

The Police and Crime
Commissioner for
Cambridgeshire/The Chief
Constable of Cambridgeshire
Audit results report

Year ended 31 March 2018

20 July 2018

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y'.

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20 July 2018

We are pleased to attach our audit results report for the forthcoming meeting of the Joint Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of The Police and Crime Commissioner for Cambridgeshire and the Chief Constable of Cambridgeshire the PCC and CC for 2017/18. We have substantially completed our audit of the PCC and CC for the year ended 31 March 2018.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 4 before the statutory deadline of 31 July 2018. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

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

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 25 July 2018.

Yours faithfully

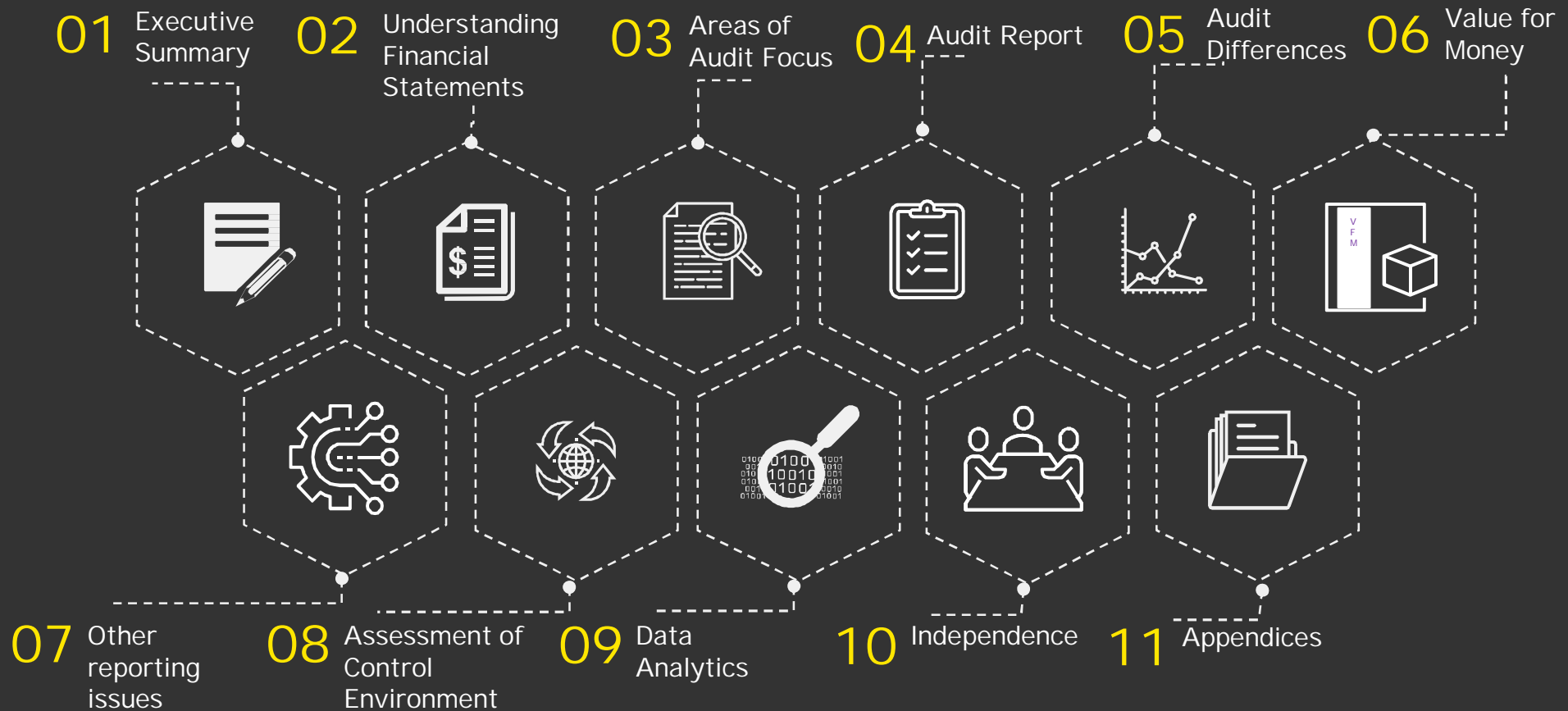
Neil Harris

Executive Director

For and on behalf of Ernst & Young LLP

Encl

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). 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 (updated February 2017)" 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 the Joint Audit Committee and management of The Police and Crime Commissioner for Cambridgeshire and The Chief Constable of Cambridgeshire (the PCC and CC) in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Joint Audit Committee, and management of the PCC and CC 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 Audit Committee and management of the PCC and CC 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 audit planning report presented at the 18 April Joint 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.

Changes in materiality: In our Audit Committee Planning Report, we communicated that our audit procedures would be performed using materiality levels as set out in the table below. The basis of our assessment has remained consistent with prior years at 2% of gross expenditure on provision of services for the PCC Group and CC Single Entity; 2% of gross assets for the PCC Single Entity and 2% of the higher of Benefits Payable/Contributions Receivable for the Police Pension Fund. We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment as shown in the table below.

Changes in risks: In our Audit Committee Planning Report, we communicated our significant risk in relation to the accounts and VFM conclusion. Following further consideration of the outturn reported for 2017/18 and the medium term financial plan, we have identified financial resilience as a significant risk and undertaken further work to support our value for money conclusion in this area. Further details are provided below.

Entity	Basis of materiality	Planning materiality		Performance materiality		Audit differences	
		Audit plan	Updated	Audit plan	Updated	Audit plan	Updated
Group	Gross revenue expenditure	£3.38m	£3.60m	£2.5m	£2.70m	£0.17m	£0.18m
PCC	Gross assets	£1.67m	£1.83m	£1.3m	£1.37m	£0.08m	£0.09m
CC	Gross revenue expenditure	£3.19m	£3.42m	£2.4m	£2.57m	£0.16m	£0.17m
Pension Fund	Benefits payable	£0.86m	£0.76m	£0.6m	£0.57m	£0.043m	£0.038m

Executive Summary

Status of the audit

We have substantially completed our audit of the PCC/CC's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Group and CC financial statements in the form which appears at Section 4. However until work is complete, further amendments may arise:

- we are yet to conclude our audit procedures related to:
 - expenditure,
 - income,
 - creditors,
 - pensions,
 - property, plant and equipment,
 - reserves,
 - Payroll
 - journals,
 - cash flow statement;
 - conclusion of our programme of work following receipt of a letter of assurance from Cambridgeshire Pension Fund Auditors in respect of the IAS19 arrangements, and
 - expenditure and funding analysis

The following steps also need to be completed before we can issue our opinion:

- completion of audit manager and associate partner review of the audit work completed
- review of the final version of the financial statements
- completion of subsequent events review
- receipt of the signed management representation letter

We will provide a verbal update on these matters at the Audit Committee meeting.

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

Executive Summary

Audit differences

At the time of writing, there is one unadjusted audit difference arising from our audit related to an overstatement of asset valuation by £198k.

There are two adjusted audit differences related to the net asset position on the pension fund and the treatment of collaboration debtors and creditors. The details related to these misstatements are being finalised at the time of writing.

We have identified a small number of disclosure amendments which have been adjusted by management.

At the time of writing, there are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee. Details can be found in Section 5 Audit Differences.

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of the PCC/CC's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Police and Crime Commissioner (PCC) and Chief Constable (CC).

Control observations

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

Executive Summary

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we did not identify any significant risks. However, following further consideration of the outturn reported for 2017/18 and the medium term financial plan, we have identified financial resilience as a significant risk.

Having undertaken further work to support our value for money conclusion in this area, we plan to issue an unqualified value for money conclusion. We have provided further commentary on the work performed, our findings and conclusions at Section 6 below.

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.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report.

Independence

Please refer to Section 10 for our update on Independence.



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Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

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

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

What judgements are we focused on?

We considered the accounts risks associated with the collaborative schemes Cambridgeshire participates in. We concluded that there is a risk of management override in both the BCH collaboration and ERSOU based on the complexity of the arrangements, the number of bodies involved and the significant sums involved.

What did we do?

We undertook a range of procedures in relation to collaboration transactions across Bedfordshire, Cambridgeshire and Hertfordshire (BCH) Police:

- Obtained an understanding of how transactions for each collaborative unit [CU]/ERSOU unit are identified and recorded and coded in the ledger system;
- Obtained an understanding of how the CU/ERSOU unit costs are allocated to each partner police force;
- Checked that overall expenditure and income identified within the CU/ERSOU working papers as being incurred or received by BCH matches the entries within their general ledger;

What are our conclusions?

Having completed the work described, to date, we have not identified any material weaknesses in controls or evidence of material management override. We are in the process of completing our work and will update the Joint Audit Committee at the meeting.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the normal course of business





Areas of Audit Focus

Significant risk



Further details on procedures/work performed

- Checked that overall balances and cash flows identified within the CU/ERSOU working papers in respect of BCH accounts matches the entries within their general ledgers;
- Checked that overall expenditure and income identified within the CU/ERSOU working papers as being incurred or received by BCH matches the entries within their general ledgers;
- Checked that overall balances and cash flows identified within the CU working paper in respect of BCH accounts matches the entries within their general ledgers;
- Examined a sample of journal entries to confirm that the allocation between the participating authorities is in accordance with the agreements in place.

We undertook increased sample testing transactions on the BCH ledgers to reflect the risk identified of management override to ensure that they:

- Relate to the CU/ERSOU unit;
- Are recorded at the correct amount; and
- Are allocated fairly based on the s22 agreement

In addition to the specific audit work above to address the risk associated with collaboration income and expenditure, to address the residual risk of management override we performed specific procedures which include:

- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
- Assessed accounting estimates for evidence of management bias, and
- Evaluated the business rationale for significant unusual transactions.



Areas of Audit Focus

Other Areas of Audit Focus

Property, Plant and Equipment (£50.6m)

What is the risk?

The fair value of Property, Plant and Equipment (PPE) represent significant balances in the accounts of The Police and Crime Commissioner for Cambridgeshire and the Group 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.

We focused on aspects of the land and buildings (£37m) valuations which could have a material impact on the financial statements, primarily:

- significant changes in the asset base;
- the assumptions and estimates used to calculate the valuation; and
- changes to the basis for valuing the assets.

What did we do?

To support our audit of PPE, we:

- Considered the work performed by the valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated;
- 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?

Our work on the valuation of land and buildings exercise is substantially complete.

We will update the Joint Audit Committee with our conclusions at the meeting.



Areas of Audit Focus

Other Areas of Audit Focus

Pension Liability Valuation £1.5bn

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 requires the Police to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme and the Police Pension.

The pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the balance sheet. At 31 March 2018 this totalled £1.5 billion.

The information disclosed is based on the IAS 19 report issued to the Police 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 experts and the assumptions underlying fair value estimates.

What did we do?

- Liaised with the auditors of the Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Cambridgeshire Constabulary;
- Assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within the financial statements in relation to IAS19.

What are our conclusions?

The reported asset position at 31 March for the fund as a whole is £2,958 bn a difference of £66.2m when compared to the actuary's (lower) estimate. We have asked that a revised IAS19 letter is obtained from the Pension Fund actuary to adjusted the net assets figure reported in the PCC and CC accounts. The key changes to the draft financial statements will be to:

- Re-measurement of the net defined pension asset
- Other long-term liabilities
- Pension Reserve

There are additional change to the related disclosures that we do not consider merit the attention of the Audit Committee in the Audit Results Report but have been reported separately by officers.

We are currently concluding our work in this area and will update the Joint Audit Committee when this is complete.



Areas of Audit Focus

Other Areas of Audit Focus

Earlier deadline for production and audit of the financial statements from 2017/18

What is the risk?

Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. The timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July. These changes provide risks for both the preparers and the auditors of the financial statements.

The Police and Crime Commissioner and the Chief Constable now have less time to prepare the financial statements and supporting working papers. As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

What did we do?

- Worked with the PCC/CC to engage early to facilitate early substantive testing where appropriate.
- Provided an early review on the streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- Facilitated faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year.
- Work with the PCC/CC to implement EY Client Portal, this will:
- Agreed the team and timing of each element of our work with you.
- Agreed the supporting working papers that we require to complete our audit.

What are our conclusions?

The Force has been well placed to meet the demands of the earlier deadline, having produced their financial statements in good time in previous years.

There are areas where the Force can look to strengthen its arrangements in terms of:

- Leveraging the benefits of the common systems with Cambridgeshire and Hertfordshire to look for efficiencies and consistency in the way information is produced for the audit; and
- Working together to identify best practice that can be applied to each of the 3 Forces.



Areas of Audit Focus



Other matters

Assessment of new Accounting Standards

IFRS 15 Revenue from Customers with Contracts: The applicable accounting framework is CIPFA's annual Code of Practice on Local Authority Accounting in the United Kingdom (which is IFRS based as adapted for Local Authorities). The 2018/19 Code will apply to accounting periods starting on or after 1 April 2018 but has not yet been published. The 2018/19 Code will determine how IFRS 15 Revenue from Customers with Contracts will be adopted by local government bodies.

IFRS 15 is not expected to have a material impact on the financial statements as the vast majority of the Force's income streams are taxation or grant based. Income from taxation and grants does not fall within the scope of IFRS 15 as it is not contractually based revenue from customers.

IFRS 9 Financial Instruments: The 2018/19 Code of Practice on Local Authority Accounting for the United Kingdom introduces IFRS 9 on financial instruments. The Force will need to keep this standard under continued focus during 2018/19 because statutory overrides may be introduced by Central Government.

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's and the 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;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have nothing to report in respect of these issues.



04 Audit Report



Audit Report

Draft audit report – a similar version will be produced for PCC and Group

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF Cambridgeshire

Opinion

We have audited the financial statements of the Chief Constable of Cambridgeshire for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Chief Constable of Cambridgeshire Comprehensive Income and Expenditure Statement;
- Chief Constable of Cambridgeshire Movement in Reserves Statement;
- Chief Constable of Cambridgeshire Balance Sheet;
- Chief Constable of Cambridgeshire Cash Flow Statement and the related notes 1 to 30, including the Expenditure and Funding Analysis on page 26; and
- Chief Constable of Cambridgeshire Pension Fund Account at Note 31

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 2017/18.

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 Cambridgeshire in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor

General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts on pages 1 to 51, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

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.



Audit Report

Our opinion on the financial statements

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, the Chief Constable for Cambridgeshire put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibilities of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities set out on page 17, 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 2017/18, and for being satisfied that they give a true and fair view.



Audit Report

Our opinion on the financial statements

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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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 Cambridgeshire has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.



Audit Report

Our opinion on the financial statements

We report if significant matters have come to our attention which prevent us from concluding that the Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of the Chief Constable of Cambridgeshire 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 Cambridgeshire, 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 Cambridgeshire, for our audit work, for this report, or for the opinions we have formed.

Neil Harris (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
July 2018

[The following foot note should be added to the audit report when it is published or distributed electronically:
The maintenance and integrity of the Chief Constable of Cambridgeshire's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.]



05 Audit Differences





Audit Differences

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

Summary of adjusted differences

We highlight the following misstatements greater than £1.8m for the PCC, £2.5m for the CC, £2.7m for the Group and £380k for the Pension Fund Accounts which have been corrected by management that were identified during the course of our audit.

- £1.6m overstatement of creditors and debtors due to incorrect treatment of BCH Collaboration accruals. The finance team are working through the overall misstatement at the time of writing.
- £4.2 (PCC)/£3.1m (CC) due to difference in the reported asset position at 31 March for the fund as a whole and the estimated position from the actuary which formed the disclosure in the financial statements. The final impact of this is being reviewed

At the time of writing, there was one uncorrected misstatements over our reporting thresholds:

- The value included in the financial statements for one asset has been overstated by £198k as it includes a service component.



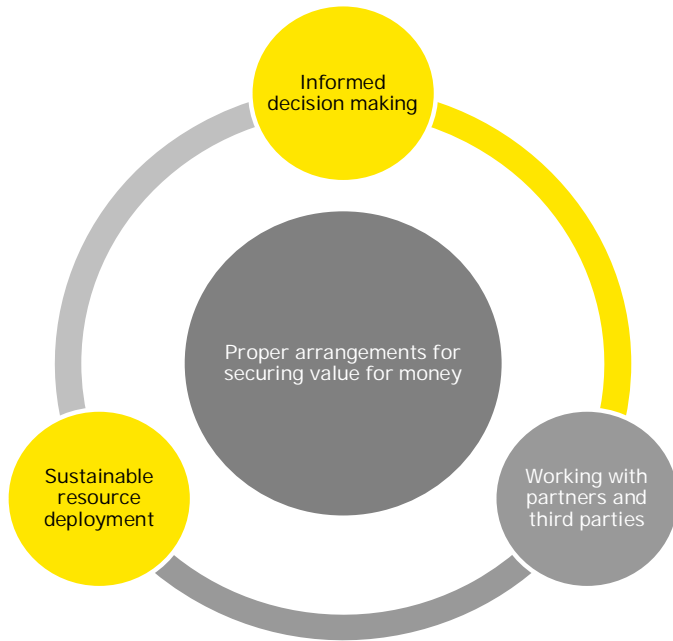
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Value for Money Risks





Value for Money



Background

We are required to consider whether the PCC and CC have put in place 'proper arrangements' to secure economy, efficiency and effectiveness on their use of resources. This is known as our value for money conclusion.

For 2017/18, this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- § Take informed decisions;
- § Deploy resources in a sustainable manner; and
- § Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

In our Audit Planning Report we did not identify any significant risks. However, following further consideration of the outturn reported for 2017/18 and the medium term financial plan, we have identified financial resilience as a significant risk.

Having undertaken further work to support our value for money conclusion in this area, therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



Value for Money Risks

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

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

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

The table below presents the findings of our work in response to the risks areas additional risks identified since we issued our Audit Plan.

What is the significant value for money risk?	What arrangements did the risk affect?	What did we do?
<p>We did not include a significant risk related to the value for money conclusion in our Audit Plan. However, we continued to monitor the financial position of the Force, taking into account its outturn reported for 2017/18 and the impact on its medium term financial planning. The outturn reported was on overspend of £1.7m against the revenue budget and there was also an indication that the level of reserves held by the Force would be reducing over the life of the medium term financial plan.</p> <p>We therefore determined that we should raise a significant risk related to the financial resilience of the Force and undertake further work to satisfy ourselves that proper arrangements are in place, given the financial challenges, to enable the Force to deploy resources in a sustainable manner.</p>	<p>Deploy resources in a sustainable manner</p>	<p>To address the risk, we undertook the following:</p> <ul style="list-style-type: none"> - Updated our financial resilience tool to reflect the outturn position, including the impact on levels of reserves, savings targets and borrowing. - Completed a quantitative analysis to assess: <ul style="list-style-type: none"> - Performance against budget - The medium term financial plans and how they reflect the overall strategy, prior year financial performance, and demographic changes - historical performance in meeting savings targets - established governance processes to identify, assess and monitor savings - Current levels of reserves and planned use of reserves over the medium term

Value for money risks (cont)

We noted the following issues as part of our audit

What are our findings?

In 2017/18, the Force has reported an overspend of £1.7m against budget. The outturn position was an overspend of £1.7m against a net budget of £132.6m, in part due to the 1% pay award announced by Central Government. This overspend was funded by reserves. CP does have a good track record of meeting budgets but has recognised that it is facing significant financial challenges due to reductions in funding from Central Government along with cost pressures and increasing demand. The MTFP and budget reports clearly set out the financial position of the Force and the implications of key decisions such as the use of reserves. As a result of the 2017/18 outturn, some changes have been made to the profiling of the use of reserves as more reserves were used than originally planned.

Appropriate governance processes are in place to identify, assess and monitor savings. Savings are identified by budget managers, finance staff and the continuous improvement team. They will be reviewed and challenged as part of the budget setting process and agreed by the Force Executive and PCC as part of this process. Once savings are agreed through the budget process, the budget for identified saving is removed and therefore the monitoring of savings form part of the "business as usual" budget monitoring process.

The Force does recognise however that there is a need to review arrangements in order to continually seek efficiencies and savings in the context of the increasing demand and complexity of the environment in which it operates. To help with this, it plans to implement priority based budgeting for 2019/20, challenging its current budgets and identifying areas where spend can be refined or redirected to more effectively deliver its services. This will include providing training and support to its staff to enable priority based budgeting to be delivered.

A medium term financial plan (MTFP) covering the period 2018/19 to 2021/22 has been published.

Income generation is included in the MTFP though not fully articulated in the public document until the details are considered and finalised. This includes the Estates Strategy (as included in the Fire Governance business case) and the sale of certain sites. The MTFP has not been significantly adjusted as a result of 2017/18 outturn but is regularly reviewed and updated.

The current MTFP does include use of reserves, reflecting the expectation from the Home Office that Police Forces do not hold excessive levels of reserves. The minimum prudent level set by the PCC is 5% of the net budget requirement (NBR) so approximately £7m. This level increases as the NBR increases, leading to a need for contributions to the general reserve to maintain the prudent level. The Force holds a budget assistance reserve, designed to smooth out fluctuations, the balance on which as at 31 March 2018 is £4m and is due to be used fully by 2019/20. The current MTFP shows this reserve going into a negative position, although the overall reserves position remains positive throughout the period of the MTFP. This is to recognise with transparency that steps need to be taken, in advance of the budget assistance reserve moving into a deficit position, to deliver efficiencies and savings in order to replenish this reserve.



Value for money risks (cont)

We noted the following issues as part of our audit

What are our findings?

The Commissioner is required to set out how he intends to use reserves over the life of the MTFP and this is included in the document. This shows that in 2019/20, reserves held will close to the prudent level, with little other earmarked reserves being held to enable the Force to respond to unforeseen events/expenditure requirements.

The Force is taking steps to address the challenges articulated in the MTFP. This includes realising efficiency savings through its collaboration with other Forces. To date this has not delivered the anticipated savings and therefore this represents a risk to the Force. The Force has therefore taken a prudent approach to these in its MTFP and not assume any significant level of collaborative savings will be realised. This is contributing to the budget assistance reserve going into a negative position. To address this, a formal structure has been put in place to focus on delivery of collaboration projects. There are also more structured finance meetings between Bedfordshire, Cambridgeshire and Hertfordshire to provide this focus.

There are items not included in the MTFP due to uncertainties of timing but that will improve the financial position, including e.g. the release of land for development as there is increased sharing of property between the Police and Fire Services. These are one-off windfalls to the financial position and therefore CP does recognise that the work to identify efficiencies and savings in business as usual areas needs to continue.

At present that there are sufficient levels of reserves and the medium term financial plan includes the maintenance of general fund balance at 5% of the NBR. However, earmarked reserves are at £13.2 million at 31 March 2018 and set to reduce to approximately £1m by 2020. Whilst a significant part of this reduction (£9m) is due to the planned implantation of the Estates strategy, this does represent a risk for to the Force's ability to respond to unforeseen events.

To further strengthen arrangements, we recommend that the PCC/CC:

- § Risk assess savings for 2018/19, and monitor and report delivery against each plan on a monthly basis;
- § Utilise the recently implemented structured approach to collaboration to enable realisation of planned savings and the identification of further opportunities for savings through collaborative working; and
- § Continue its review to identify other recurrent savings and efficiency savings, given the planned reductions in earmarked reserves through the life of the MTFP.



07 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 Police and Crime Commissioner for Cambridgeshire's and the Chief Constable of Cambridgeshire's Statement of Accounts 2017/18 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 Police and Crime Commissioner for Cambridgeshire's and the Chief Constable of Cambridgeshire's Statement of Accounts 2017/18 and published with the financial statements was consistent with the audited financial statements.

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

Whole of Government Accounts

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

We have no issues to raise.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’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

We have nothing to report in these areas.



08

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of The Police and Crime Commissioner for Cambridgeshire and the Chief Constable of Cambridgeshire (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 has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Reliance on internal audit

We have reviewed Internal Audit reports issued to management during the period to March 2018 and considered whether their findings influenced the extent of our audit procedures.



09

Data Analytics



Use of Data Analytics in the Audit

Analytics Driven Audit

Data analytics

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

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

In 2017/18, our use of these analysers in the PCC and CC audit included testing journal entries, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

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

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

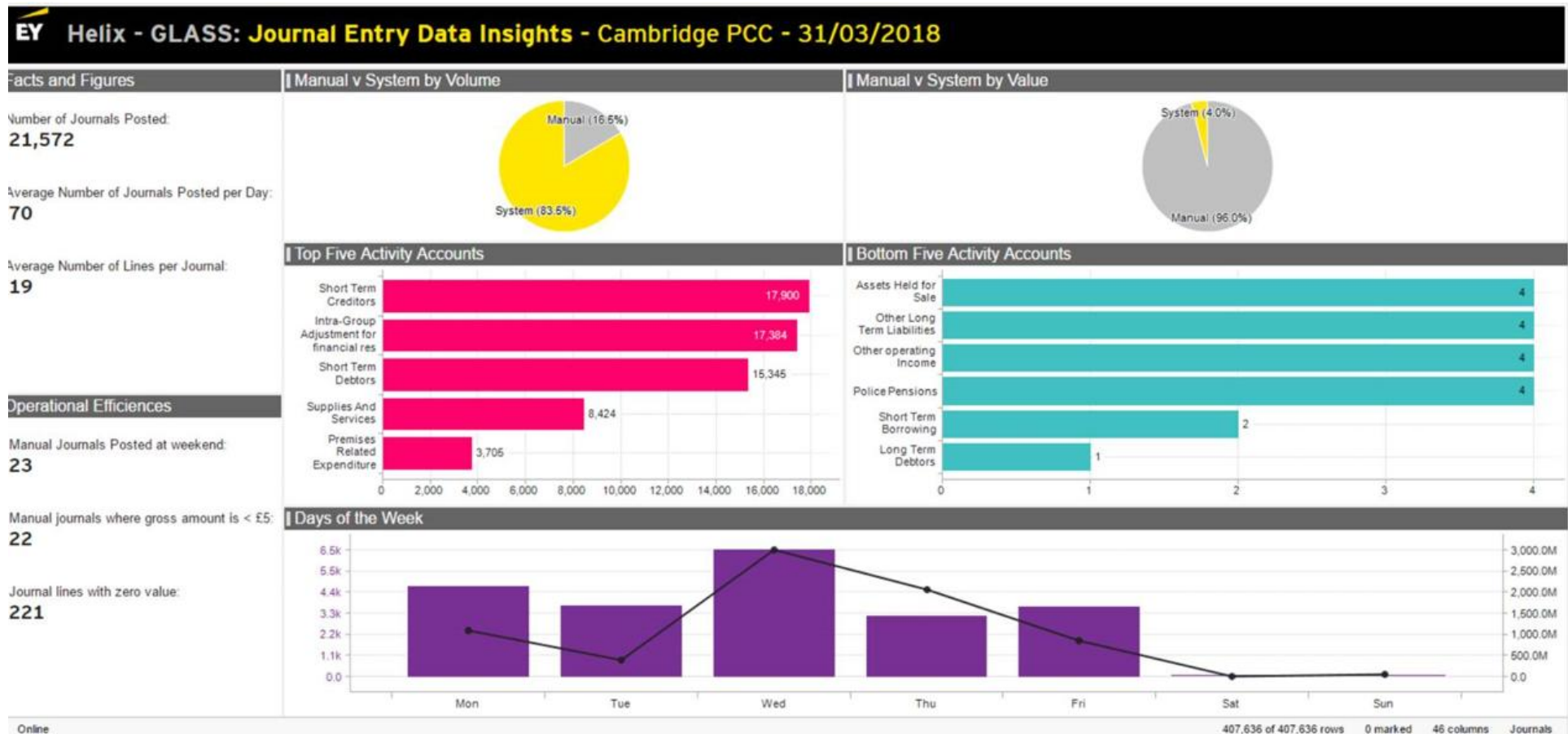


Data Analytics

Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2017/18. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.





Journal Entry Testing

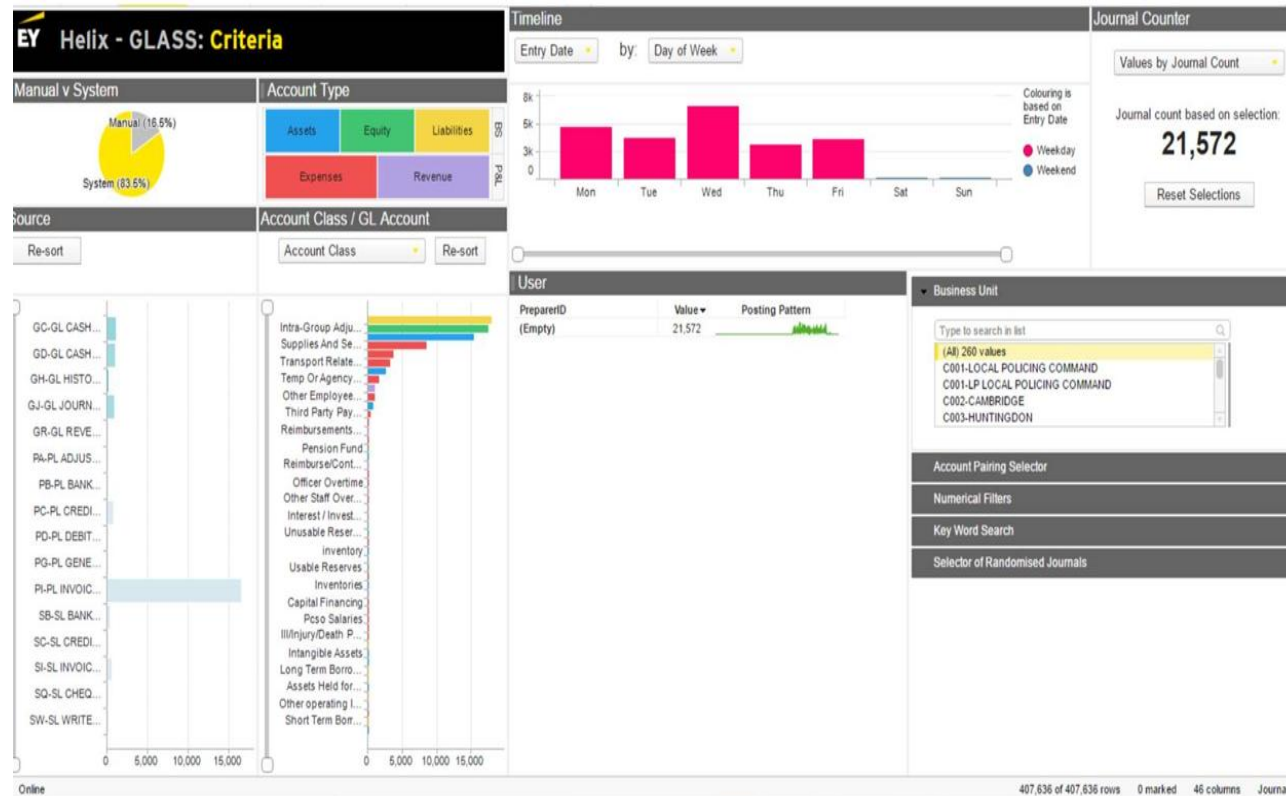
What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

Journal entry data criteria –31 March 2018

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.



What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.

A high-angle photograph of a large crowd of people holding black umbrellas. In the center of the crowd, one person holds a bright red umbrella, which stands out prominently against the sea of black. The umbrellas are arranged in a roughly circular pattern, creating a strong sense of unity and contrast.

10 Independence

Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 18 April 2018.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Joint Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Joint Audit Committee on 25 July 2018.

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 2017 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

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided and the related threats and safeguards are included in the table below.

Independence

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 2018.

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

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£	£	£	£
Total Audit Fee – PCC Code work	30,338	30,338	30,338	29,291
Total Audit Fee – CC Code work	15,000	15,000	15,000	15,000
Additional fee re ERP implementation*	n/a	n/a	n/a	19,000*
Total Audit Fee	45,338	45,338	45,338	64,338*

*We undertook additional audit work to support our 2016/17 opinion and value for money conclusion related to the ERP implementation in 2016/17. The proposed fee for Cambridgeshire which has been discussed and agreed with the CFO is £19,000. The final fee for 2016/17 is therefore yet to be determined. This fee is subject to approval by Public Sector Audit Appointments.






11

Appendices

Appendix A

Required communications with the PCC and CC

There are certain communications that we must provide to the PCC and CC. 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.	Audit planning report presented at the 18 April 2018 Joint Audit Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report presented at the 18 April 2018 Joint Audit Committee
Significant findings from the audit	<ul style="list-style-type: none"> • 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 presented at the 25 July 2018 Joint Audit Committee



Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • 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 	No conditions or events were identified, either individually or together to raise any doubt about the PCC/CC's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> • 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 presented at the 25 July 2018 Joint Audit Committee
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	
Fraud	<ul style="list-style-type: none"> • Enquiries of the PCC, CC and Joint 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: <ol style="list-style-type: none"> 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 Audit Committee responsibility. 	Audit Results Report presented at the 25 July 2018 Joint Audit Committee




Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the PCC's and CC's related parties including, when applicable:</p> <ul style="list-style-type: none"> • 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 	<p>Audit Results Report presented at the 25 July 2018 Joint Audit Committee</p>
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • 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 <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report presented at the 18 April 2018 Joint Audit Committee</p> <p>Audit Results Report presented at the 25 July 2018 Joint Audit Committee</p>
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. 	<p>We have received all requested confirmations.</p>
Consideration of laws and regulations	<ul style="list-style-type: none"> • 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 	<p>We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.</p>

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	  Audit Results Report presented at the 25 July 2018 Joint Audit Committee
Group Audits	<ul style="list-style-type: none"> An overview of the type of work to be performed on the financial information of the components An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	Audit planning report presented at the 18 April 2018 Joint Audit Committee Audit Results Report presented at the 25 July 2018 Joint Audit Committee
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit Results Report presented at the 25 July 2018 Joint Audit Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report presented at the 25 July 2018 Joint Audit Committee

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor’s report 	Audit Results Report presented at the 25 July 2018 Joint Audit Committee
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	<p>Audit planning report presented at the 18 April 2018 Joint Audit Committee</p> <p>Audit Results Report presented at the 25 July 2018 Joint Audit Committee</p>

Management representation letter

A representation letter in the following format is required for both the CC and the PCC

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young
400 Capability Green
Luton LU1 3LU

This letter of representations is provided in connection with your audit of the financial statements of the Chief Constable for Cambridgeshire Police ("the CC") for the year ended 31 March 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Chief Constable for Cambridgeshire Police as of 31 March 2018 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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

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

A. Financial Statements and Financial Records

We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

We acknowledge, as those charged with governance and members of management of the CC, our responsibility for the fair presentation of the financial statements. We believe the 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 CC in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. We have approved the financial statements.

The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

As those charged with governance and members of management of the CC, we believe that the 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 2017/18 that are free from material misstatement, whether due to fraud or error.

There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

Management representation letter

A representation letter in the following format is required for both the CC and the PCC

Management Rep Letter

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

We acknowledge that we are responsible to determine that the CC's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

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

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

We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the 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 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 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

We have provided you with:

Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

Additional information that you have requested from us for the purpose of the audit; and

Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

All material transactions have been recorded in the accounting records and are reflected in the financial statements.

We have made available to you all minutes of the meetings of the CC and committees, including the Joint Audit Committee, (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: 10th July 2018.

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

Appendix B

Management representation letter

A representation letter in the following format is required for both the CC and the PCC

Management Rep Letter

We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable. We have disclosed to you, and the CC has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

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

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

We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and confirm there are no guarantees that we have given to third parties.

E. Subsequent Events

There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.

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

G. Going Concern

We are not aware of any matters that are relevant to the CC's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

H. Reserves

We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

I. Contingent Liabilities

We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).

We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

Matters of routine, normal, recurring nature (e.g. examinations by bank and insurance examiners, examinations by taxing authorities) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in financial statements or as a basis for recording a loss contingency.

Appendix B

Management representation letter

A representation letter in the following format is required for both the CC and the PCC

Management Rep Letter

J. Use of the Work of a Specialist

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

K. Estimates (pensions)

We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate has been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

We confirm that the significant assumptions used in making the estimate of the pension liability appropriately reflects our intent and ability to carry out providing services on behalf of the entity.

We confirm that the disclosures made in financial statements with respect to the accounting estimate are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the CC financial statements due to subsequent events.

L. Retirement Benefits

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

Yours faithfully,

Chief Finance Officer

Chief Constable

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