

# Suffolk Police – Police and Crime Commissioner and Chief Constable

Audit results report for the year ended 31 March 2013

September 2013

Ernst & Young LLP





INVESTOR IN PEOPLE

Ernst & Young LLP  
400 Capability Green  
Luton  
Bedfordshire  
LU1 3LU  
Tel: +44 1582 - 643476  
Fax: +44 1582 - 843001  
ey.com/uk

**Private and confidential**

Tim Passmore  
Police and Crime Commissioner  
Office of the Suffolk Police and Crime Commissioner  
Martlesham Heath  
Ipswich  
Suffolk  
IP5 3QS

13 September 2013

Douglas Paxton  
Chief Constable for Suffolk Constabulary  
Police Headquarters  
Martlesham Heath  
Ipswich  
Suffolk  
IP5 3QS

Dear Tim and Douglas

**Audit results report**

We are pleased to attach our audit results report for the joint independent Audit Committee scheduled for 24 September 2013. This report summarises our preliminary audit conclusions in relation to the financial position for the Police and Crime Commissioner for Suffolk (PCC) and the Chief Constable (CC) for Suffolk Constabulary for 2012/13. We will issue our final conclusions on 30 September 2013.

The audit is designed to express an opinion on the 2012/13 financial statements for both the PCC and the CC, reach a conclusion on the PCC's and the CC's arrangements for securing economy, efficiency and effectiveness in the use of resources, and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the PCC's and the CC's accounting policies and judgements and material internal control findings.

This report is intended solely for the information and use of the Audit Committee and the PCC and the CC. It is not intended to be, and should not be, used by anyone other than these specified parties. A copy of this report will be sent to the Audit Commission in accordance with the requirements of its Standing Guidance.

We welcome the opportunity to discuss the contents of this report with you at the joint independent Audit Committee on 24 September 2013

Yours faithfully  
For and on behalf of Ernst & Young LLP

**Neil A Harris**  
**Audit Director**  
Ernst & Young LLP  
United Kingdom  
Enc

## Contents

<b>1. Overview of the financial statement audit.....</b>	<b>2</b>
<b>2. Scope update .....</b>	<b>5</b>
<b>3. Significant findings from the financial statement audit .....</b>	<b>6</b>
<b>4. Economy, efficiency and effectiveness.....</b>	<b>7</b>
<b>5. Control themes and observations .....</b>	<b>10</b>
<b>6. Status of our work.....</b>	<b>10</b>
<b>7. Fees update.....</b>	<b>12</b>
<b>8. Summary of audit differences .....</b>	<b>13</b>
<b>9. Independence confirmation: update .....</b>	<b>14</b>
<b>Appendix A Required communications with the PCC and CC.....</b>	<b>15</b>
<b>Appendix B PCC Letter of representation.....</b>	<b>17</b>
<b>Appendix C CC - Letter of representation.....</b>	<b>21</b>

In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Police and Crime Commissioner and the Chief Constable of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Police and Crime Commissioner and the Chief Constable of the audited bodies, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

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

# 1. Overview of the financial statement audit

Suffolk Police is responsible for preparing and publishing two Statements of Accounts, one for the Police and Crime Commissioner (PCC) and one for the Chief Constable (CC), with each set of statements accompanied by an Annual Governance Statement. In the Annual Governance Statement, the PCC and the CC report publicly on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The PCC and the CC are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

As auditors we are responsible for:

- ▶ forming an opinion on each set of financial statements, one for the PCC and one for the CC;
- ▶ forming a conclusion on the arrangements that both the PCC and the CC have in place to secure economy, efficiency and effectiveness in their use of resources; and
- ▶ undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

## Financial statements

Following the performance of the procedures outlined in our Audit Plan, we anticipate issuing an unqualified opinion on both the PCC's financial statements and those of the CC. Our main findings in relation to the areas of risk included in our joint Audit Plan for the PCC and the CC are set out below.

**Significant risk: Preparation of the financial statements for the PCC and for the CC, including group accounting**

### Audit findings and conclusion

- ▶ The statements, for the PCC and the CC, comply with the proper practices contained in the IFRS-based CIPFA Code of Practice.
- ▶ Assets, liabilities, income and expenditure are correctly recognised in the PCC's financial statements.

**Other financial statement risk: Risk of misstatement due to fraud and error**

### Other financial statement risk: Audit finding and conclusion

- ▶ We obtained reasonable assurance as to whether both sets of financial statements as a whole are free of material misstatements whether caused by error or fraud.
- ▶ We have completed testing as set out in our Audit Plan. We have no significant issues in respect of fraud or manipulation.
- ▶ Management has included a disclosure note to reflect a material prior period adjustment to re-classify short term investments to the value of £3 million as cash and cash equivalents to bring the disclosure in line with the accounting policy. Management identified the restatement in advance of the audit. This amendment does not impact on the financial position of the PCC.

## **Economy, efficiency and effectiveness**

Following the performance of the procedures outlined in our Audit Plan, we anticipate issuing an unqualified value for money conclusion for both the PCC and the CC.

Our main finding in relation to the significant and other risks included in our joint Audit Plan for the PCC and the CC are set out below.

### **Significant value for money risk: Effectiveness of the new governance arrangements for the PCC and the CC**

- ▶ The PCC's and the CC's governance arrangements are effective and comply with the requirements of the Home Office's Code of Financial Management.

### **Other value for money risk: Delivery of a sustainable medium term financial plan**

- ▶ The PCC and CC continue to face a significant challenge to bridge the present funding gap, should there be no increase in precept, of £11.3m million by 2017/18. As government intentions are unknown beyond 2014/15 the PCC and CC need to take long-term views in terms of precept and savings options to ensure saving plans are achievable.

### **Other value for money risk: Arrangements for securing economy, efficiency and effectiveness**

- ▶ The PCC and the CC have arrangements for challenging how they secure economy, efficiency and effectiveness. Suffolk's collaboration with the CC for Norfolk Constabulary is extensive and is contributing to the required savings, The CC monitors its costs against relevant information such as the HMIC VFM Profiles and permanent savings plans are in place over the short term to contribute to the funding gap.

### **Other value for money risk: Annual Governance Statement**

- ▶ Both the PCC's and CC's Annual Governance Statement comply with guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Statements accord with our knowledge of the PCC and CC.

### **Other value for money risk: Work of regulatory and other bodies**

- ▶ The HMIC reported on the CC's response to the funding challenge in July 2013. The report was complimentary noting how Suffolk had closed the funding gap of £17.3 million over the four years of the Government's comprehensive funding review to 2014/15. The report notes, however, that being a small force, there are fewer opportunities to find future economies of scale. The report also commends the CC for maintaining a focus on crime reduction and victim satisfaction during the period of the spending review. The report also praises Suffolk's collaborative processes with the CC for Norfolk Constabulary as exemplary.

## **Whole of Government accounts**

We have yet to complete the work required to issue our report to the National Audit Office on the accuracy of the consolidation pack for the Whole of Government Accounts. We will update the Committee verbally on any progress on this area between the date of issue of this report and the meeting on 24 September 2013.

## Control themes and observations

Our audit identified the following control issue.

Current year observations	Challenges for the coming year
<ul style="list-style-type: none"><li>▶ The PCC and CC did not advertise the audit in accordance the Accounts and Audit Regulations 2011. The Chief Executive has represented that the audit has not been invalidated as no local government elector's rights have been prejudiced by the irregularity. We have reviewed the Chief Executive's representation and have decided not to reissue a new notice of audit letter and not to set a fresh appointment date.</li><li>▶ We have requested a specific representation in our letter of representation to cover the period to 30 September 2013.</li></ul>	<ul style="list-style-type: none"><li>▶ For 2013/14, the PCC and CC need to establish procedures to ensure that the advertisement of the audit complies with the Accounts and Audit Regulations 2011.</li></ul>

## Summary of audit differences

Management prepared comprehensive financial statements for both the PCC and the CC. Whilst there were a few minor amendments from the audit, there were no uncorrected errors above our reporting threshold that we need to report to the PCC and CC as those charged with governance and the Audit Committee.

## 2. Scope update

Our 2012/13 audit work has been undertaken in accordance with the Joint Audit Plan for the PCC and the CC, presented to the Audit Committee on 25 March 2013, and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Our work comprises a number of elements. In our Audit Plan, we provided an overview of our audit scope and approach for the audit of the financial statements of the PCC and the CC, our conclusion on both the PCC and the CC's arrangements for securing economy, efficiency and effectiveness in its use of resources, and the work we are required to perform on the Whole of Government Accounts return.

We carried out our work in accordance with our Audit Plan.

### 3. Significant findings from the financial statement audit

In this section of our report we outline the main findings from our audit, including our conclusions on the areas of risk outlined in our Audit Plan.

#### Significant risk:

##### Preparation of the financial statements for the PCC and for the CC, including group accounting

The establishment of new organisations part way through the financial year presents a significant challenge for your finance officers in preparing two sets of financial statements for the PCC and the CC for the first time.

Officers will need to prepare these statements with limited professional guidance as the accounting treatment will depend on judgement based on local arrangements between the PCC and the CC.

Proper practices are required to produce accounts as if the PCC and the CC had been in existence throughout the financial year

We found that:

- ▶ The PCC's and CC's statements comply with the proper practices contained in the IFRS-based CIPFA Code of Practice on Local Group Accounting.
- ▶ Assets, liabilities, income and expenditure are correctly recognised in the PCC's financial statements.
- ▶ Merger accounting has been properly applied

#### Other financial statement risk 1

##### Risk of misstatement due to fraud and error

Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

The PCC and CC continues to face significant financial pressures due to reduced external funding. This adds further pressure on management to meet budget and savings targets. This presents a risk that the financial statements may be materially misstated.

We found that for both the PCC and CC:

- ▶ No significant fraud risks were identified during the planning stages.
- ▶ Management confirmed by letter that appropriate local controls are in place to prevent and detect fraud and error. We evaluated their response. There are no issues that we wish to report.
- ▶ Those charged with governance confirmed by letter the oversight given by them of management's processes over fraud. We evaluated their response. There are no issues that we wish to report.
- ▶ We focused our audit work on those areas of the financial statements subject to a higher degree of estimation and uncertainty. There are no issues that we wish to report.
- ▶ We have performing our mandatory procedures. There are no issues to report.
- ▶ We considered that the CC's progression with the National Fraud Initiative to be appropriate.

Management has included a disclosure note to reflect a material prior period adjustment to re-classify cash and cash equivalents to the value of £3 million as a short term investment. Management identified the restatement in advance of the audit. This amendment does not impact on the financial position of the PCC.

Management has further amended the financial statements for a few errors of misstatement and disclosure. Individually these errors are all below the tolerable error of £2.1 million. As the errors are not significant, we do not need to report these to you.

## 4. Economy, efficiency and effectiveness

The Code of Audit Practice 2010 sets out our responsibility to satisfy ourselves that the Suffolk PCC and CC have put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources. In examining the PCC’s and the CC’s corporate performance management and financial management arrangements we consider the following criteria and areas of focus specified by the Audit Commission:

- ▶ review of the Annual Governance Statements (AGS);
- ▶ review the results of the work of other relevant regulatory bodies or inspectorates, to consider whether there is any impact on my responsibilities; and
- ▶ if necessary, undertake risk-based work considering guidance from the Audit Commission, including transitional arrangements from the former police authority to two separate legal entities, the PCC and the CC and financial resilience in the face of Government spending cuts.

The table below presents the findings of our work in response to the risk areas or areas of focus in our Audit Plan.

Significant risks:	Impacts arrangements for securing:	Key findings:
<b>Effectiveness of the new governance arrangements for the PCC and the CC</b>		
<ul style="list-style-type: none"> <li>• The transition from police authorities to two separate legal entities, the PCC and the CC, required the timely establishment of effective governance arrangements.</li> <li>• Whilst they are separate bodies, their success is intertwined. To succeed the PCC and the CC must dovetail their governance arrangements and strategic and operational plans so that they can work seamlessly to deliver a challenging agenda.</li> </ul>	<p>Economy, efficiency and effectiveness</p> <p>Financial resilience</p>	<ul style="list-style-type: none"> <li>• The PCC’s and the CC’s governance arrangements are effective and comply with the requirements of the Home Office’s Code of Financial Management.</li> <li>• The new Joint Independent Audit Committee is developing well as Members gain confidence in providing challenge to management.</li> <li>• In line with good practice, the PCC is transparent and discloses, on the Suffolk PCC website, how the PCC is working with the CC and partners. The PCC meets the CC weekly and formally monitors both the operational and financial performance of the CC through the Accountability and Performance Panel.</li> <li>• The Police and Crime Panel is monitoring the PCC’s progress on the Police and Crime Plan.</li> <li>• The PCC had issued a decision notice in respect of the submission of the joint Stage Two transition plan with Norfolk PCC to the Home Office for evaluation. The PCC plans to transfer the Constabulary officers and staff to the CC, with decisions yet to be made as regards responsibilities for the assets and liabilities.</li> </ul>

Other risks/areas of focus:	Impacts arrangements for securing:	Key findings:
<b>Delivery of a medium term financial plan</b>		
<p>The significant financial management challenges for police over the coming years will be:</p> <ul style="list-style-type: none"> <li>managing the implications of the current economic climate;</li> <li>the significant reductions in the level of future central government funding; and</li> <li>the outcome of the Winsor pay reform review.</li> </ul> <p>To meet this significant challenge, forces must improve their efficiency and productivity, reduce their costs, and have sustainable financial plans to ensure they are financially resilient.</p>	<p>Financial resilience</p> <p><i>The PCC and the CC have proper arrangements in place for securing financial resilience.</i></p>	<ul style="list-style-type: none"> <li>The PCC and CC continue to face a significant challenge to bridge the present funding gap, should there be no increase in precept, of £11.3m million by 2017/18. As government intentions are unknown beyond 2014/15 the PCC and CC need to take long-term views in terms of precept and savings options to ensure saving plans are achievable.</li> <li>The CC has made good progress in achieving the planned savings of £17.3 million (14% of overall budget) over the four years of the Governments Comprehensive Spending Review. The HMIC July 2013 report on the CC's response to the funding challenge noted that the CC had achieved 73% (£12.6 million) by 31 March 2013 with plans developed to bridge the gap of £4.7 million, leaving no funding gap.</li> <li>The PCC and the CC have systems and processes in place to manage their financial risks and opportunities effectively and these have worked well to date. The HMIC report also notes that the CC made an early start in preparing for the spending cuts and it has a well developed change programme with strong governance and monitoring.</li> <li>The PCC's and the CC's Medium Term Plan anticipates a funding gap, should there be no increase in precept, of £11.3m million. The PCC and CC are planning to meet the funding gap through a mixture of the use of some reserves and savings plans. Savings plans beyond 2014/15 are still developing. Some are planned through collaboration initiatives with the CC for Norfolk. In addition, the CC has recently established a continuous improvement board to better respond to the challenge of transforming the way the constabulary operates. As government intentions are unknown beyond 2014/15 the PCC and CC need to take long-term views in terms of precept and savings options to ensure saving plans are achievable.</li> </ul>
<b>Arrangements for securing economy, efficiency and effectiveness</b>		
<p>The PCC and the CC are addressing the significant strategic, financial and operational challenges facing them both now and in the medium term. The two corporations face a huge challenge in meeting the expectations for a more visible and responsive policing service with reduced resources.</p>	<p>Economy, efficiency and effectiveness</p> <p><i>The PCC and the CC have proper arrangements for challenging how they secure economy, efficiency and effectiveness.</i></p>	<ul style="list-style-type: none"> <li>The PCC and the CC have arrangements for challenging how they secure economy, efficiency and effectiveness. Suffolk's collaboration with the CC for Norfolk Constabulary is extensive and is contributing to the required savings, The CC monitors its costs against relevant information such as the HMIC VFM Profiles and permanent savings plans are in place over the short term to contribute to the funding gap.</li> <li>The PCC and CC are working with partners to achieve the priorities set in the 2013 to 2017 Police and Crime Plan. The Police and Crime Plan sets out objectives for policing in Suffolk. The CC's April 2013 Strategic Performance sets out achievement against targets measured by the PCC in 2012/13. The CC continues to collaborate extensively and effectively with the CC for Norfolk to both deliver effective policing and achieve savings.</li> </ul>

**Annual Governance Statements**

VFM conclusion guidance focuses on review of the Annual Governance Statements (AGS)	<p>Financial resilience</p> <p>Economy, efficiency and effectiveness</p>	<ul style="list-style-type: none"> <li>▶ Both the PCC's and CC's Annual Governance Statement complies with guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Statements accord with our knowledge of the PCC and CC.</li> </ul>
---	--	---

**Work of regulatory and other bodies**

Audit Commission, H M Inspectorate of Constabulary (HMIC) and other regulatory bodies produce information which shows how well the PCC and CC are performing compared to other bodies.	<p>Financial resilience</p> <p>Economy, efficiency and effectiveness</p>	<ul style="list-style-type: none"> <li>▶ The HMIC reported on the CC's response to the funding challenge in July 2013. The report was complimentary noting how Suffolk had closed the funding gap of £17.3 million over the four years of the Government's comprehensive funding review to 2014/15.</li> <li>▶ The report notes, however, that being a small force, there are fewer opportunities to find future economies of scale. The report also commends the CC for maintaining a focus on crime reduction and victim satisfaction during the period of the spending review. The report also praises Suffolk's collaborative processes with the CC for Norfolk Constabulary as exemplary.</li> </ul>
--	--	---

**4.1 Challenges for the coming year**

We have identified two challenges for next year.

Current year observations	Challenges for the coming year
<ul style="list-style-type: none"> <li>▶ The PCC and CC continue to face a significant challenge to bridge the present funding gap, should there be no increase in precept, of £11.3m million by 2017/18.</li> <li>▶ The PCC has submitted the Stage Two transition plan to the Home Office for evaluation in September 2013. The PCC plans to transfer the Constabulary officers and staff to the CC, while maintaining responsibility for the assets and liabilities..</li> </ul>	<ul style="list-style-type: none"> <li>▶ As government intentions are unknown beyond 2014/15 the PCC and CC need to take long-term views in terms of precept and savings options to ensure saving plans are achievable.</li> <li>▶ The PCC and CC continue to work together to secure a successful transition.</li> </ul>

## 5. Control themes and observations

As part of our work, we obtained sufficient understanding of internal control to plan our audit and determine the nature, timing and extent of testing. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you any significant deficiencies.

We have only reported here one deficiency we identified during the audit that we concluded is significant.

### 5.1 Current year observations

Description	Impact
<ul style="list-style-type: none"> <li>▶ The PCC and CC did not advertise the audit in accordance with Regulation 10 of the Accounts and Audit Regulations 2011 as they did not allow fourteen days notice of the public's rights to inspect the accounts. The Chief Executive has represented that the audit as not been invalidated as no local government elector's rights have been prejudiced by the irregularity. We have reviewed the Chief Executive's representation and not being aware that any local government elector's rights have been prejudiced we have decided not to reissue a new notice of audit letter and not to set a fresh appointment date.</li> <li>▶ We have requested a specific representation in our letter of representation to cover the period to 30 September 2013.</li> </ul>	<ul style="list-style-type: none"> <li>▶ For 2013/14, the PCC and CC need to establish procedures to ensure that the advertisement of the audit complies with the Accounts and Audit Regulations 2011.</li> </ul>

### 5.2 Challenges for the coming year

In respect of internal control, we have no further issues to report.

## 6. Status of our work

### 6.1 Financial statement audit

Our audit work for our opinion on the PCC and the CC's financial statements is substantially complete. The following items were outstanding at the date of this report.

Item	Actions to resolve	Responsibility
Testing to complete includes: <ul style="list-style-type: none"> <li>• Explanatory Foreword</li> <li>• Collaboration</li> <li>• Police Pensions Fund</li> <li>• Private Finance initiative</li> <li>• Reserves</li> <li>• Whole of Government Accounts</li> </ul> We are also completing the review of the audit file.	EY to complete	EY
Letter of representation	To be tabled for the PCC and CC at the Audit Committee meeting of 24 September 2013.	PCC and Management. CC and Management
Annual accounts	<ul style="list-style-type: none"> <li>▶ Production of amended accounts and review of these</li> <li>▶ Approval of PCC and CC accounts at the Audit Committee meeting of 24 September 2013.</li> <li>▶ Accounts to be re-certified by PCC and CC Chief Finance Officers at the Audit Committee meeting of 24 September 2013.</li> </ul>	Management, Audit Committee and EY  PCC and Management.  CC and Management

On the basis of our work performed to date, we anticipate issuing an unqualified auditor's report on both the PCC and the CC's financial statements. However, until we have completed our outstanding procedures, it is possible that further matters requiring amendment may arise.

### 6.2 Economy, efficiency and effectiveness

Our work in respect of our conclusion on the PCC and CC arrangements for securing economy, efficiency and effectiveness in its use of resources is complete.

We expect to present unqualified value for money conclusions in regard to the PCC and CC arrangements to ensure economy, efficiency and effectiveness in its use of resources.

### 6.3 Objections

We have received no objections to the 2012/13 PCC and CC accounts from members of the public.

We are aware that the PCC and CC did not advertise the audit in accordance with Regulation 10 of the Accounts and Audit Regulations 2011 as they did not allow fourteen days notice of the public's rights to inspect the accounts. The Chief Executive has represented that the audit as not been invalidated as no local government elector's rights have been prejudiced by the irregularity. We have sought representations to this effect and upon final written receipt of these on 30 September 2013, we will issue our opinion and conclusion on the audit.

## 7. Fees update

A breakdown of our agreed fee is shown below.

	Proposed final fee 2012/13 £'000	Planned fee 2012/13 £'000	Scale fee 2012/13 £'000
<b>Total Audit Fee – PCC Code work</b>	<b>47</b>	47	47
<b>Total Audit Fee – CC Code work</b>	<b>20</b>	20	20
Non-audit work	0	0	-

Our actual fee is in line with the agreed fee. We will report any adjustments to the scale fee in 2012/13 Annual Audit Letter.

Fees for the auditor's consideration of correspondence from the public and formal objections are charged in addition to the scale fee. We have received no objections to the 2012/13 PCC and CC accounts from members of the public.

## 8. Summary of audit differences

In the normal course of any audit, we identify differences between amounts we believe should be recorded in the financial statements and amounts actually recorded. These differences are classified as either '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.

We are required to report all adjusted amounts, as a result of the audit, greater than £2.064 million. We also communicate any uncorrected errors greater than £138,000. Should any errors be identified from our remaining work, we will provide an update to the PCC and CC at the Joint Independent Audit Committee on 24 September 2013.

Management prepared comprehensive financial statements for both the PCC and the CC.

There is one matter to report. Management has included a disclosure note to reflect a material prior period adjustment to re-classify cash and cash equivalents to the value of £3 million as a short term investment. Management identified the restatement in advance of the audit. This amendment does not impact on the financial position of the PCC.

Whilst there were a few minor amendments following the audit, there were no uncorrected errors above our reporting threshold that we need to report to those charged with governance and the Joint Independent Audit Committee.

## **9. Independence confirmation: update**

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan discussed at the 3 April 2013 Audit Committee. We complied with the Ethical Standards for Auditors and the requirements of the Standing Guidance and 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 that should be reviewed by both you and us. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting with those charged with governance at the Joint Independent Audit Committee on 24 September 2013.

## Appendix A Required communications with the PCC and CC

We must provide certain communications to the Joint Independent Audit Committee. These are:

Required communication	Reference
<b>Terms of engagement</b>	The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies.
<b>Planning and audit approach</b> Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
<b>Significant findings from the audit</b>	Audit Results Report
<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters, if any, significant to the oversight of the financial reporting process</li> <li>▶ Findings and issues regarding the opening balance on initial audits</li> </ul>	
<b>Misstatements</b>	Audit Results Report
<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements relating to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected significant misstatements</li> </ul>	
<b>Fraud</b>	Audit Results Report
<ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Group</li> <li>▶ Any fraud we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	
<b>Related parties</b> Significant matters arising during the audit in connection with the Group's related parties including, when applicable:	Audit Results Report
<ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the Group</li> </ul>	
<b>External confirmations</b>	Not applicable
<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	

Required communication	Reference
<p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the 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 committee may be aware of</li> </ul>	<p>Audit Results Report</p>
<p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on Ernst &amp; Young's 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"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<p>Audit Plan and update in section 8 of this report</p>
<p><b>Going concern</b></p> <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"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	<p>Audit Results Report</p>
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	<p>Audit Results Report</p>
<p><b>Group audits</b></p> <ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ 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</li> <li>▶ 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</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ 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</li> </ul>	<p>Audit Plan and Audit Results Report</p>
<p><b>Opening Balances (initial audits only)</b></p> <ul style="list-style-type: none"> <li>▶ Findings and issues regarding the opening balance of initial audits</li> </ul>	<p>Audit Results Report</p>
<p><b>Fee reporting</b></p> <ul style="list-style-type: none"> <li>▶ Final, planned and scale fee broken down into the headings of Code audit work; certification of claims and returns; and any non-audit work (or a statement to confirm that no non-audit work has been undertaken for the Group).</li> </ul>	<p>Audit Plan and Audit Results Report</p>

## Appendix B PCC Letter of representation

[On the PCC for Suffolk Letterhead paper]

Date: 30 September 2013

To:

Neil A Harris  
Audit Director  
Ernst & Young LLP  
400 Capability Green  
Luton  
Bedfordshire  
LU1 3LU

Dear Neil

**The Police and Crime Commissioner for Suffolk  
Letter of Representation  
Audit of 2012/13 Financial Statements**

This representation letter is provided in connection with your audit of the consolidated and parent financial statements of the Police and Crime Commissioner for Suffolk (the Group and PCC) for the year ended 31 March 2013. 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 consolidated and parent financial statements give a true and fair view of the Group and PCC financial position of the Police and Crime Commissioner for Suffolk as of 31 March 2013 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent 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**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the PCC, the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.
2. We acknowledge, as members of management of the Group and PCC, our responsibility for the fair presentation of the financial statements. We believe the consolidated and PCC 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 Group and PCC in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and are free of material misstatements, including omissions. We have approved the consolidated and PCC financial statements
3. The significant accounting policies adopted in the preparation of the consolidated and PCC financial statements are appropriately described in the consolidated and PCC financial statements.
4. As members of management of the Group and PCC, we believe that the Group and the PCC 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 2012/13 that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

## **B. Fraud**

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the consolidated and PCC financial statements may be materially misstated as a result of fraud.
3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Group or PCC (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the consolidated or PCC financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the consolidated or PCC financial statements.

## **C. Compliance with Laws and Regulations**

1. We have disclosed to you all known actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing the consolidated and PCC financial statements.

#### **D. Information Provided and Completeness of Information and Transactions**

1. 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 as agreed in terms of the audit engagement.
  - 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.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and PCC financial statements.
3. We have made available to you all minutes of the meetings of the PCC/Chief Constable bi-lateral meetings and 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 5 September 2013.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the PCC'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 period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and PCC financial statements.
5. We have disclosed to you, and the group and PCC 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.

#### **E. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and PCC financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. There are no guarantees that we have given to third parties.
4. No claims in connection with litigation have been or are expected to be received. There are no contingent liabilities or contingent assets.

## **F. Subsequent Events**

1. Other than disclosed in the consolidated and PCC financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and PCC financial statements or notes thereto.

## **G. Accounting Estimates**

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
  - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
  - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
  - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
  - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

## **Specific Representation**

### **H. Rights of the Public to Inspect the Accounts**

1. We confirm that no member of the public has asked to exercise their public rights to inspect the 2012/13 consolidated and PCC financial statements of the Police and Crime Commissioner for Suffolk.

*Yours Sincerely,*

---

Chris Bland  
Chief Finance Officer

I confirm that this letter has been discussed and agreed at a meeting with of the Audit Committee, attended by the Police and Crime Commissioner for Suffolk on 24 September 2013

---

Tim Passmore  
The Police and Crime Commissioner for Suffolk

## Appendix C CC - Letter of representation

[On the Chief Constable for Suffolk Constabulary Letterhead paper]

Date: 30 September 2013

To:

Neil A Harris  
Audit Director  
Ernst & Young LLP  
400 Capability Green  
Luton  
Bedfordshire  
LU1 3LU

Dear Neil

**The Chief Constable for Suffolk Constabulary  
Letter of Representation  
Audit of 2012/13 Financial Statements**

This representation letter is provided in connection with your audit of the financial statements of the Office of the Chief Constable for Suffolk Constabulary (the Office) for the year ended 31 March 2013. 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 Office as of 31 March 2013 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent 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**

1. 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 (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.
2. We acknowledge 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 and of its expenditure and income of the Office in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. We believe that the Office 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 2012/13 that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

### **B. Fraud**

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. 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.
3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Office (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

### **C. Compliance with Laws and Regulations**

1. We have disclosed to you all known actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

### **D. Information Provided and Completeness of Information and Transactions**

1. 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 as agreed in terms of the audit engagement.

- 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.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
  3. We have made available to you all minutes of the meetings of the Office, including the PCC/Chief Constable bi-lateral meetings and 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 5 September 2013.
  4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Office'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 period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
  5. We have disclosed to you, and the Office 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.

#### **E. Liabilities and Contingencies**

1. 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.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. There are no guarantees that we have given to third parties.
4. No claims in connection with litigation have been or are expected to be received.

#### **F. Subsequent Events**

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

#### **G. Accounting Estimates**

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
  - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.

- The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

### **Specific Representation**

#### **F. Rights of the Public to Inspect the Accounts**

1. We confirm that no member of the public has asked to exercise their public rights to inspect the 2012/13 financial statements of the Chief Constable for Suffolk.

*Yours Sincerely,*

---

Phillip Clayton  
Chief Finance Officer

I confirm that this letter has been discussed and agreed at a meeting with of the Audit Committee, attended by the Chief Constable for Suffolk on 24 September 2013

---

Douglas Paxton  
Chief Constable for Suffolk Constabulary

Ernst & Young LLP

Assurance | Tax | Transaction | Advisory

[www.ey.com/uk](http://www.ey.com/uk)

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited

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

© Ernst & Young LLP 2013. Published in the UK.  
All rights reserved.