a register of financial risks which is kept under review, and appropriate arrangements are made to eliminate or mitigate risks including establishing provisions, earmarked reserves and the use of insurance.

As part of its financial planning, a Medium Team Financial Strategy (MTFS) is prepared on an annual basis by the PCC's CFO, in conjunction with the CC's Director of Finance & Corporate Services (S151). The MTFS usually covers the period of three years and the key assumptions and issues that drive this include levels of government grants, council tax and precept levels, other income, pay awards, inflation rates, investment returns, borrowing costs, specific budget pressures and other relevant factors. The MTFS is the consulted upon to ensure that it covers all the key components and considers the different circumstances.

How the body plans to bridge its funding gaps and identifies achievable savings

The Medium-Term Financial Strategy (MTFS) in 2020/21 did not identify a funding gap over the MTFS period, however, there was a planned forecast deficit of £1.236 million which would be matched by a contribution from reserves. The final outturn showed a total underspend of £5.7 million against budget, primarily driven by £3.4 million of additional funding together with a £2.3 million reduction in expenditure driven by the end of the regional custody contract. This led to a surplus of £4.5 million which was transferred to reserves. The MTFS has resolved previously identified budget gaps to achieve the overall balanced budget position. The main driver of this improvement is the combination of the increase in council tax per annum for a Band D property in 2020/21, a reduction in the police officers numbers and the assumption that police grant forecasts beyond 2020/21 remain the same or broadly flat.

The 2020/21 MTFS identified savings of £3.4 million and as mentioned above the final outturn for 2020/21 showed a total underspend of £5.7 million against budget demonstrating that the savings target was achieved. Also as part of the Value for Money and Efficiency Plan savings are identified. The arrangements for the delivery of the Value for Money & Efficiency Plan is overseen by the Joint Independent Audit Committee and progress is reported regularly to the Chief Constable and the Police and Crime Commissioner through monthly budget monitoring reports.

The Police & Crime Commissioner and Chief Constable has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Financial sustainability (continued)

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The PCC and CC continue to articulate that its funding levels remain below the national average which continuously challenge the delivery of services. Lincolnshire Police is ranked the lowest fin terms of total resource funding of all the forces in England and Wales in 2019/20, a situation which continued in 2020/21. This has required the force to be both innovative and collaborative in its approach to providing policing services. Government grants did however increase by £6.2 million in 2020/21.

The force has increased cost effectiveness by outsourcing a considerable part of its back-office functions to the private sector and by working collaboratively with other East Midlands forces to provide specialist capabilities. Per the MTFS, the council tax base increased by 1.5% in 2020/21 providing additional funding and there is an identified aggregate surplus on council tax collection fund.

The PCC/CC sets a balanced budget on a yearly basis which details the spending plans to deliver their strategic and statutory priorities. Estimates are also prepared on a realistic basis and prudent assumptions. The balanced budget and MTFS are linked to the strategic priorities and financial balance is achieved through the national police grant and precept rises in the coming years. Essential investments are also made towards ICT infrastructure and the Command-and-Control System to continue to deliver the service requirement.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The Annual Budget and Capital Programme are prepared having regard to the overarching policy framework, in particular the three-year Police and Crime Plan which is approved by the PCC. In addition, the balanced budget and MTFS incorporates the Treasury Management Strategy, Reserves Strategy and Capital Strategy.

Discussions are held regularly between the PCC and his management team and the Chief Constable and his Chief officers on the budget requirement, the right sizing and funding of capital programme, national, local operational and financial challenges. The PCC ensures they implement the approved budget in accordance with the Financial Regulations and Contract and Procurement Regulations.

Financial sustainability (continued)

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

The PCC and CC have risk registers which are a key tool in providing assurance to the Force and to the PCC, demonstrating that risks are being managed effectively through the regular and continued review of the Force Risk Register at the Risk Management Board, Senior Leadership Team meetings and the Joint Independent Audit Committee. Changes in demand and challenges to assumptions are regularly monitored and updated through the regular review of risk registers and budget by the respective Management Teams.

The Police & Crime Commissioner and Chief Constable has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

As the budget is based on estimates which have been made on prudent assumptions there remains the risk that the anticipated income will be lower than assumed in the forecast. Monitoring of the revenue budget and the capital programme is carried out on a monthly and quarterly basis respectively by Management and reviewed by the Police and Crime Strategic Board. Any material budget variances are reviewed in detail and reported through this robust governance framework, with appropriate action taken to understand the implications of variances and to take corrective action where necessary to manage the financial impact to the organisations as part of this good financial management and control.

The PCC/CC prepares a Value for Money and Efficiency Plan which is subject to oversight by the Joint Independent Audit Committee and progress is reported regularly to the Chief Constable and the Police and Crime Commissioner through monthly budget monitoring reports.

The body recognized that improving productivity and achieving a fairer share of government funding for Lincolnshire remain key to maintaining safe levels of policing in the medium term. Continuing sound financial control and planning will be important to delivering financial balance into the medium term as uncertainty remains around future funding settlements, especially if fiscal challenges continue nationally which impact on levels of public spending.

The Police & Crime Commissioner and Chief Constable has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Governance

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The PCC and CC have a Risk Management Strategy. Risks and risk management issues are reviewed by the PCC's Internal Management Meetings and at quarterly meetings held between the PCC and the Chief Constable (or their nominated deputies). The PCC's governance meetings includes a standing 'significant risk update' agenda item, that the Force is invited to respond to where appropriate.

Management has internal monitoring controls in place including Internal Audit. The Combined Annual Governance statement includes the approach adopted to ensuring compliance with established policies, procedures, laws, and regulations including compliance assessments carried out by both PCC, CC and external agencies. The Chief of Staff, as the Monitoring Officer and the Chief Financial Officers', have overall statutory responsibility for the proper administration of the PCC's and CC's financial affairs respectively, including preparation of the Statement of Accounts and making arrangements for appropriate systems of financial control. The Internal Audit function is provided by Mazars LLP. Internal Audit provide an annual internal audit report which provides an opinion on the overall adequacy and effectiveness of LP's risk management, control and governance processes.

The Internal Audit opinion in respect of 2020/21 was 'in our opinion on the framework of governance, risk management, and control is Moderate in its overall adequacy and effectiveness. This opinion is provided on the basis that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk and management and control. Certain weaknesses and exceptions were highlighted by our internal audit work, in particular limited assurance opinions during the period in respect of Archive Management, Payments (Contract Expenditure), Recruitment and Workforce Planning.'

The PCC and CC have appropriate policies in place for fraud reporting through the Whistleblowing Policy and Confidential reporting arrangements. Allegations of fraud or other concerns can be raised with either Chief Financial Officer who will then decide whether to involve the Professional Standards, External Audit, or an other relevant external agency after appropriate internal consultation. There is an Anti-fraud and Corruption policy in place to prevent fraud and corruption within the body.

Governance (continued)

How the body approaches and carries out its annual budget setting process

The Police and Crime Commissioner consults with the Chief Constable in planning the annual budget which includes a separate force budget. This takes into consideration funding from government and other sources, and balances the expenditure needs of the policing service against the level of local taxation. These arrangements meet the statutory requirements to achieve a balanced budget and are completed within statutory timeframes.

The Police and Crime Commissioner issues the Chief Constable with a separate budget on an annual basis. The overall annual budget is approved after consultation with the local community and having regard to the Policy Framework and to the three-year Police and Crime Plan approved by the PCC.

These budgets reflect agreed service plans and estimates, and assumptions are made with sufficient robustness, reflect a realistic basis and are prudent.

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.

The Police & Crime Commissioner and Chief Constable has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

The financial performance of the PCC and CC is monitored through monthly budget monitoring reports that are discussed and reviewed by the Police and Crime Strategic Board. Included in the Financial Strategy is the Budgetary Control wherein the Chief Constable ensures that allocated resources are used for the intended purpose and are duly accounted for. When the annual budget is approved, this is allocated to approved Budget Holders who are then subject to budget monitoring and financial accountability.

The Chief Constable will monitor the budgeted income and expenditure and provide the PCC's CFO with monthly reports comparing revenue expenditure in the year to date together with a forecast of spend to the year-end compared to the approved budget. Expected or actual shortfalls or losses of income are treated as if they are increases in expenditure. Where there is actual or estimated overspend, this will be reported in the subsequent budget monitoring which shall include an explanation for the overspend and details of the action taken, or proposals made to deal with it.

Governance (continued)

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

The PCC and CC has a Code of Corporate Governance and Framework. The governance framework comprises the systems and processes, culture and values utilised in the discharge of the PCC's statutory functions. There are several key elements of the systems and processes that comprise the governance arrangements put in place for the PCC and the Chief Constable which specifically include the reviewing and updating of the standing orders, standing financial instructions, a scheme of delegation, contract/procurement regulations, and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.

Public Assurance meetings are held quarterly each year. The Public Assurance Meeting is one of the primary mechanisms by which the PCC meets his statutory responsibility to hold the Chief Constable to account, and it is specifically focussed on key aspects of Force performance. The meeting provides the opportunity for the public to observe the discussions between the Police and Crime Commissioner and the Chief Constable of Lincolnshire Police and provide answers to questions from the public.

In addition to this, there are quarterly meetings of the Joint Independent Audit Committee, who provides assurance on matters relating to the adequacy and effectiveness of the financial and other controls, corporate governance, financial and contract regulations, and risk management arrangements operated by both the Commissioner and the Chief Constable.

Formal decision forms for key decisions are made available online for public scrutiny. Where the PCC and CC hold regular public meetings, meeting papers and minutes are published on the PCC and CC website.

The Police & Crime Commissioner and Chief Constable has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Governance (continued)

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Included in the key elements of the systems and processes that comprise the governance arrangements put in place for the PCC/CC are measures or developing, communicating, and embedding Codes of Conduct and defining the standards of behaviour for officers and staff.

The PCC and CC have codified in policies the required standards of conduct for their officers. The Code of Conduct sets out the adoption of the Code of Ethics produced by the College of Policing, and sets out the principles and standards of professional behaviour expected for the policing profession of England and Wales.

The PCC has a Monitoring Officer to ensure their compliance with laws and regulations. The PCC and CC have established a register of disclosable interests and declarations of gifts/hospitality where declarations are to be made within a timeline of 28 days from taking office, from any change in circumstances and/or from accepting/declining an offer of a gift or hospitality.

The Police & Crime Commissioner and Chief Constable has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

The Police & Crime Commissioner and Chief Constable has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Improving economy, efficiency and effectiveness

How financial and performance information has been used to assess performance to identify areas for improvement

The body maintains and uses measures of financial health and performance to help monitor progress and implementation of financial strategy. The performance measures encompass different areas such as: financial health, funding, value for money, financial performance, treasury management and procurement. The monitoring of the revenue budget and capital programme is carried out on a monthly and quarterly basis respectively by the Police and Crime Strategic Board. By monitoring the financial performance, necessary correction action can be undertaken to ensure that there is a planned approach to finding any required savings necessary to balance the budget and that those required savings are achieved.

There is an Annual Report on Financial Performance to the Chief Constable and the PCC which will include actual performance compared to the targets.

The Authority has an Internal Audit contract arrangement with Mazars LLP to provide an independent and objective opinion on the PCC/CC's governance, risk management and internal control arrangements and their effectiveness in achieving the organisation's agreed objectives. Internal Audit is able to provide specific recommendation for areas where improvements are required.

How the body evaluates the services it provides to assess performance and identify areas for improvement

The overarching approach of the PCC to performance management is aligned with the Police Efficiency, Effectiveness and Legitimacy (PEEL) inspection criteria designed by His Majesty's Inspectorate of Constabulary, Fire and Rescue Services (HMICFRS) plus the forces own performance framework. This integrated approach promotes efficient and effective monitoring, constructive challenge, and removes any unnecessary duplication of effort.

To monitor the PCC/CC's performance progress, an Integrated Performance Report is used, which draws together information on the resources managed by the Force with the performance achieved over the course of the previous 12 month period. Inspection findings that require improvement are published and are presented in the Annual Governance Statement which sets out progress with how the PCC/CC is implementing the course of actions it has published as part of the responses to the findings. The Narrative Report within the Financial Statements also sets out a review of achievements against the Corporate Plan.

Additionally, the Deputy Chief Constable (DCC) provides the Joint Independent Audit Committee with updated about the Force Performance Improvement Plan, which is monitored through the Police and Crime Strategic Board.

Improving economy, efficiency and effectiveness (continued)

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The PCC/CC work collaboratively with partners, particularly other police forces in the East Midlands region, commissioning services from other bodies and contracting out services to private sector providers. The PCC conducts quarterly reviews of compliance with governance arrangements including around the partnerships that are in place to ensure that business and operations are conducted in accordance with law and proper standards. A Value for Money & Efficiency Plan is also in place mentioning the major partnership agreements of the PCC/CC where progress is reported regularly to the Chief Constable and the Police and Crime Commissioner through monthly budget monitoring reports with further oversight provided by the Joint Independent Audit Committee .

The PCC/CC's main partnership is with G4S for the Strategic Partnership contract, which provides back office and operational support services. Being the largest strategic partnership in place, there is a Schedule Partnership Framework in place which details all the control process that are in place for the management of the contract to ensure value for money from the contract. A Financial, Contract and Procurement Regulations document is also in place, which sets out the framework within which functions and tasks are completed.

Some other significant partnerships are the Lincolnshire Road Safety Partnership (LRSP) to reduce the number of people killed or injured in the Lincolnshire roads and Bluelight Collaboration Programme which is an integration of blue light services (Ambulance and Fire) and closer working with those respective bodies to deliver efficiencies. The LRSP is a partnership between Lincolnshire County Council and the PCC and is monitored by means of the Road Safety Board which has a representative from both organisations. The LRSP Strategic Board meets quarterly, is chaired by the Chief Executive of the PCC’s Office and is attended by elected representatives and senior officers from its parent organisations.

The Police & Crime Commissioner and Chief Constable has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Improving economy, efficiency and effectiveness (continued)

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

In the Financial Strategy, policies and procedures on procurement are outlined. Before the start of each financial year, a Procurement Plan is agreed by the PCC and that procurement arrangements are designed to ensure effective procurement outcomes.

This Procurement Plan contains the Procurement Strategy, the Procurement Process and ensures proper process are in place and approval is given as per the processes. For significant procurement activity, the body has a Strategic Procurement Unit (SPU) in place who manage the contractual process to ensure both compliance with legal and statutory requirements and advise on suitable timescales and routes to market. To aid control in this area, a contracts register is maintained to ensure visibility of existing contracts and where renewal actions are required, these are identified, planned, and actioned on a timely basis.

Further, the PCC and CC publish on their website the procurement activity.

The Police & Crime Commissioner and Chief Constable has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Section 5

Other Reporting Issues

Other Reporting Issues

Annual Governance Statement

We are required to consider the completeness of disclosures in the Police & Crime Commissioner and Chief Constable's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

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

Whole of Government Accounts

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

Report in the Public Interest

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

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

Other powers and duties

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

Other Reporting Issues (cont'd)

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. 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 identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

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

Area	Observation	Management comment
Property, Plant and Equipment Valuations	Our review of Property, Plant and Equipment 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.	Further internal checks have already been incorporated into subsequent audits to ensure that the floor areas are validated.
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. Recommendation: A separate IAS19 report should be requested for the PCC and the CC in respect of the Local Government Pension Scheme (LGPS)	We will ensure that future years have two separate reports for the CC & PCC for the valuation of the IAS19 net pension liability.

Appendix A

Audit Fees

Audit Fees

Our fee for 2020/21, including additional fee elements, is presented below. The scale fee has been re-assessed to take into account a number of risk factors which includes procedures performed to address the risk profile of the the Police & Crime Commissioner and Chief Constable and additional work to address increase in Regulatory standards. 2020/21 remains subject to approval by PSAA Ltd.

Description	Proposed Fee 2020/21 £'s	Final Fee 2019/20 £'s
Published Scale Audit Fee – PCC Code work	22,554	22,554
Published Scale Audit Fee – CC Code work	11,550	11,550
Determined Scale Fee variation	-	31, 584
Total Scale Audit Fee	**34,104**	**65,688**
Fee Variation:		
Changes in work required to address professional and regulatory requirements and scope associated with risk (Note 1)	13,152	-
2020/21 Additional Procedures required in response to identified audit risks (Note 2).	TBC	-
Total Fees	**TBC**	**65,688**

Note 1 – For 2020/21, the scale fee has been re-assessed to take into account a number of risk factors as outlined : • Procedures performed to address the risk profile of Lincolnshire Police - £5,057 • Additional work to address increase in Regulatory standards - £8,095

Note 2 - In addition, for 2020/21, we have had to perform additional audit procedures as mentioned in this report and as detailed within our Audit Plan and Audit Results Report. The additional fee for 2020/21 will be notified to Management and then submitted for formal determination by PSAA Ltd.

We will report the respective final fees formally, once they have been determined by PSAA Ltd.
We confirm we have not undertaken any non-audit work.

Appendix B

Draft Audit Certificate

Draft Audit Certificate- Police and Crime Commissioner for Lincolnshire and Group

AUDITORS CERTIFICATE WHERE THE OPINION PREVIOUSLY ISSUED IN ADVANCE OF CLOSURE OF THE AUDIT

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

Issue of audit opinion on the financial statements
In our audit report for the year ended 31 March 2021 issued on 6 October 2023 we reported that, in our opinion, the financial statements:

- gave 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
- had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Certificate

In our report dated 6 October 2023, we explained that we could not formally conclude the audit and issue an audit certificate until we had issued our Auditor's Annual Report, including our commentary on your value for money arrangements. This report has now been issued.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and no matters have come to our attention that would have resulted in a different opinion on the financial statements or additional exception reporting on significant weaknesses in the Authority's value for money arrangements.

We certify that we have completed the audit of the accounts of the Police and Crime Commissioner for Lincolnshire and Group 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.

Draft Audit Certificate- Chief Constable of Lincolnshire

AUDITORS CERTIFICATE WHERE THE OPINION PREVIOUSLY ISSUED IN ADVANCE OF CLOSURE OF THE AUDIT

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF LINCOLNSHIRE

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2021 issued on 6 October 2023 we reported that, in our opinion, the financial statements:

- gave 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; and
- had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Certificate

In our report dated 6 October 2023, we explained that we could not formally conclude the audit and issue an audit certificate until we had issued our Auditor's Annual Report, including our commentary on your value for money arrangements. This report has now been issued.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and no matters have come to our attention that would have resulted in a different opinion on the financial statements or additional exception reporting on significant weaknesses in the Authority's value for money arrangements.

We certify that we have completed the audit of the accounts of the Chief Constable of Lincolnshire in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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