



Mark Hodgson (Associate Partner)  
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23<sup>rd</sup> July 2018

Dear Mark,

Thank you for meeting with us last **Tuesday, 17<sup>th</sup> July**, to discuss progress with the audit. However, over the last few days we have reflected on the meeting and we wish to register our extreme disappointment that the Audit Opinion will not be signed until after the 31<sup>st</sup> July 2018.

At the Norfolk Audit Committee last year on 5<sup>th</sup> September and Suffolk on the 22<sup>nd</sup> September 2017 your predecessor reassured members that Ernst and Young would be able to complete the audit in the reduced timescale.

On **Friday 20<sup>th</sup> July** we received an email from Chris Hewitt that included a document that attributes the delays between the EY team and that of the constabulary. We completely disagree with the majority of the contents of this document. Please see attached Appendix 1 that outlines the areas we contest.

In addition, Chris Hewitt also attached a document with the remaining work plan to complete the audit. This schedules the remainder of the audit beyond the statutory date for its conclusion and *“covers the plan to complete the remaining elements of the audit by Friday 10 August 2018 in preparation for Mark's review upon Mark's return from annual leave.”*

We find this unacceptable.

The 3 week plan from Chris Hewitt is set out on the following page (cut and paste from the spreadsheet Chris Hewitt sent to us). This includes many basic audit items (agreement of Financial Statements; Cash and Bank as two examples) as well as some significant items (e.g.PFI) that have not yet commenced / been completed. Of the 36 items listed in the three tables below, only 5 or 6 are mentioned on your document of delays. The rest are not the result of any audit delays.

**The PCCs for Norfolk and Suffolk and CCs of Norfolk Constabulary**  
**Week 23 July 2018**

<b>Key elements of work</b>
Payroll Control Account Reconciliation
Police Pension
Police Pension - Lump Sums
IAS 19 local Government Pensions
Income
Expenditure
External Funding Analysis
Journals
Agreement of Financial Statements
Audit Results Report

**The PCCs for Norfolk and Suffolk and CCs of Norfolk Constabulary**  
**Week 30 July 2018**

<b>Key elements of work</b>
Police Pension
PFI
Reserves
Exit Packages
Financial Instruments
Cash and Bank
Cash Flow
Collaboration
Fixed assets
Provisions
Reserves

**The PCCs for Norfolk and Suffolk and CCs of Norfolk Constabulary**  
**Week 6 August 2018**

<b>Key elements of work</b>
PFI
Payroll Control Account Reconciliation (if required)
Narrative Statement
Accounting Policies
Contracts
Remaining Grant Work
Interest Income
Interest Payable and Borrowing
All other minor disclosures not separately identified
Agreement of Financial Statements
Contingent Liabilities
Post Balance Sheet Events
Final Conclusion Steps
Whole of Government Accounts
Audit Results Report

We then received a letter from you on **Monday 23rd July** where you now say that your *“judgement is to postpone the completion of the external audit until August and September 2018.”* You then go on to say *“I would not deem it appropriate for the Joint Audit Committee to consider, nor the Police & Crime Commissioner and Chief Constable to approve, their respective financial statements at the Audit Committee on the 30 July.”* This is in contrast to the position we had agreed with you on Tuesday 17<sup>th</sup> July, where we had agreed for you to issue an Audit Results Report for the Audit Committees that outlined (a reduced number) of items still to be concluded, and for the PCC and CC to approve the accounts at the 30<sup>th</sup> July.

We are disappointed this view has subsequently changed.

Also in your letter dated **Monday 23<sup>rd</sup> July**, you have outlined two key issues that have led you to conclude to postpone the conclusion of the audit beyond the end of July:

1. *Property, Plant & Equipment Valuations - We have assessed the estimate of land and buildings provided by management's expert. Our initial work indicates the estimate is outside of our acceptable range. This has triggered the need for greater review, which will include understanding management's expert's estimation basis, challenge of the assumptions and consideration of other local factors. This may then lead to specific work procedures on a sample of assets to gain sufficient assurance for opinion purposes.*

Valuations were supplied by the constabularies team in **January**, and the EY expert, Gerald Eves, supplied their information for assessment of tolerance in **April**. We were only informed of an issue with tolerance last week, and we discussed the issue with you at the meeting on the **17<sup>th</sup> July**. We then issued EY with our technical response on **19<sup>th</sup> July**. Had the assessment of tolerance been undertaken at the point of receipt of the Gerald Eves information, this issue would have already been resolved.

2. *We have experienced delays in completing our audit work program to the envisaged timetable. An element of this is in relation to the Property, Plant & Equipment issue above. There have been some other delays in the provision of adequate supporting working papers or follow up to initial audit questions for other items of account within the financial statements. In addition, there have been delays within our own audit team – in terms of delivery to timetable and documenting our work to the required standards.*

We disagree with the view contained in this statement about the impact of the constabulary side, and have provided detailed responses to the issues within Chris Hewitt's document, and as previously stated these responses are attached to this letter (see Appendix 1).

Our view is that EY has completely under-resourced this audit, and we would like to raise the following resourcing points:

- The main audit was due to start on 4<sup>th</sup> June (leaving just under 2 months to complete the audit work)
- Chris Hewitt had several audits to manage and on average has only been on site 1 day a week
- An auditor was unavailable for the Norfolk and Suffolk audits from 4<sup>th</sup> June to 25<sup>th</sup> June as he was working on the Beds / Cambs / Herts audits
- The new audit lead only arrived on site 11<sup>th</sup> June
- In addition to this there was a change of audit lead between the interim audit and the main audit, and there does not appear to have been an adequate handover

It should also be noted that the audit team are not experienced auditors, and this has led to delays in resolving issues until Chris Hewitt was available.

In contrast, the constabulary team remains the same qualified, experienced and highly professional team that has had an excellent reputation with auditors and fellow professionals in the region for many years. The quality of working papers, for example, has always been reported as excellent.

There has also been a number of audit process and EY system issues that have generated significant delay:

- Income and Expenditure samples were not supplied until 10<sup>th</sup> July (over a month after the audit commenced)
- To this date it appears one of the auditors is not set up on the client portal (this is where we upload audit documents and working papers) and therefore everything has to go via the audit lead
- Documents that had previously been e-mailed to the previous audit lead, had to be re-uploaded to the portal as EY could not access them
- EY had not populated the portal with all the Suffolk requirements for the Client Assistance Schedule (CAS)
- The EY team regularly ask the constabulary team to guide them to the correct CAS request, as they do not appear to have an adequate understanding of what has been requested
- We have had to re-upload documents that EY could not open

As you stated at the meeting on Tuesday 17<sup>th</sup> July, the audit was scheduled late in the sequence of your audits, because we were seen as low risk (due to the quality of our team and their working papers). At the meeting you stated Norfolk and Suffolk were the only 2 out of 21 clients of yours that would not receive an opinion on time. We can only conclude that this scheduling, coupled with an inadequately resourced and inexperienced audit team has led to missing the statutory deadline, and we find this completely unacceptable.

Best regards,

**John Hummersone**  
**Chief Finance Officer**

**Chris Bland**  
**Chief Finance Officer**