Suffolk Police and Crime Commissioner

*Making Suffolk a safer place to live, work, travel and invest*

| | |
|---|---|
| **ORIGINATOR: EY (EXTERNAL AUDITORS)** | **PAPER NO: AC22/04** |

**SUBMITTED TO: AUDIT COMMITTEE – 18 FEBRUARY 2022**

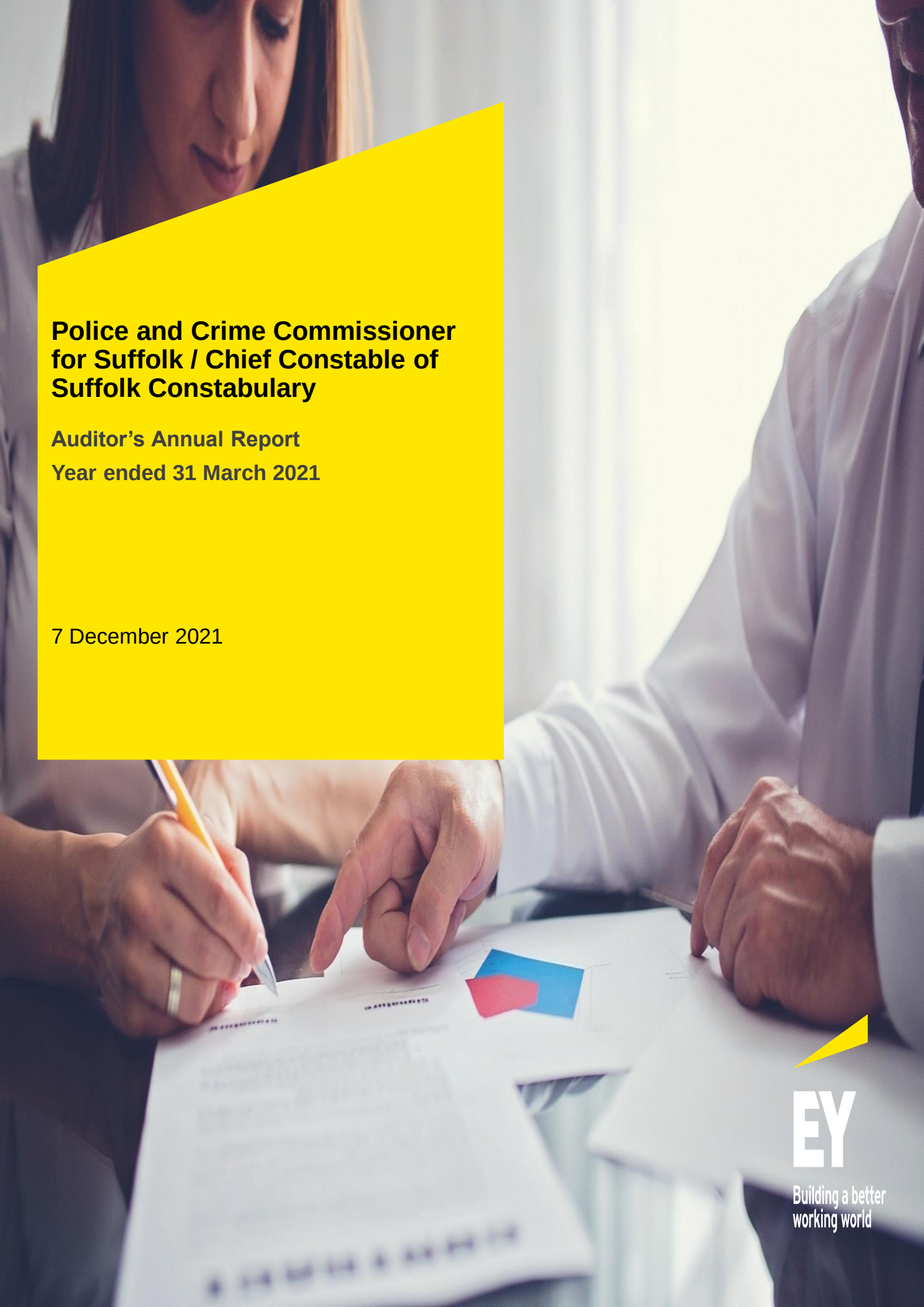
**SUBJECT: 2020/2021 AUDITOR'S ANNUAL REPORT**

**SUMMARY**

1. The report attached is the Auditor's Annual Report – Year ended 31 March 2021.

**RECOMMENDATION:**

1. The Audit Committee is requested to consider the attached report.



# Police and Crime Commissioner for Suffolk / Chief Constable of Suffolk Constabulary

## Auditor's Annual Report

## Year ended 31 March 2021

7 December 2021

Building a better working world

# Contents



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.

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

Section 1

# Executive Summary

# Executive Summary: Key conclusions from our 2020/21 audit

| Area of work | Conclusion |
|---|---|
| **Opinion on the PCC and CC:** | |
| Financial statements | **Unqualified** – the financial statements give a true and fair view of the financial position of the PCC/CC as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.<br>We issued our auditor's report on 29 November 2021. |
| Going concern | We have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. |
| Consistency of the other information published with the financial statements | Financial information in the other information and published with the financial statements was consistent with the audited accounts. |

| Area of work | Conclusion |
|---|---|
| **Reports by exception:** | |
| Value for money (VFM) | We had no matters to report by exception on the PCC/CC's VFM arrangements.<br>We have included our VFM commentary in Section 04. |
| Consistency of the annual governance statement | We were satisfied that the Annual Governance Statements were consistent with our understanding of the PCC/CC. |
| Public interest report and other auditor powers | We had no reason to use our auditor powers. |

# Executive Summary: Key conclusions from our 2020/21 audit

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

| Outcomes | Conclusion |
|---|---|
| Issued a report to those charged with governance of the PCC/CC communicating significant findings resulting from our audit. | We issued our Audit Results Report on the 16 November 2021. |
| Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice. | We have 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. We will complete this work in line with the instructions issued by the NAO when it is appropriate to do so.<br>We will issue our Audit Certificate on completion of this work. |

**Fees**

We carried out our audit of the PCC/CC's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA. As outlined in the Audit Results Report we were required to carry out additional audit procedures. As a result, we will agree an associated additional fee with the Chief Finance Officer. We include details of the final audit fees in Appendix 1.

We would like to take this opportunity to thank the PCC/CC staff for their assistance during the course of our work.

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

Section 2

# Purpose and responsibilities

# Purpose and responsibilities

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

**Purpose**

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

**Responsibilities of the appointed auditor**

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued on 2 March 2021 and the Audit Plan Addendum issued on the 16 July 2021. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

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

Reporting by exception:

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

**Responsibilities of the PCC/CC**

The PCC/CC is responsible for preparing and publishing its financial statements and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

# Financial Statement Audit

# Financial Statement Audit

We have issued an unqualified audit opinion on the PCC/CC's 2020/21 financial statements.

**Key issues**

The Statement of Accounts is an important tool for the PCC/CC to show how it has used public money and how it can demonstrate its financial management and financial health.

On 29 November 2021, we issued an unqualified opinion on the financial statements. We reported our detailed findings to Joint Audit Committee meeting on the the 26 November 2021. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

| Significant risk | Conclusion |
|---|---|
| **Misstatements due to fraud or error - management override of controls**<br><br>An ever present risk that management is in a unique position to commit fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. | We did not identify any:<br>• material weaknesses in controls or evidence of material management override;<br>• instances of inappropriate judgements being applied; or<br>• inappropriate journal entries or other adjustments to the financial statements. |
| **Inappropriate capitalisation of expenditure**<br><br>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund. | • Our sample testing of additions to the Property, Plant and Equipment found that they had been correctly classified as capital and included at the current value;<br>• Our sample testing did not identify any revenue items that were incorrectly classified; and<br>• Our data analytics procedures did not identify any journal entries that incorrect moved expenditure into capital codes. |

Continued over.

# Financial Statement Audit (continued)

| Significant Risk | Conclusion |
|---|---|
| **Valuation of the Police Pension Scheme Liability**<br><br>The Pension liability for Police Pension Scheme is a material balance in the Balance Sheet. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.<br><br>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. | • The PwC review of IAS19 reporting (sector wide) raised an issue relating to CPI assumptions set by GAD. They highlighted that the assumption 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.<br>• We 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.<br><br>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 addition to the significant risks above, we also concluded on the following areas of audit focus.

| Other area of audit focus | Conclusion |
|---|---|
| **Valuation of land and buildings**<br><br>Land and buildings is the most significant balance in the Group/PCC's balance sheet. The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements. | • We did not identify any issues with the PCC/CC's valuer, their scoping of work, professional capabilities or results of their work.<br>• Our sample testing of key asset information used in the valuations did not identify any issues.<br>• Our testing of assets not subject to valuation in 2020/21 did not identify any material differences.<br>• Our testing confirmed that assets had been valued within the appropriate timeframe and those valued in the year had been performed correctly.<br>• No issues were identified with the useful economic lives of assets or the accounting entries disclosed in the financial statements and supporting notes. |

Continued over.

# Financial Statement Audit (continued)

| Other area of audit focus | Conclusion |
|---|---|
| **Pension liability valuation for Local Government Pension Scheme (LGPS)**<br><br>The Pension liability for LGPS is a material estimated balance and the Code requires that this liability be disclosed on the balance sheets. The information disclosed is based on the IAS 19 report issued 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. | • We reviewed the assessment of the Pension Fund actuary by PwC and EY Pensions and have undertaken the work required without identifying any issues.<br>• We agreed the PCC/CC's IAS 19 disclosures to the actuaries' report to ensure these are fairly stated in the accounts. |
| **Private Finance Initiative (PFI)**<br><br>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.<br>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. | • Our work concluded that the PFI scheme had been accounted for appropriately within the accounts. |
| **Going concern disclosures**<br><br>The PCC/CC is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the PCC/CC's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period. | • We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as going concern.<br>• Management have used the basis of their assessment to produce the disclosure included within the draft financial statements.<br>• We were satisfied that the revised disclosure note appropriately sets out the circumstances surrounding the financial implications prevalent at the Balance Sheet date. |

Continued over.

# Financial Statement Audit (continued)

| Other area of audit focus | Conclusion |
|---|---|
| **Auditing Accounting Estimates**<br><br>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. | • We did not identify any issues in respect of estimates included within the financial statements, other than specifically highlighted in our Audit Results Report. |

# Financial Statement Audit (continued)

## Audit differences

There was no uncorrected misstatements identified as part of our audit that was greater than our reporting threshold.

We identified a limited number of Disclosure misstatements which Management corrected.

## Our application of materiality

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

| Materiality | Planning Materiality | Operating Expenditure or Assets | Reporting Threshold |
|---|---|---|---|
| **Group** | £3.892 million | £194.6 million (Operating Expenditure) | £0.195 million |
| **Chief Constable** | £3.637 million | £181.9 million (Operating Expenditure) | £0.182 million |
| **Police and Crime Commissioner** | £1.698 million | £84.9 million (Assets) | £0.085 million |

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

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

Section 4

# Value for Money

# Value for Money (VFM)

We did not identify any risks of significant weaknesses in the PCC/CC's VFM arrangements for 2020/21.

**Scope and risks**

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We issued our VFM risk assessment on the 16 July 2021, which was based on a combination of our cumulative audit knowledge and experience, our review of the PCC/CC and committee reports, meetings with the senior officers and evaluation of associated documentation through our regular engagement with management and the finance team. We reported that we had not identified any risks of significant weaknesses in the PCC/CC's VFM arrangements for 2020/21.

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

**Reporting**

We completed our planned VFM arrangements work in October and did not identify any significant weaknesses in the PCC/CC's VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our VFM commentary highlights relevant issues for the PCC/CC and the wider public.

**VFM Commentary**

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

- Financial sustainability
  How the 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.

**Introduction and context**

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

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

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

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

The 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.

**Financial sustainability**

***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.

**Financial sustainability (continued)**

***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 202021 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.

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.

***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.

***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 (MFTP) 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.

**Financial sustainability (continued)**

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/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.

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.

**Governance**

***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 PCC/CC has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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.

**Governance (continued)**

***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.

The PCC/CC has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

***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.

**Governance (continued)**

***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 PCC/CC has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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 deliver future policing services across the County.

**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 had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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.

**Improving economy, efficiency and effectiveness**

***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.

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

***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 and where performance is below planned, they are being followed up to seek the required improvements through agreed actions.

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.

**Improving economy, efficiency and effectiveness (continued)**

***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***

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

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

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.

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

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.

**Forward look**

***Looking forward to 2021/22 and beyond***

Although we did not identify any significant weaknesses in the PCC/CC's value for money arrangements there is one area in relation to financial sustainability that we wish to bring to your attention.

The PCC/CC faces further challenge and change beyond 2021 which will form part of our 2021/22 VFM arrangements work.

The 2021/22 Medium Term Financial Strategy identified a cumulative budget gap of £9.113 million up to 2024/25. The Chief Financial Officer has been open and transparent about the pressures faced by the PCC/CC and is working to reduce the forecast budget gaps through the identification of planned savings.

The PCC/CC has been prudent in their budget setting, especially in relation to future funding and taxation income. The PCC/CC has managed to deliver an underspend in their 2020/21 outturn and have prepared a balanced budget for 2021/22.

The PCC/CC is currently forecasting a revenue underspend of £0.579 million at the 31 March 2022 year end. The PCC/CC hold a significant level of unallocated reserves, £9.760 million as at 31 March 2021, which will assist in dealing with spending pressures over the short term but will not be sufficient to cover the identified budget gap if the planned savings are not identified and delivered.

We will continue to monitor this issue in future financial years.

Section 5

# Other Reporting Issues

# Other Reporting Issues

**Annual Governance Statement**

We are required to consider the completeness of disclosures in the PCC/CC's Annual Governance Statements, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

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

**Whole of Government Accounts**

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 20/21 is yet to be issued. We will liaise with the PCC/CC to complete this work as required.

**Report in the Public Interest**

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the PCC/CC or brought to the attention of the public.

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

**Other powers and duties**

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

**Control Themes and Observations**

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

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

Appendix A

# Audit Fees

# Audit Fees

Our fee for 2020/21 is in line with the audit fee agreed and reported in our Audit Results Report presented to the Joint Audit Committee on the 26 November 2021.

| Description | Planned Fee 2020/21 £'s | Scale Fee 2020/21 £'s | Final Fee 2019/20 £'s |
|---|---|---|---|
| Total Audit 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 |
| **Revised proposed scale fee** | **63,880** | **35,984** | **63,880** |
| **Additional work:** | | | |
| 2019/20 additional procedures requires 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 valuation of Police Pension Scheme liability, the new NAO Code for VFM and new requirements for Estimates under ISA540 | TBC (Note 3) | - | - |
| **Total Fees** | **TBC** | **35,984** | **82,112** |

**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** – For 2020/21, we have had to performed 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. The additional fee for 2020/21 is yet to be fully discussed with management and will then be subject to determination by PSAA Ltd.

We will report the respective final fees formally, once they have been determined by PSAA Ltd.

We confirm we have/have not undertaken any non-audit work.

**EY** | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP



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

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

ey.com