

**Police and Crime
Commissioner for Suffolk /
Chief Constable of Suffolk
Constabulary
Audit Results Report**

Year ended 31 March 2021

16 November 2021



Police Crime Commissioner for Suffolk and the Chief Constable of Suffolk Constabulary
Martlesham Heath
Ipswich
Suffolk
IP5 3QS

16 November 2021

Dear Tim and Stephen

2020/21 Audit Results Report

We are pleased to attach our Audit Results Report, summarising the status of our audit for the forthcoming meeting of Joint Audit Committee.

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

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

We welcome the opportunity to discuss the contents of this report with you at the Joint Audit Committee meeting on the 26 November 2021.

Yours faithfully

Mark Hodgson

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

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" 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 Police and Crime Commissioner for Suffolk (PCC) and Chief Constable of Suffolk Constabulary (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 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 Joint Audit Committee and management of 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.

A background image showing a person's hands interacting with a tablet. The tablet screen is blurred, showing what appears to be a document with the number '25' on it. The overall scene is out of focus, creating a professional and modern feel.

01 Executive Summary

Executive Summary

Scope update

In our Provisional Audit Plan, dated 2 March 2021, 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, with the following exceptions:

Changes in materiality:

We updated our planning materiality assessment using the draft results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to:

- ▶ Group - £3.892 million (Provisional Audit Plan - £3.947 million);
- ▶ Chief Constable - £3.637 million (Provisional Audit Plan - £3.698 million); and
- ▶ Police and Crime Commissioner - £1.698 million (Provisional Audit Plan - £1.588 million).

This results in updated performance materiality at 75% of overall materiality, to:

- ▶ Group - £2.919 million (Provisional Audit Plan - £2.960 million);
- ▶ Chief Constable - £2.728 million (Provisional Audit Plan - £2.774 million); and
- ▶ Police and Crime Commissioner - £1.274 million (Provisional Audit Plan - £1.191 million).

We have updated our threshold for reporting misstatements, set at 5% of our overall Planning Materiality to:

- ▶ Group - £0.195 million (Provisional Audit Plan - £0.197 million);
- ▶ Chief Constable - £0.182 million (Provisional Audit Plan - £0.185 million); and
- ▶ Police and Crime Commissioner - £0.085 million (Provisional Audit Plan - £0.079 million).

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Amendment) Regulations 2021 No 263, have been published and came into force on 31 March 2021. This announced a change to publication date for final, approved financial statements from 31 July to 30 September 2021 for all relevant authorities.

Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the PCC/CC's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.



Executive Summary

Status of the audit

Our audit work in respect of the Suffolk PCC/CC's audit opinion is substantially complete.

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

- ▶ Property, Plant & Equipment - We are awaiting responses to one outstanding audit query in relation the floor area for one asset.
- ▶ IAS 19 Pension Liability in respect of the Local Government Pension Scheme.

Closing Procedures:

- ▶ Subsequent events review;
- ▶ Agreement of the final set of financial statements;
- ▶ Receipt of signed management representation letter; and
- ▶ Final Manager and Engagement Partner reviews.

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

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion, a current draft of which is included in Section 3.



Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

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

The specified reporting criteria are:

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

Status of the audit - Value for Money

In our Audit Plan Addendum dated 16 July 2021, we reported that we had completed our Value for Money (VFM) risk assessment and had not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness.

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

We plan to issue the VFM commentary by the end of December 2021 as part of issuing the Auditor's Annual Report. Our provisional wording for the VFM Commentary is included at Appendix E of this report.



Executive Summary

Audit differences

Uncorrected differences

At the date of issuing this report, there are no uncorrected audit differences identified as part of our audit at the date of this report.

Corrected differences

At the date of issuing this report, there are no corrected audit differences impacting the primary statements.

Disclosure Differences

During the audit we have identified a limited number of disclosure amendments in the draft financial statement, the most significant of which is in relation to the disclosure of seized fund monies within Note 18 - Cash and Cash Equivalents. The cash amount, totalling £2.437 million, is held on behalf of third parties arising from the CC's operational responsibilities and is correctly not included within the Balance Sheet. Given the significant of the seized monies, we consider that they should be disclosed for good governance and transparency purposes. We do not deem the other as so significant as to merit bringing to your attention. For further details see Section 4.

Until we have concluded on the outstanding work it is possible that further adjustments will also need to be reported. We will verbally update the Joint Audit Committee.



Executive Summary

Areas of audit focus

In our Provisional Audit Plan we identified a number of key areas of focus for our audit of the financial report of the PCC/CC. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Management Override: Misstatements due to fraud or error

- *We have completed our testing and have no matters to report.*

Management Override: Inappropriate capitalisation of revenue expenditure

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

Significant Risk: Valuation of the Police Pension Scheme liability

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

Inherent Risk: Valuation of Property, Plant and Equipment

- *At the date of issuing this report, our work in this area is still to be completed. We will update the Committee on our findings once the work on the remaining outstanding items is concluded. We have no matters to report to date.*

Inherent Risk: Valuation of the Local Government Pension Scheme liability

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

Inherent Risk: Private Finance Initiative (PFI)

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

Area of Focus: Going Concern - compliance with ISA570

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



Executive Summary

Other reporting issues

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

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the date of this report the NAO have not issued their guidance to auditors. However, as we do expect, based on prior year guidance that the PCC/CC would fall below the testing threshold set by the NAO for detailed procedures on the consolidation return (Threshold - £500 million). We do not expect therefore to have any issues to report.

Control observations

During the audit, we did not identify any significant deficiencies in internal control.

Independence

Please refer to Section 8 for our update on Independence.



02

Areas of Audit Focus



Significant risk

Misstatements due to fraud or error

What is the risk?

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

One area susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the PCC's capital programme. The specific procedures undertaken to address this are set out on the next page. This page details standard procedures we undertake to respond to the risk of fraud and error on every engagement.

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

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

- ▶ Identified fraud risks during the planning stages.
- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Documented our understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- ▶ Reviewed the accounting estimates for evidence of management bias.
- ▶ Evaluated the business rationale for significant unusual transactions

ISA 240 mandates we perform procedures on: accounting estimates, significant unusual transactions and journal entries to ensure they are appropriate and in line with expectations of the business.

What are our conclusions?

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

We have not identified any instances of inappropriate judgements being applied, or of any management bias in accounting estimates.

We have not identified any inappropriate journal entries or other adjustments to the financial statements.

Significant risk

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

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

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

This risk has been associated to the following testing areas:

- Balance Sheet - Property, Plant and Equipment - Additions (Group and PCC)
- Comprehensive Income and Expenditure Statement (Group and PCC)

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

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

- ▶ Sample tested additions to Property, Plant and Equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised;
- ▶ Used our data analytics tool to identify and test journal entries that move expenditure from revenue codes into capital codes; and
- ▶ Obtained an analysis of capital additions in the year, reconciled it to the Fixed Assets Register (FAR), and reviewed the descriptions to identify whether there are any potential items that could be revenue in nature.

What are our conclusions?

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

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

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

Areas of Audit Focus

Significant risk

Valuation of the Police Pension Scheme liability

What is the risk?

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

The Group and CC Pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the balance sheets of the PCC and CC. At 31 March 2020 this totalled £1,296.283 million.

Accounting for the scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Following a material amendment made in 2019/20 accounts as a result of the McCloud remedy consultation and a change of actuary from Hymans Robertson to Government Actuary's Department (GAD) in 2020/21, we have increased the level of risk from inherent to significant for this financial year.

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

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

- ▶ Considered the work performed by the new actuary (GAD), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Assessed the work of the actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the NAO for all Local Auditors, and considering any relevant reviews by the EY actuarial team;
- ▶ Reviewed and tested the accounting entries and disclosures made within the financial statements in relation to IAS19;
- ▶ Gained assurance over data that has been provided to the actuary; and
- ▶ Assessed management's arrangements to reconcile the active and pensioner membership numbers.

What are our conclusions?

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

We have reviewed the assessment of the actuary by PwC and EY Pensions and have undertaken the work required.

PwC review of IAS19 reporting raised an issue relating to CPI assumptions set by GAD that it was not based on market-observable data which is a requirement of IAS19. PwC stated that the resulting CPI assumption, which was 2.4% pa, was below the expected range by 0.1% pa at 31 March 2021.

We have therefore engaged our experts, EY Pension Advisory (EYPA), to review CPI assumptions used by GAD and to ascertain whether the issue would have a material difference on the pension liability. EYPA found that the CPI inflation assumption used by GAD was overly optimistic and that the methodology used to derive the assumption was not robust and was inconsistent with the accounting standards. Nevertheless, there was sufficient flexibility in other assumptions (mainly the discount rate) to offset this optimism and hence the figures for the plan's liabilities for the IAS19 disclosures for the scheme were acceptable relative to the prior year.

In light of the finding, we have included a recommendation to management in Section 07.

Areas of Audit Focus

Inherent risk

Valuation of Property, Plant and Equipment

What is the risk?

The fair value of Property, Plant and Equipment (PPE) represents significant balances in the Group accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

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

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

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

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

- Considered the work performed by the external valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuer in performing their valuation;
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewed assets not subject to valuation in 2020/21 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?

At the date of issuing this report, we are still concluding our work in this area, as we are waiting for a response to one outstanding audit query from the valuer.

We will provide an update to the Joint Audit Committee with our findings once the work is finalised.

However, we can report that:

- We did not identify any issues with the PCC/CC's valuer, their scoping of work, professional capabilities or results of their work.
- Our sample testing of key asset information used in the valuations did not identify any issues.
- Our testing of assets not subject to valuation in 2020/21 did not identify any material differences.
- Our testing confirmed that assets had been valued within the appropriate timeframe and those valued in the year had been performed correctly.
- No issues were identified with the useful economic lives of assets or the accounting entries disclosed in the financial statements and supporting notes.

Areas of Audit Focus

Inherent risk

Pension liability valuation for Local Government Pension Scheme (LGPS) - Inherent Risk

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the CC to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Suffolk County Council. The CC pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the balance sheets. At 31 March 2020 this totalled £45.7 million.

The information disclosed is based on the IAS 19 report issued to the CC by the actuary to the Suffolk Pension Fund. Accounting for these schemes 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 and what judgements did we focus on?

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

- ▶ Liaised with the auditors of Suffolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the PCC/CC;
- ▶ Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used, by relying on the work of PwC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and by considering any relevant reviews by the EY actuarial team; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the Group and CC's financial statements in relation to IAS19, considering Fund assets and the PCC/CC's liability.
- ▶ The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PwC as Consulting Actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an Auditor's estimate, in order to gain sufficient appropriate assurance.

What are our conclusions?

We have reviewed the assessment of the Pension Fund actuary by PwC and EY Pensions and have undertaken the work required without identifying any issues.

We have agreed the PCC/CC's IAS 19 disclosures to the actuaries' report to ensure these are fairly stated in the accounts.

We are yet to complete the audit procedures in relation to the auditor's point estimate for the Pension Liability (both PCC and CC). The impact of this additional procedure may impact on our timeline for issuing the audit opinion. We will provide the Joint Audit Committee with a verbal update on progress at the 26 November meeting.

Areas of Audit Focus

Inherent risk

Private Finance Initiative (PFI) - inherent risk

What is the risk?

The PCC and CC disclose one PFI contract within their financial statements for the use of six Police Investigation Centres shared with the Police and Crime Commissioner for Norfolk from 2011 until 2041. At 31 March 2020, the PCC for Suffolk's share of the PFI liability was £21.9 million.

The liability and payments for services are dependent upon assumptions within the accounting models underpinning the PFI scheme. As such Management is required to apply estimation techniques to support the disclosures within the financial statements.

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

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

- ▶ Agreed that no significant changes had been made to the PFI contracts or PFI models from prior year;
- ▶ Agreed the historic inputs in the accounting models had not changed from prior year; and
- ▶ Agreed the disclosures in financial statements are consistent with the accounting models.

What are our conclusions?

Our work concludes that the PFI scheme has been accounted for appropriately within the accounts.



Areas of Audit Focus

Going concern

Management have disclosed that the financial statements are prepared on a going concern basis. We have obtained and audited management's going concern assessment, and reviewed the Statement of Accounting Policies where the going concern disclosure is included in the accounts to provide the details of that assessment and management's conclusion. This has been informed by management's actual reserves position as at the 31 March 2021, and their forecast reserves position during the going concern period.

We focused on management's assessment of the going concern assumptions in preparing the PCC/CC's financial statements. We also reviewed management's cash flow forecasts to determine whether expected income appeared reasonable and whether it was sufficient to enable the PCC/CC continue its operations.

Our procedures around Going Concern included:

- Reviewing for any bias in the PCC/CC's Going Concern assessment, and whether it was consistent with the accounts.
- Reviewing the financial modelling and forecasts prepared by the PCC/CC.
- Considering key assumptions applied in the PCC/CC's forecasts, and whether these were reasonable and in line with our expectations.
- Ensuring that an appropriate Going Concern disclosure has been made within the financial statements.

We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as going concern. Management have used the basis of their assessment to produce the disclosures included within the draft financial statements.

We are satisfied that the revised disclosure note appropriately sets out the circumstances surrounding the financial implications prevalent at the Balance Sheet date.

Auditing accounting estimates

ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019. This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors.

The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty.

Our procedures around estimates included:

- Identifying key estimates within the financial statements and assessing the level of complexity, uncertainty and judgement of these estimates
- Obtaining and documenting our understanding of key aspects of estimation processes
- Documenting our understanding of the methods, models and assumptions used for significant estimates
- Where applicable, considering the use of internal specialists and engaging our own specialists where appropriate

We have not identified any issues in respect of estimates included within the financial statements, other than reported elsewhere in this report.



03 Audit Report

DRAFT



Audit Report

Draft audit report - Police and Crime Commissioner for Suffolk and Group

Our proposed opinion on the financial statements

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

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Suffolk for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- ▶ Police and Crime Commissioner for Suffolk and Group Movement in Reserves Statement;
- ▶ Police and Crime Commissioner for Suffolk and Group Comprehensive Income and Expenditure Statement;
- ▶ Police and Crime Commissioner for Suffolk and Group Balance Sheet;
- ▶ Police and Crime Commissioner for Suffolk and Group Cash Flow Statement;
- ▶ Police and Crime Commissioner for Suffolk and Group Expenditure and Funding Analysis and related notes 1 to 31; and
- ▶ Police Pension Fund Account Statements.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of the Police and Crime Commissioner for Suffolk and Group as at 31 March 2021 and of its expenditure and income for the year then ended; and
- ▶ have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the [Police and Crime Commissioner for Suffolk and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Audit Report - continued

Our proposed opinion on the financial statements

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the police and crime commissioner's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the police and crime commissioner's ability to continue as a going concern.

Other information

The other information comprises the information included in the 'Group and PCC Statement of Accounts for the year ended 31 March 2021', other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information contained within the 'Group and PCC Statement of Accounts for the year ended 31 March 2021'.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Audit Report - continued

Our proposed opinion on the financial statements

Responsibility of the Chief Finance Officer

As explained more fully in the 'Statement of Responsibilities for the Statement of Accounts' set out on page 1, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Police and Crime Commissioner's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Police and Crime Commissioner either intends to cease operations, or have no realistic alternative but to do so.

The Police and Crime Commissioner is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Audit Report - continued

Our proposed opinion on the financial statements

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

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

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

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

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

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

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

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

Audit Report - continued

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

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

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

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Police and Crime Commissioner's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our work on value for money arrangements.

Draft audit report - Chief Constable of Suffolk

Our proposed opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF SUFFOLK

Opinion

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

- ▶ Chief Constable of Suffolk Movement in Reserves Statement;
- ▶ Chief Constable of Suffolk Comprehensive Income and Expenditure Statement;
- ▶ Chief Constable of Suffolk Balance Sheet;
- ▶ Chief Constable of Suffolk Cash Flow Statement
- ▶ Chief Constable of Suffolk Expenditure and Funding Analysis and the related notes 1 to 17; and
- ▶ Chief Constable of Suffolk Police Pension Fund Accounting Statements.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of the Chief Constable of Suffolk as at 31 March 2021 and of its expenditure and income for the year then ended; and
- ▶ have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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 Suffolk 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

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Audit Report - continued

Our proposed opinion on the financial statements

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the chief constable's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the chief constable's ability to continue as a going concern.

Other information

The other information comprises the information included in the 'Statement of Accounts for the year ended 31 March 2021', other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information contained within the 'Statement of Accounts 31 for the year ended 31 March 2021'.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we report by exception

We report if:

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

We have nothing to report in these respects.

Audit Report - continued

Our proposed opinion on the financial statements

Responsibilities of the Chief Finance Officer

As explained more fully in the 'Statement of Responsibilities for the Statement of Accounts' set out on page 1, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Constable either intends to cease operations, or have no realistic alternative but to do so.

The Chief Constable is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Audit Report - continued

Our proposed opinion on the financial statements

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

- Local Government Act 1972,
- Local Government Act 2003,
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- The Accounts and Audit Regulations 2015,
- The Police Reform and Social Responsibility Act 2011,
- Anti-social behaviour, Police and Crime Act 2014,
- Police Pensions scheme regulations 1987,
- Police Pensions regulations 2006; and
- Police Pensions regulations 2015.

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

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

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

We assessed the susceptibility of the Chief Constable's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise.

Based on our risk assessment procedures, we identified, inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

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

Audit Report - continued

Our proposed opinion on the financial statements

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

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

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

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

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 Suffolk has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Chief Constable's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our work on value for money arrangements.



04 Audit Differences





Audit Differences

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

Summary of unadjusted differences

At the date of issuing this report, there are no unadjusted audit differences identified as part of our audit at the date of this report.

Summary of adjusted differences

Our audit identified has only identified a limited number of minor misstatements which our team have highlighted to management for amendment.

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

1. The PCC for Suffolk hold monies on behalf of third parties arising from its operational responsibilities and the total amount held at year-end was £2.437 million. The draft financial statements did not include a disclosure note in relation to the seized fund. We consider, given the significance of the amount and nature of the item, that the seized monies should be disclosed for good governance and transparency purpose. Management have agreed the inclusion of an appropriate disclosure within the revised financial statements in Note 18 - Cash and Cash Equivalents.



05 Value for Money



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

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

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

Risk assessment

We issued an Audit Plan Addendum dated 16 July 2021 which confirmed we had concluded our detailed VFM planning and risk assessment and that we had not identify any significant weaknesses in the PCC/CC's arrangements.

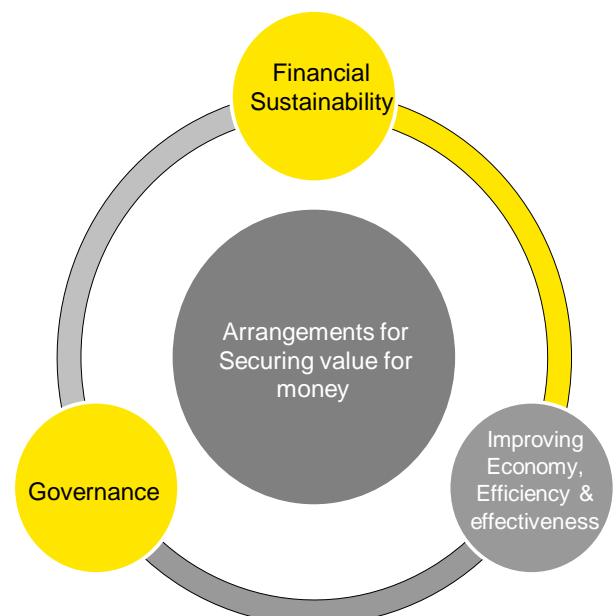
We have now revisited our procedures during the completion of our audit of the financial statements, and confirm that we have not identified any risks of significant weaknesses against the three reporting criteria we are required to consider under the NAO's 2020 Code.

Status of our VFM work

We have completed our planned VFM procedures and have no matters to report 'by exception' in our Auditor's Report (See Section 3).

We set out our provisional commentary on the PCC/CC's VFM arrangements in Appendix E to this report.

We will formally issue this commentary within our Auditor's Annual Report, which we plan to issue by the end of December 2021.





06 Other reporting issues



Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Narrative Report with the audited financial statements.

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

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.

We have reviewed the Annual Governance Statements and confirm they are consistent with other information from our audit of the financial statements.

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 not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the date of this report the NAO have not issued their guidance to auditors. However, based on prior year guidance the PCC/CC would fall below the testing threshold set by the NAO for detailed procedures on the consolidation return (Threshold - £500 million). We do not expect therefore to have any issues to report.



Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

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

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

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the PCC/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 reported in respect of going concern earlier in this report on page 18. We have no other matters to report.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of Suffolk Police (PCC & 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 Suffolk Police 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.

We considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.

We have identified scope for improvements in one area of accounts preparation:

Valuation of Police Pension Scheme liability

As outlined on page 14, while our pension work find that the CPI assumption may be acceptable due to sufficient flexibility in other assumptions, we did not find the methodology to be acceptable or consistent with the accounting standards, and therefore recommend that the assumptions and methodology to be monitored going forward to ensure they are reasonable and consistent with the accounting standard requirements.

Recommendation: Consider the processes currently used to support the valuation of Police Pension Scheme Liability, including a management review of the Actuary report to determine if the assumptions and estimates included with the actuary report are reasonable and consistent with the accounting standard requirements.



08 Independence



Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the PCC/CC, and its members and senior management and its affiliates, including all services provided by us and our network to the PCC/CC, its members and senior management and its 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 1st April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

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

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

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

[EY UK Transparency Report 2020 | EY UK](#)

Relationships, services and related threats and safeguards

Services provided by Ernst & Young			
	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£'s	£'s	£'s
Total Fee - Code work	35,984	35,984	35,984
Changes in work required to address professional and regulatory requirements and scope associated with risk (Note 1)	27,896	27,896	27,896
Revised Proposed Scale Fee	63,880	63,880	63,880
Additional work:			
2019/20 Additional Procedures required and as reported within the Annual Audit Letter (Note 2)			18,232
2020/21 Additional Procedures required in response to the additional risks identified in this Audit Plan in respect of:	Note 3		
• Valuation of Police Pension Scheme liability and the new NAO Code for VFM			
Total fees	TBC	34,293	82,112

All fees exclude VAT

Note 1 - For 2019/20 we have proposed an increase to the scale fee to reflect the increased level of audit work required which has been impacted by a range of factors, as detailed in our 2019/20 Audit Results Report. Our proposed increase has been discussed with management and is with PSAA for determination. For 2020/21 the scale fee has again been re-assessed to take into account the same recurring risk factors as in 2019/20 and is subject to approval by PSAA Ltd.

Note 2 - The 2019/20 Additional Procedures fee was reported in our Annual Audit Letter. The fee has been agreed with Management and is subject to formal approval by PSAA Ltd.

Note 3 - As set out in this report, we have had to perform additional audit procedures to respond to the financial reporting and associated audit risks pertaining to valuation of Police Pension Scheme liability and the new NAO Code for VFM. As we are concluding our work in relation to these areas, we cannot quantify the fee impact at this time. We will provide an update on the additional fee implications at the conclusion of the audit and report this within the Auditor's Annual Report.



08 Appendices





Appendix A

Required communications with the Joint Audit Committee

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

Required communications	 What is reported?	 Our Reporting to you
		 When and where
Terms of engagement	Confirmation by the those charged with governance of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Provisional Audit Plan - 2 March 2021 presented to the Joint Audit Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Provisional Audit Plan - 2 March 2021 presented to the 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 - 16 November 2021 - Joint Audit Committee 26 November 2021



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 related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	Audit Results Report - 16 November 2021 - Joint Audit Committee 26 November 2021	
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ 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 - 16 November 2021 - Joint Audit Committee 26 November 2021	
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. 	Audit Results Report - 16 November 2021 - Joint Audit Committee 26 November 2021	



Appendix A

Required communications	 What is reported?	 Our Reporting to you	
		 When and where	
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ 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 entity, any identified or suspected fraud involving: <ul 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 those charged with governance's responsibilities. 	Audit Results Report - 16 November 2021 - Joint Audit Committee 26 November 2021	
Related parties	<p>Significant matters arising during the audit in connection with the entity'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 entity 	Audit Results Report - 16 November 2021 - Joint Audit Committee 26 November 2021	
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>Provisional Audit Plan - 2 March 2021 presented to the Joint Audit Committee</p> <p>Audit Results Report - 16 November 2021 - Joint Audit Committee 26 November 2021</p>	

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	 When and where
	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	Audit Results Report - 16 November 2021 - Joint Audit Committee 26 November 2021
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. 	Audit Results Report - 16 November 2021 - Joint Audit Committee 26 November 2021
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 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 	Audit Results Report - 16 November 2021 - Joint Audit Committee 26 November 2021



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 - 16 November 2021 - Joint Audit Committee 26 November 2021	
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. 	Provisional Audit Plan - 2 March 2021 presented to the Joint Audit Committee Audit Results Report - 16 November 2021 - Joint Audit Committee 26 November 2021	
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 - 16 November 2021 - Joint Audit Committee 26 November 2021	
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 - 16 November 2021 - Joint Audit Committee 26 November 2021	
Auditors report	<ul style="list-style-type: none"> Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - 16 November 2021 - Joint Audit Committee 26 November 2021	

 Appendix B

Outstanding matters

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

Item	Actions to resolve	Responsibility
Property, Plant & Equipment	Receipt of responses to one outstanding audit query.	Management
IAS 19 - Pension Liability	Completion of point estimate consideration for both the Police & Crime Commissioner and Chief Constable's IAS 19 Liability	EY
Whole of government accounts procedures	NAO instructions to be received and reviewed	EY and management
Subsequent events procedures	Extension of some audit procedures like review of minutes and testing for unrecorded liabilities and provisions up to the date of our auditor's report	EY and management
Checks to the final amended set of accounts	EY to receive final set of accounts with all audit adjustments, and review it for consistency with our schedule of misstatements	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion. A draft of the current opinion (with outstanding areas highlighted) is included in Section 3.

Appendix C - Request for a Management Representation Letter

Request for a Management Representation Letter



Ernst & Young LLP
One Cambridge Business Park Fax: +44 1223 394400
Cambridge
CB4 0WZ
ey.com



Chris Bland
Chief Finance Officer
Office of the Police & Crime Commissioner for Suffolk.

16 November 2021

Ref:
Your ref:

Direct line: 01223 394547
Email: MHodgson@uk.ey.com

Kenneth Kilpatrick
Chief Finance Officer to the Chief Constable,
Suffolk Police Headquarters.

Dear Chris & Kenneth,

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

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

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

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

General statement

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

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

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



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

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

A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts & Audit Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. That you acknowledge as members of management of the PCC/CC, your responsibility for the fair presentation of the PCC/CC's financial statements. You believe the PCC/CC's financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the PCC/CC in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. You have approved the PCC/CC financial statements.
3. That the significant accounting policies adopted in the preparation of the Group/PCC and CC financial statements are appropriately described in the Group/PCC and CC financial statements.
4. As members of management of the PCC/CC, you believe that the PCC/CC has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. You have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

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

1. That you acknowledge that you are responsible to determine that PCC/CC's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. That you have disclosed to us the results of our assessment of the risk that the PCC/CC's financial statements may be materially misstated as a result of fraud.

Appendix C - Request for a Management Representation Letter

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4. You have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the PCC/CC (regardless of the source or form and including without limitation, any allegations by "whistleblowers") including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the PCC/CC's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the PCC/CC's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. You have provided us with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that we have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. That all material transactions have been recorded in the accounting records and are reflected in the PCC/CC's financial statements, including those related to the COVID-19 pandemic.
3. That you have made available to us all minutes of the meetings of the PCC/CC and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 26 November 2021.
4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of PCC/CC related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the PCC/CC's financial statements.
5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.

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6. That you have disclosed to us, and the PCC/CC has complied with, all aspects of contractual agreements that could have a material effect on the PCC/CC's financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. That from the date of your last management representation letter to us, through the date of this letter, you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

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

E. Subsequent Events

1. That other than the disclosure described in Note X (insert Note) to the PCC/CC's financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the respective PCC and CC and Group Statement of Accounts 2020/21.
2. You confirm that the content contained within the other information is consistent with the financial statements.

G. Accounting Estimates

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

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Appendix C - Request for a Management Representation Letter

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

H. Expenditure Funding Analysis

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

I. Going Concern

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

J. Ownership of Assets

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

K. Reserves

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



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L. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the valuation of PCC/CC's Property, Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included within the PCC/CC's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.
2. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
3. You confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
4. You confirm that the disclosures made in the PCC/CC's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on Property, Plant and Equipment valuations and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the PCC/CC's financial statements due to subsequent events, including due to the Covid-19 pandemic.
6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
7. You confirm that for assets carried at historic cost, that no impairment is required.

M. Retirement benefits

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the pension scheme liabilities are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.
2. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the PCC/CC's financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Appendix C - Request for a Management Representation Letter

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4. You confirm that the significant assumptions used in making the valuation of the pension scheme liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the PCC/CC's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the Pension Scheme Liability and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the PCC/CC's financial statements due to subsequent events, including due to the Covid-19 Pandemic.

N. Group audits

1. There are no significant restrictions on your ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst the PCC, subsidiary undertakings (Chief Constable) and associated undertakings.
3. You confirm that entities excluded from the Group financial statements are immaterial on a quantitative and qualitative basis.

P. Specific Representations

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

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

Yours sincerely

Mark Hodgson
Associate Partner
Ernst & Young LLP
United Kingdom

Appendix D

Implementation of IFRS 16 Leases

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

IFRS 16 does not come into effect for the PCC/CC until 1 April 2022. However, officers should be acting now to assess the PCC/CC's leasing positions and secure the required information to ensure the PCC/CC will be fully compliant with the 2022/23 Code. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures
Data collection	<p>Management should:</p> <ul style="list-style-type: none">▶ Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors.▶ Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases▶ Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.
Policy Choices	<p>The PCC/CC needs to agree on certain policy choices. In particular:</p> <ul style="list-style-type: none">▶ Whether to adopt a portfolio approach▶ What low value threshold to set and agree with auditors▶ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components▶ What is management's policy in relation to discount rates to be used?
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where the PCC/CC is lessee; and potentially for sub-leases, where the PCC/CC is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate to be applied to the lease.

Appendix E – Provisional VFM Commentary

Financial Sustainability

For 2020/21, the PCC/CC has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

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

The PCC/CC uses the Outcome Based Budgeting (OBB) approach which is a method to align budgets to demand, performance, outcomes and priorities, and it analyses the spending of the entire Force. This information is then lined up against priorities and demands of the Force Management Statement (FMS) and the PCC's Police and Crime Plan. Heads of Department present savings and investment proposals, and these are modelled against the impact on budgets and outcomes, which are reviewed by a Joint Chief Officer Panel against the OBB principles. The process concluded with agreement on Suffolk only budgets (including OPCCS budgets), the joint budgets with Norfolk Constabulary, costs and savings arising from the process to be included in the spending plan. The Change Programme, run by the Constabulary through collaboration with Norfolk Constabulary, is sustained over the medium-term to ensure that savings are achieved in a timely manner and that annual budgets are balanced. The annual budget proposals are made in the context of a rolling four-year strategic and financial planning cycle.

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

The PCC/CC has generally managed its demand led pressures within its budget year-on-year, and where appropriate has used Earmarked Reserves to meet additional demands and unbudgeted costs. The PCC/CC has a proven track record of delivering efficiency savings. The PCC approved the 2020/21 Revenue budget in February 2020, which included a planned use of reserves of £1.468 million and included a planned savings requirement of £1.282 million. The revenue outturn for the year was an underspend of £2.114 million as shown in the 'Revenue and Capital Outturn Report 2020/21', primarily due to an underspend in the Chief Constable operating spending as a result of lower than budgeted officer and staff costs and a corporate underspend as a result of the in-year savings exercises. The savings target of £1.282 million was also achieved as a result of the in-year decisions made.

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

The PCC has a Police and Crime Plan setting out the strategic objectives and priorities, providing strategic direction for policing and how it will deliver its statutory responsibilities. The impact of the annual budget and funding of future years are considered using the Outcome Based Budgeting (OBB) approach to align budget against the demands and priorities, ensuring that the medium term financial strategy is lined up with the Police and Crime Plan. The annual budget decision takes into consideration the anticipated funding from government and other sources, and balances the expenditure needs of the policing service against the level of local taxation raised through the council tax precept. This decision forms part of a strategy which recognises the changing demands on policing over the medium and long-term, which is set out within the Medium Term Financial Plan.

Appendix E - Provisional VFM Commentary (continued)

Financial Sustainability (continued)

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

The CIPFA Financial Management Code of Practice (FMCP) requires the PCC and CC to identify and agree a Medium Term Financial Plan (MTFP) which includes funding and spending plans for both revenue and capital, and that it should aligned with the Police and Crime Plan. The MTFP includes the Capital Programme, the Treasury Management Strategy and the Capital Strategy which is also supported by Estates Strategy, the ICT Strategy and the Transport Strategy. All of these strategies are underpinned by the 'Scheme of Governance and Consent' which includes the Financial Regulations and Contract Standing Orders.

Suffolk and Norfolk Constabularies have been collaborating for a decade and the 'Scheme of Governance and Consent' adopted in both forces are aligned, and in some instances identical where joint working arrangements are in place. The two forces have been running a change programme to deliver savings through collaboration, which involves a joint financial planning process between the two Constabularies. In addition, the Regional collaboration across Seven Forces also sees a consistent approach to Contract Standing Orders which apply to all procurements being carried out within the Seven Force arena.

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

The PCC approves the Constabulary's budget and Medium Term Financial Plan (MTFP) on an annual basis and hold the Chief Constable to account for the management and delivery of the budget, including through in-year financial performance monitoring, and the delivery of the overall strategy via the Accountability and Performance Panel (APP). The meeting is attended by the PCC, CC and members of the Chief Officer Team and Senior Staff as appropriate to the business. The PCC has oversight of the Constabulary's financial risks and delivery of the planned savings requirement. At each meeting an overview of performance against the Police and Crime Plan themes are provided, alongside the budget monitoring report where delivery against the budget would be considered and challenged as appropriate.

Appendix E – Provisional VFM Commentary (continued)

Governance

For 2020/21, the PCC/CC has had the arrangements we would expect to see to enable it to make informed decisions and properly manage its risks.

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

Each Operational Command team and Department maintains a risk register of all the identified risks to the achievement of the operational objectives. There is a joint risk management process for Suffolk and Norfolk Constabularies where risk is dealt with by mitigation and/or escalation to the appropriate level. The identified risks are regularly monitored through the governance arrangements to the Joint Organisational Board, Joint Chief Officer Team (JCOT), and, where appropriate, to the Offices of the respective Police and Crime Commissioners (OPCC).

Where the risks have an organisation wide impact or where they cannot satisfactorily be managed at Departmental level, they will become strategic risks which will be taken into the Strategic Risk Register which is owned by CC and PCC, with measures taken to manage them.

The risk assessed are wider than just financial but also includes operational and organisational risks. The Constabulary assesses risks on a matrix of likelihood and impact scoring by using a 'traffic light' system and defines tolerance level of risks for its activities.

The Strategic Risk Register is reviewed by the Joint Audit Committee on a quarterly basis, who challenge the risks included and gain assurance that the right risks and mitigations are included. It also reviews arrangements for assessment of fraud risks and monitors the effectiveness of the counter-fraud strategy and actions.

Additionally, the OPCC has its own Risk Management Strategy in place and produce their own Strategic Risk Register which is reviewed through the OPCC meeting structure, including Strategic Governance Board and Estates Governance Board.

The PCC/CC has an Internal Audit service, outsourced to a third party - TIAA, to help gain assurance over the effectiveness of internal controls and to provide assurance against other identified risk areas.

The Constabulary management is predominantly responsible for responding to the Internal Audit findings in a timely manner and with appropriate challenge from the Joint Audit Committee.

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

The PCC is required to set a balanced budget in line with statutory requirements. The PCC consults with the CC in planning the overall annual budget, taking into consideration the funding streams, the demands and pressures on the policing service and the priorities set out in the Police and Crime Plan, and will make a decision on the level of the proposed precept/council tax as part of the budget setting process.

The PCC also has a statutory duty to obtain the views of the local community, key stakeholders and public sector bodies on the proposed expenditure (including capital expenditure) in the financial year ahead of the financial year to which the proposed expenditure relates. The 2020/21 budget consultation took form of a public survey and in public engagement events, including informal drop-in sessions. All comments received from the consultation process were considered by the PCC to help inform the 2020/21 policing budget decisions. The 2020/21 budget proposals included net revenue budget of £133.116 million with an increase of 4.69% Council Tax increase, which was approved by the Police and Crime Panel on the 31 January 2020.

Governance (continued)

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

The PCC's Chief Finance Officer and the CC's Chief Finance Officer (CFO) oversees the adoption and implementation of the Financial Regulations including the regulations relating to budgetary control, financial management, treasury management and banking arrangements. Budget Managers are responsible for managing income and expenditure within their areas and for monitoring performance. Detailed budget monitoring is undertaken by the Budget Managers on a monthly basis and are reported to both the PCC CFO and CC CFO. This reporting includes details of budget variances and proposed necessary actions to avoid exceeding the budget allocation and alerts the CC CFO as appropriate. The Head of Finance also has monthly meeting with the respective CFOs to discuss the reports. The CC's CFO submits a budget monitoring report monthly to the PCC containing the most recently available financial information. The monitoring reports compare projected income and expenditure with the latest approved budget allocations to ensure sound financial management. The CC CFO also reports to the PCC in relation to the Capital Programme, providing details and projections of spending on individual capital projects and planned slippage between financial years. These budget monitoring reports are presented to the Accountability and Performance Panel on a bi-monthly basis.

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

The PCC/CC has a decision-making and accountability framework in place which is defined by the Police Reform and Social Responsibility Act 2011, to enable the PCC to make robust, well-informed and transparent decisions and hold the CC to account. The framework also includes arrangements for providing information to assist the Police and Crime Panel in its role to scrutinise the decisions and actions of the PCC.

The PCC is accountable to the public, via the Police and Crime Panel, for the management of the police fund. The Panel contains representatives of the County Council, City and District Councils and it holds the PCC to account by scrutinising their actions and decisions.

The primary oversight for decision making is the responsibility of the PCC via the Accountability and Performance Panel, with some delegated responsibilities to the Joint Audit Committee, as set out in the Scheme of Governance and Consent. The Accountability and Performance Panel meet six times a year with meeting held in public. Due to the disruption of Covid-19 pandemic, most meetings were held on-line in 2020/21.

The Joint Audit Committee meets quarterly, and is comprised of appropriately skilled and experienced members. It has clear terms of reference which emphasises the Committee's role in providing effective challenge and has an annual work plan to help ensure that it focuses on the relevant aspects of governance, internal control and financial reporting.

In addition, there are also regular briefings and discussions held between PCC and CC via Strategic Governance Board on a monthly basis to discuss any issues relating to strategic decisions, policy issues and medium / long-term planning. There is also a quarterly Estates Governance Board meeting where PCC and CC discuss the development of the Police Estate to be deliver future policing services across the County.

Appendix E – Provisional VFM Commentary (continued)

Governance (continued)

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

The PCC/CC has policies and procedures in place to ensure that staff operate in accordance with relevant legislative and regulatory requirements, including the acceptance of gifts and hospitality, business interests and additional occupations. The Joint Audit Committee is also responsible for reviewing the overarching corporate governance arrangements to ensure the effectiveness of the governance, risk management and control frameworks.

The PCC, CC and all members of the Joint Audit Committee have completed declarations for the 'Register of Interest', in line with the Code of Conduct and Business Interest Policy. The declarations can be found on the Constabulary's website.

The Constabulary also include review of the effectiveness and compliance with key corporate and HR policies in the Internal Audit programme on a rolling basis, which is due in 2021/22.

Appendix E – Provisional VFM Commentary (continued)

Improving economy, efficiency and effectiveness

For 2020/21, the PCC/CC has had the arrangements we would expect to enable it to use information about its costs and performance to improve the way it manages and delivers services.

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

At the Accountability and Performance Panel meetings, the PCC receives reports on performance in the key priorities as set out in the Police and Crime Plan. The reports outline the Constabulary's progress on the strategic objectives against planned targets and outcomes. The reports are reviewed and discussed at the meetings. Depending on the performance area, the PCC will have oversight of the actions being identified and taken to address areas for improvements. In addition, any emerging operational / organisational risks will also be flagged up in the meetings, including the regular updates on responses to the Covid-19 .

Internal Audit also provide operational recommendations and controls reviews. The outcome of these and any recommendations are tracked at Joint Audit Committee.

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

The CC has an array of performance metrics, including organisational goals for the next 12 month period, across all aspects of its operations against the seven key priorities that are set out in the Police and Crime Plan. Performance reports are provided to the PCC in the bi-monthly Accountability and Performance Panel (APP) meetings.

The Constabulary is also regularly inspected by the HMICFRS under the PEEL (police effectiveness, efficiency and legitimacy) programme which draws together evidence from its annual all-force inspections. HMICFRS also undertakes inspections of specific subjects or services, known as thematic inspections which complement and contribute to the PEEL annual assessment. The Constabulary publishes its annual PEEL report outlining its performance against a wide range of quality measures. The latest report published was 2018/19 in which the Constabulary received an excellent performance in keeping people safe and reducing crime.

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

Suffolk and Norfolk Constabularies have been collaborating since 2010. The collaboration work has delivered in a number of joint units and departments in areas, such as major investigations, protective services, custody, transport and IT. The PCC's and the CC's of both counties meet regularly through the attendance at the Collaboration Panel to consider issues of mutual interest and to monitor the collaborative work between the two forces and keeping the Suffolk and Norfolk collaboration arrangements under review.

Suffolk Constabulary also entered into a Seven Force strategic collaboration programme with their counterparts for the police areas of Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Kent and Norfolk. The programme was set up to establish areas for potential collaboration to help address the efficiency of service delivery and improving the effectiveness of delivery to the communities. The programme is governed by the Eastern Region Alliance Summit.

The programme also established a Seven Force Strategic Collaboration Oversight Group. The Oversight Group provides advice, support and oversight to the Senior Responsible Officer for the Programme and makes recommendations to the Eastern Region Summit.

Improving economy, efficiency and effectiveness (continued)

4. Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

The Seven Force Commercial Services Function has been created to support police procurement activity in all the seven police areas. All procurement contracts over £50,000 will be managed by the Seven Force Commercial Services Function through procedures covered by the Seven Force Commercial Services Contract Standing Orders.

A Seven Force Strategic Procurement Policy has also been published.

A governance body, the Seven Force Strategic Procurement Governance Board, has been put in place to ensure the function operates effectively. The Board is chaired by a nominated PCC lead, and as a body, is responsible for setting the strategic direction of the Seven Force Commercial Services Function on behalf of all PCC's and Chief Constables. Membership of this board consists of representation for PCC's and Chief Constables of each force and will ensure that focus of effort and priority of the Seven Force Commercial Services function is shared across all Seven Forces and is acting in the best interests of each force. The Governance board meets monthly, and will report into the Seven Force Alliance Summit which govern the Seven Force Strategic Collaboration programme.

Below the Seven Force Strategic Procurement Governance Board is the Seven Force Strategic Procurement Delivery Board, which oversees the delivery of the Seven Force Commercial Services function on behalf of the Strategic Procurement Board. Membership consists of a representative from each of the seven counties including PCCs and/or Force CFO's. This board also meets monthly.

A Senior Leadership Team meeting (Seven Force Commercial Services Function SLT meeting) is then also held monthly which is chaired by the Head of Strategic Procurement.

The governance arrangements are then adapted into the local working arrangements at Suffolk through the Suffolk Organisational Board updates provided through the Assistance Chief Officers (ACO) portfolio updates.

An Internal Audit of the Seven Force Commercial Services function was recently undertaken by RSM In December 2020, assessing the processes and controls within the services. While there were some weaknesses identified in the design and application controls in 4 areas (namely SLAs, sub under £50,000 procurement, competitive tender process and contract documentation), the Internal Audit opinion concluded the Forces and PCCs could take reasonable assurance that the controls upon which the organisations rely on to manage this area are suitably designed and consistently applied.

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