

The Police and Crime Commissioner for Suffolk and The Chief Constable of Suffolk Constabulary

Audit results report for the year ended 31 March 2015

September 2015

Ernst & Young LLP



EY

Building a better
working world

Deliberately left blank for printing purposes

Private and confidential

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

18 September 2015

Gareth Wilson
The Temporary Chief Constable of Suffolk Constabulary
Police Headquarters
Martlesham Heath
Ipswich
Suffolk
IP5 3QS

Dear Tim and Gareth,

Audit results report

We are pleased to attach our audit results report for the Audit Committee scheduled for 25 September 2015. This report summarises our audit conclusions to date in relation to the financial position for the Police and Crime Commissioner for Suffolk (PCC) and the Chief Constable of Suffolk Constabulary (CC) for 2014/15. We will issue our audit opinion and conclusion on Value for Money arrangements on or before 30 September 2015.

Our audit is designed to express an opinion on the 2014/15 financial statements for both the PCC and the CC, reach a conclusion on the PCC's and the CC's arrangements for securing economy, efficiency and effectiveness in the use of resources, and address current statutory and regulatory requirements. This report contains our findings on the areas of audit emphasis, our views on the PCC's and the CC's accounting policies and judgements and any significant deficiencies in internal control.

This report is intended solely for the information and use of the Audit Committee and the PCC and the CC. It is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee on 25 September 2015.

Yours sincerely



Neil A Harris
Audit Director
For and Behalf of Ernst & Young LLP
United Kingdom
Enc

Deliberately left blank for printing purposes

Contents

1. Executive Summary	2
2. Scope update	5
3. Significant findings from the financial statement audit	8
4. Economy, efficiency and effectiveness	11
5. Control themes and observations	15
6. Status of our work	16
7. Fees update	18
8. Summary of audit differences	20
9. Independence confirmation: update	22
Appendix A Required communications with the Audit Committee	23
Appendix B PCC – Letter of representation	23
Appendix C CC - Letter of representation	25

Relevant parts of the Audit Commission Act 1998 are transitionally saved by the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 for 2014/15 audits.

The Audit Commission's 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#). This document serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

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

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

1. Executive Summary

The Police and Crime Commissioner for Suffolk (the PCC) is responsible for preparing and publishing group financial statements. The Group comprises the accounts of both the single entity PCC and the single entity Chief Constable of Suffolk Constabulary (the CC). The Chief Constable is responsible for preparing publishing the CC single entity financial statements.

Both the PCC and the CC are responsible for preparing and publishing an Annual Governance Statement. In the Annual Governance Statement, the PCC and the CC report publicly on the extent to which they comply with their codes of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.

The PCC and the CC are also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

As auditors we are responsible for:

- ▶ Expressing an opinion on:
 - ▶ The 2014/15 financial statements, one for the PCC and one for the CC;
 - ▶ The consistency of other information published with the financial statements,
- ▶ Reporting by exception where the Annual Governance Statement (AGS) does not comply with relevant guidance;
- ▶ Reviewing and reporting on the PCC group's Whole of Government Accounts (WGA) return;
- ▶ Forming a conclusion on both the PCC's and the CC's arrangements to secure economy, efficiency and effectiveness in its use of resources; and,
- ▶ Discharging the powers and duties set out in the Audit Commission Act 1998 and the Code of Audit Practice.

This report also contains our findings on the areas of audit emphasis and any significant deficiencies in internal control or views on the PCC's and CC's accounting policies and judgements.

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

Financial statements

We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the financial statements of the PCC and those of the CC. Our main findings in relation to the areas of risk included in our joint Audit Plan for the PCC and the CC are set out below.

Our main audit findings are set out below.

Significant risks: Risk of Management Override:

Significant risk 1: Risk of Management Override: Audit findings and conclusions

- ▶ The PCC and CC continue to face significant financial pressures due to reduced external funding. Management faces pressures to meet budget and savings targets. This presents a risk that the financial statements may be materially misstated.
 - ▶ We have completed testing as set out in our Audit Plan. We did not identify any instances of management override.
-

Significant risks: Risk of Management Override:

Significant risk 2: Private Finance Initiative: Police Investigation Centres

- ▶ Our Audit Plan highlighted that we would review the assumptions within the PCC's Private Finance Initiatives for the Police Investigation Centres, shared with the Police and Crime Commissioner for Norfolk. The work was of a complex and technical nature involving an EY expert. Our initial review indicated the possibility of material misstatements in the accounting entries in the financial statements. We therefore re-designated the review of the Private Finance Initiative Schemes as a significant risk.
- ▶ We concluded that no material error existed in the accounting entries for Police Investigation Centres,

Other financial statement risks:

Other financial statement risks 1: Enterprise Resource Planning (ERP) implementation: Audit findings and conclusions

- ▶ Suffolk and Norfolk Constabularies implemented the Enterprise Resource Planning (ERP) system to support Human Resources, Duties, Finance, Procurement and Payroll from 1 April 2015. We considered that given the size of the project there were risks to the capacity of the finance team for the production of the 2014/15 financial statement and for the transfer of legacy data.
- ▶ Management took steps to mitigate the highlighted risks. The finance team provided a full set of financial statements, supported by full working papers, for the start of the audit in early August 2015 and still has access to historic legacy data.

Control themes and observations

Our audit identified the following control issues.

- | | |
|--|---|
| <ul style="list-style-type: none"> ▶ Previous audit reports have reported weaknesses within the register to support Property, Plant and Equipment. Management continue to provide reports to support disclosures to the financial statements. Management are seeking to address the issue through the the Enterprise Resource Planning System from 1 April 2015. ▶ However, this year, following audit, management has also amended the financial statements for material errors within Note 15 Property, Plant and Equipment. | <ul style="list-style-type: none"> ▶ 2015/16 is the first year that management will use the ERP system to compile the financial statements. ▶ Management has reported some problems following the implementation of the ERP system, principally in the difficulties in the coding of income and expenditure. Management is looking to resolve the remaining issues in time for the production of the 2015/16 financial statements. ▶ Given the errors found this year, we are likely to include Property, Plant and Equipment as a risk area for our 2015/16 Audit Plan. |
|--|---|

Scope update

- | | |
|--|--|
| <ul style="list-style-type: none"> ▶ Private Finance Initiative ▶ Since we issued our Audit Plan in March 2015, we have re-classified the review of the Private Finance Initiative Schemes as a significant risk. | <ul style="list-style-type: none"> ▶ We have undertaken extra audit work in assessing the PFI Scheme. ▶ As indicated in our March 2015 Audit Plan, the work is of a complex technical nature and we have involved an EY expert in the assessment. ▶ We concluded that no material error existed in the accounting entries for Police Investigation Centres and considered that a scale fee variation increase was not warranted. |
| <ul style="list-style-type: none"> ▶ Dual role of the PCC and CC Chief Finance Officer ▶ Since we issued our Audit Plan in March 2015, from 1 May 2015, the PCC's Chief Finance Officer is acting on a temporary basis until 31 March 2016 in a dual capacity covering both the PCC and the CC. | <ul style="list-style-type: none"> ▶ We have classified the dual role of the Chief Finance Officer as a non-significant value for money risk. ▶ Addressing the risk of the dual finance role across the PCC and CC has resulted in extra audit work. ▶ We are proposing to submit a scale fee variation increase of £432 (split £216 to the PCC and £216 to the CC) to the Public Sector Audit appointments Ltd, upon conclusion of the audit, once agreed by management. |

Scope update

-
- ▶ **Property, Plant and equipment**
 - ▶ Since we issued our Audit Plan in March 2015, we have undertaken more work than planned on the audit of Property, Plant and Equipment
 - ▶ Following audit, management has amended the financial statements for material errors within Note 15 Property, Plant and Equipment, particularly concerning the existence of assets that are fully depreciated.
 - ▶ We have undertaken extra work to identify the errors, extrapolate the impact, assess the relevant accounting entries, discuss with management and audit the responses received.
 - ▶ As a result, we are proposing to submit a scale fee variation increase of £1,074, chargeable to the PCC for Suffolk, to the Public Sector Audit Appointments Ltd, upon conclusion of the audit, once agreed by management.
-

Summary of audit differences

Our audit identified a number of misstatements in the accounts presented for audit, as summarised below.

-
- ▶ **Uncorrected misstatements:**
 - ▶ There are no uncorrected misstatements.
 - ▶ **Corrected misstatements**
 - ▶ Management has amended both the PCC Group and CC accounts for errors of disclosure. The adjustments made do not impact on the financial position of the PCC Group financial statements overall. The more significant items are set out in Section 3 of this report.
 - ▶ Management has amended the financial statements for the following material sums concerning Note 15, Property, Plant and Equipment within the PCC Group and Single Entity accounts:
 - Following audit, management has written out of Note 15 both assets and the accumulated depreciation to the value of £8.8 million for plant and equipment and £0.6 million for intangible assets. Management has also provided a disclosure note to explain the in-year movement. As the assets were in the PCC for Suffolk's group and single entity accounts at nil net book value, there is no impact on the Balance Sheet or the financial position of the authority.
 - In addition, Note 15 did not agree to the PCC Comprehensive Income and Expenditure Account (CIES) in respect of the £1.3 million deficit on the revaluation of assets. Management has amended the financial statements to show a £4.9 million charge to the CIES and the £1.3 million deficit recognised in the revaluation reserve. As a presentational amendment, there is no impact on the financial position of the financial statements of the PCC for Suffolk Group and Single Entity.
 - ▶ The PCC for Suffolk and the CC of Suffolk Constabulary have disclosed at Note 27 (PCC) and Note 8 (CC) a material non-adjusting event in the 2014-15 financial statements. The note includes an estimate of the likely level of additional payments based on the work of Kier Group PLC, management's pension provider experts.
-

Economy, efficiency and effectiveness

We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified for money conclusion.

We consider financial resilience to be a risk to the Value for Money Conclusion.

The January 2015 MTFP remains in place. Following a 1.97% increase in council tax in 2015/16 and assuming a council tax freeze thereafter, the January 2015 MTFP shows a total deficit position of £20.5 million by 2019/20 after the planned use of £1.3 million reserves by 2016/17.

Over the five years to 2020, the MTFP records savings to be achieved of £10 million. The total deficit of £20.5 less the £10 million savings leaves a budget gap of £10.5 million to bridge by 31 March 2020.

The PCC and CC are making good progress to bridge £5m of this through the Suffolk Local Policing Review with the aim of implementing plans and business cases from 1 April 2016.

To meet the £5.5 million of unidentified savings in 2018/19 and 2019/20 the PCC and CC are scoping plans for a transformational re-design of the delivery of public services across Suffolk.

To secure the ongoing sustainability of the PCC's and CC's financial position and the ability to maintain service levels in future years, the PCC and CC will need to:

- ▶ Develop robust plans quickly for the review of services across Suffolk;
- ▶ Drive through the required savings identified from Phase 2 of the Local Policing Plan;
- ▶ Consider carefully the impact of any decisions to freeze council tax; and
- ▶ Continue to review the levels of reserves to support the PCC's and CC's finances.

Whole of Government Accounts

We are completing the work required to issue our report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.

We anticipate that the PCC for Suffolk Group accounts will be below the threshold, which does not require the detailed audit of the consolidation pack. We will update the Audit Committee verbally on any progress on this area between the date of issue of this report and the meeting on 25 September 2015. At this stage, we have no issues to report to you.

Audit certificate

The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.

2. Scope update

Our 2014/15 audit work has been undertaken in accordance with the Audit Plan issued on 11 March 2015 to the 27 March 2015 Audit Committee, the Audit Commission’s Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the Audit Commission.

Our work comprises a number of elements. Our Audit Plan provided you with an overview of our audit scope and approach for:

- ▶ Expressing an opinion on:
 - ▶ The 2014/15 financial statements, one for the PCC and one for the CC;;
 - ▶ The consistency of other information published with the financial statements;
- ▶ Reporting by exception where the Annual Governance Statement (AGS) does not comply with relevant guidance;
- ▶ Reviewing and reporting on the PCC Group’s Whole of Government Accounts (WGA) return;
- ▶ Forming a conclusion on both the PCC’s and the CC’s arrangements to secure economy, efficiency and effectiveness in its use of resources; and,
- ▶ Discharging the powers and duties set out in the Audit Commission Act 1998 and the Code of Audit Practice.

We carried out our work in accordance with our Audit Plan. However, since we issued our Audit Plan in March 2015, we have:

- ▶ Re-classified the review of the Private Finance Initiative Scheme as a significant risk;
- ▶ Classified the dual role of the Chief Finance Officer covering both the PCC and the CC as non-significant value for money risk; and
- ▶ Undertaken more audit work than planned on Property, Plant and Equipment.
- ▶ The total proposed extra fees, pending consideration of work on the financial statements are £1,506, the split being £1,290 to the PCC and £216 to the CC.

Description	Detail of changes to our scope
<p>Since we issued our Audit Plan in March 2015, we have re-classified the review of the Private Finance Initiative Schemes as a significant risk.</p>	<p>We have undertaken extra audit work in assessing the PFI Schemes.</p> <p>As indicated in our March 2015 Audit Plan, we may need to raise a scale fee variation increase for this work. The work is of a complex technical nature and we have involved an EY expert in the assessment.</p> <p>We concluded that no material error existed in the accounting entries for Police Investigation Centres and considered that a scale fee variation increase was not warranted.</p>
<p>Since we issued our Audit Plan in March 2015, from 1 May 2015, the PCC’s Chief Finance Officer is acting on a temporary basis until 31 March 2016 in a dual capacity covering both the PCC and the CC.</p>	<p>We have classified the dual role of the Chief Finance Officer as a non-significant value for money risk.</p> <p>We have undertaken extra audit work to:</p> <ul style="list-style-type: none"> ▶ Review the evidence to support the arrangements made to address any conflicts of interest arising with regard to the CIPFA Statement on the Role of the Chief Finance Officer; and ▶ Document our audit work. <p>We are proposing to submit a scale fee variation increase of £432 (split £216 to the PCC and £216 to the CC) to the PSAA, upon conclusion of the audit, once agreed by management.</p>

Description	Detail of changes to our scope
Since we issued our Audit Plan in March 2015, we have undertaken more work than planned on the audit of Property, Plant and Equipment	<p>Previous audit reports have reported weaknesses within the register to support Property, Plant and Equipment.</p> <p>Management continue to respond to audit requests and provide reports to support disclosures to the financial statements. Management are seeking to address the issue through the Enterprise Resource Planning System from 1 April 2015.</p> <p>Following audit, management has amended the financial statements for material errors within Note 15 Property, Plant and Equipment, particularly concerning the existence of assets that are fully depreciated.</p> <p>We have undertaken extra work to identify the errors, extrapolate the impact, assess the relevant accounting entries, discuss with management and audit the responses received.</p> <p>As a result, we are proposing to submit a scale fee variation increase of £1,074, chargeable to the PCC for Suffolk, to the Public Sector Audit Appointments Ltd, upon conclusion of the audit, once agreed by management.</p>

3. Significant findings from the financial statement audit

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

Significant risk 1: Risk of management override of controls

Description and conclusion

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records 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. We:

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

We did not identify any instances of management override.

Significant risk 2: Private Finance Initiative: Operations and Communications Centre and Police Investigation Centres

Description and conclusion

Our Audit Plan highlighted that we would review the assumptions within the PCC's Private Finance Initiative for the Police Investigation Centres, shared with Norfolk Constabulary. The work was of a complex and technical nature involving an EY expert. Our initial review indicated the possibility of material misstatements in the accounting entries in the financial statements. We therefore re-designated the review of the Private Finance Initiative Schemes as a significant risk.

Our work consisted of:

- ▶ An initial check of the principles adopted in the PCC's Accounting Model to determine the extent to which the PCC applies appropriate accounting principles as expected;
- ▶ A check of internal consistency between key financial assumptions stated in the Operator Model and the Payment Mechanism; and
- ▶ A comparison of the Accounting Model's outcomes with our parallel model to determine the reasons for material differences between the Accounting Model and Parallel Model.

We concluded that no material error existed in the accounting entries for Police Investigation Centres.

Other financial statement risk 1: Enterprise Resource Planning (ERP) implementation: Audit findings and conclusions

Description and conclusion

In April, 2015, Norfolk and Suffolk Constabularies implemented the Enterprise Resource Planning (ERP) system to support Human Resources, Duties, Finance, Procurement and Payroll from 1 April 2015. The ERP will assist joint working and improve the efficiency of support departments to enable savings to be realised.

We considered that given the size of the project there were risks to the capacity of the finance team for the production of the financial statement and for the transfer of legacy data.

Our audit work focused on:

- ▶ Reviewing Internal Audit's work on ERP and assessing the PCC's and CC's response;
- ▶ Monitoring the impact on the project for the compilation of the financial statements; and
- ▶ Reviewing the PCC's and CC's plans for securing the safe transfer of legacy data.

We considered that management were addressing the main risks highlighted by Internal Audit's report by:

- ▶ acquiring extra resources to address data migration delays achieve the deadline; and
- ▶ The oversight of the Information and Communication Technology (ICT) Programme Board and the Joint Chief Officer Team to manage the risk to ICT staff in delivering the ERP project and the rest of the ICT Programme.

The finance team provided a full set of financial statements, supported by full working papers, by the time of our audit starting in early August 2015.

In line with plans, the Constabulary is holding information on the legacy systems to ensure no-loss of service. A management work-stream is in place and looking at how the legacy data is used and stored for 2015/16.

Our audit also identified a number of disclosure and consistency errors in the financial statements presented for audit. Management has adjusted the financial statements of the PCC and the CC for the following errors found.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £3.9 million, (PCC Group), (£3.6 million (CC single entity), £1.7 million (PCC single entity) and £0.6 million (Police Pension Fund). Where relevant these are detailed below along with amendments made to disclosure notes.

None of the errors identified had an impact on the financial position of the PCC and CC.

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to report on the following.

Policy/practice/finding	EY comments
Note 1: Accounting Policies (PCC and CC) Note 2: Accounting Standards That Have Been Issued But Not yet adopted (PCC and CC) Note 3: Critical Judgements in Applying Accounting Standards (PCC and CC) Note 4: Assumptions Made about the Future and Other major Sources of Estimation Uncertainty (PCC)	Management has updated these notes for minor disclosure amendments. In respect of accounting policies this is to reflect that Management depreciate some items of plant and equipment over 3 rather than four years.
Note 7: Amounts Reported for Resource Allocation Decisions Note 6: Amounts Reported for Resource Allocation Decisions	Following audit, management has reviewed the allocation of sums between the PCC and CC with changes to the CIES as a result. There has been no impact on the group financial position.
Note 11 Employee's Remuneration (PCC Accounts) Note 12 Employee's Remuneration (CC Accounts)	Management has updated the notes to correct for disclosure errors.
Note 11: Exit Packages (PCC Accounts) and Note 17 (Termination Benefits) (CC Accounts)	Management has updated the notes to highlight in line with the Code of Practice the amount charged to the Comprehensive Income and Expenditure Statement and that some staff recorded in the Note have been re-deployed.
Note 14: External Audit Fees (PCC and CC Accounts)	Management has amended audit costs to reflect audit fees payable in 2014/15 as per the Code of Practice.
Note 15: Non-Current Assets (PCC Accounts)	<p>Our initial planning for our audit of property, plant and equipment identified assets to the value of £1.6 million in plant & equipment and £0.1 million in intangibles million which the PCC for Suffolk had fully depreciated but had recorded in the financial statements as still in use.</p> <p>Our audit of these assets indicated that many no longer existed. The error on extrapolation amounted to £11 million of such assets. Management has undertaken an exercise to review all assets that are recorded as fully depreciated that are no longer in use. The value of such assets is £8.8 million for plant and equipment and £0.6 million for intangible assets.</p> <p>Management has amended Note 15 to write out both the asset and the accumulated depreciation. Management has also provided a disclosure note to explain the in-year movement.</p> <p>As the assets were in the PCC for Suffolk's group and single entity accounts at nil net book value, there is no impact on the Balance Sheet or the financial position.</p>

<p>Note 15: Non-Current Assets (PCC Accounts)</p>	<p>Note 15 within the draft financial statements did not agree to the PCC Comprehensive Income and Expenditure Account (CIES) in respect of the £1.3 million deficit on the revaluation of assets.</p> <p>This because management had netted off the accounting entries in Note 15 and presented the Note as if all entries had gone through the Revaluation Reserve.</p> <p>Management has now represented the financial statements to show the £4.9 million charge to the CIES and the £1.3 million deficit recognised in the revaluation reserve.</p> <p>There is no impact on the financial position of the financial statements of the PCC for Suffolk Group and Single Entity.</p>
<p>Note 37 Events After The Reporting Period (PCC Accounts)</p> <p>Note 8 Events After The Reporting Period (CC Accounts)</p>	<p>In May 2015, the Pensions Ombudsman (Ombudsman) published their Final Determination in the case of Milne v Government Actuaries Department (GAD). The case centred on whether GAD had a proactive or reactive duty to update commutation factors. It was alleged that there was a proactive duty that GAD had not met between 2001 and 2006 and that, as a result, Milne had been disadvantaged as the lump sum would have been larger had the factors been updated.</p> <p>Early considerations centred on whether police bodies should raise a provision under International Accounting Standard (IAS) 37 (Provisions, Contingent Liabilities and Contingent Assets) as the respective recognition criteria have been met. Following representations from police bodies and having liaised with the National Audit Office and other Firms, EY is of the view that IAS19 (Employee Benefits) is the appropriate accounting standard and accords with the <i>Code of Practice on Local Authority Accounting in the United Kingdom 2014/15</i> (Code).</p> <p>Therefore the PCC for Suffolk and the CC of Suffolk Constabulary will recognise the cost in the 2015-16 financial statements and has disclosed a material non-adjusting event after the Reporting Period in the 2014-15 financial statements. The note includes an estimate of the likely level of additional payments based on the work of Kier Group PLC, management's pension provider experts. The note also discloses that the sum is to be fully reimbursed by the Home Office. There is therefore no impact on the financial position of the PCC for Suffolk and CC of Suffolk Constabulary.</p>

Other matters

We have reviewed the Annual Governance Statements of the PCC for Suffolk and of the CC of Suffolk Constabulary to determine if:

- ▶ they comply with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2007 (updated as at December 2012); and
- ▶ they are consistent with other information that we are aware of from our audit of the financial statements

The Audit Committee considered the draft PCC and CC Annual Governance Statement in July 2015. Since the meeting, Management has made further amendments to the Statements for both the PCC and CC. The main amendments cover Section 6 as regards extra disclosures for significant governance issues arising by Internal Audit covering Records Management and Her Majesty's Inspectorate of Constabulary covering Crime Data Integrity and Police Integrity and Corruption:

4. Economy, efficiency and effectiveness

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

- ▶ Arrangements for securing financial resilience – whether the PCC for Suffolk and the CC of Suffolk Constabulary has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue operating for the foreseeable future; and
- ▶ Arrangements for securing economy, efficiency and effectiveness – whether the PCC for Suffolk and the CC of Suffolk Constabulary are prioritising their resources within tighter budgets, for example by achieving cost reductions or improving efficiency and productivity.

The table below presents our findings in response to the risk areas in our Audit Plan.

We have classified the dual role of the Chief Finance Officer covering both the PCC and the CC from 1 May 2015 on a temporary basis until 31 March 2016 as non-significant risk to the value for money conclusion. This follows our review of the guidance within the CIPFA Statement on the Role of the Chief Finance Officer.

Significant risks:	Impacts arrangements for securing:	Key findings:
Financial Resilience		
<p>The PCC and CC updated the Medium Term Financial Plan in January 2015 as part of the precept setting process for 2015/16.</p> <p>Dependent on whether a 2% Council Tax precept is levied or the Council Tax Freeze Grant is taken each year, a deficit before unidentified savings of between £7.4 million and £10.5 million is forecast by 31 March 2020.</p> <p>The deficit position itself is dependent upon the achievement of savings plans of £10.1 million during this period. If robust savings plans are not developed early in the process, there are increased and significant risks to the financial position and achievement of service delivery.</p>	<p>Economy, efficiency and effectiveness</p> <p>Financial resilience</p>	<p>We consider financial resilience to be a risk to the Value for Money Conclusion. To assess this risk we have reviewed:</p> <ul style="list-style-type: none"> ▶ the budget setting process; ▶ 2014/15 financial performance; and ▶ The resilience of the Medium Term Financial Plan (MTFP). <p>Budget setting process</p> <ul style="list-style-type: none"> ▶ The process for setting the PCC's and CC's budget is sound. ▶ The precept setting process details the assumptions used which management checks against known practice with other constabularies. ▶ Management use scenario planning effectively to provide guidance to the PCC in determining options for budget setting and the level of precept. Reporting covered the impact of decisions for freezing council tax, increasing council tax by nearly 2% with options for no increase or 2% increase thereafter. <p>Review of 2014/15 Financial Performance</p> <ul style="list-style-type: none"> ▶ The PCC and CC have underspent their revenue budgets for 2014/15 and capital spend is close to budget. ▶ The Accountability and Performance Panel monitors performance against budget every two months. The PCC and CC reported an £0.2 million underspend for 2014/15 on the final total revenue budget outturn. ▶ In line with the MTFP, PCC and CC earmarked reserves have fallen by £1.3 million to £11.2million with the General Fund balance held at £5 million. ▶ The PCC and CC underspent the capital budget at of £6.9 million by £1.8 million. Some of the underspend arises from slippage in national projects beyond the PCC's and CC's control. ▶ The PCC ensures that resources are prioritised through monitoring the delivery of the PCC's Police and Crime Plan. Of the 16 objectives set out in Plan, 2014/15 year-end performance was better than the baseline in eleven objectives.

Significant risks:	Impacts arrangements for securing:	Key findings:
		<p>Resilience of the Medium Term Financial Plan</p> <ul style="list-style-type: none"> ▶ The January 2015 MTFP remains in place. ▶ Following a 1.97% increase in council tax in 2015/16 and assuming a council tax freeze thereafter, the January 2015 MTFP shows a total deficit position of £20.5 million by 2019/20 after the planned use of £1.3 million reserves by 2016/17. ▶ Over the five years to 2020, the MTFP records savings to be achieved of £10 million, split between £5.4 million for 2015/16 and £4.6 million between 2016/17 and 2019/20. The five year £10 million savings comprise: <ul style="list-style-type: none"> ▶ £3.8 million savings from collaboration involving Justice Protective, and Business Support Services and major applications such as the new crime an intelligence system; ▶ £3 million from non-pay and corporate budgets as part of the targeted change options; and ▶ £3.2 million from the Phase One of the Suffolk Local Policing Review with £3.2 million delivered through approved business cases to reduce police officer posts through natural turnover by 31 March 2016. ▶ The total deficit of £20.5 less the £10 million savings leaves a budget gap of £10.5 million to bridge by 31 March 2020. ▶ The MTFP shows that the PCC and CC will set a balanced budget through use of reserves and savings for 2015/16. The £10.5 million budget gap is split as follows: <ul style="list-style-type: none"> ▶ £2.1 million for 2016/17; ▶ £2.9, million for 2017/18; and ▶ £5.5 million for 2018/19 and 2019/20 (split between £2.1 million for 2018/19 and £3.4 million for 2019/20). ▶ Both Her Majesty’s Inspectorate of Constabulary (HMIC) and Internal Audit have undertaken independent reviews of the CC’s arrangements to achieve the planned savings. ▶ The July 2014 HMIC report, Policing in Austerity, recognised that Suffolk Constabulary’s response to the financial challenge of the spending review to date has been good. However, HMIC judged that the CC required improvement as regards taking the necessary steps to ensure a secure financial position for the short and long term. ▶ In response the CC responded to the HMIC recommendations in September 2014 by setting out the wide range of proposals the CC had begun to take to address the funding gap. Subsequent reports show that the CC is making good progress against the plans being developed. A follow up report to the February 2015 Accountability and Performance Panel showed that progress was being made against all recommendations and the June 2015 update report to the same Panel the impact on police numbers. ▶ The February 2015 Internal Audit report found the governance arrangements in the Programme Management Office, which oversees the delivery of the savings plans, to be effective. Our work also found strong governance processes are in place to deliver the £5.4 million savings required for 2015/16. ▶ The Programme Management Office monitoring reports reflect the MTFP. The monitoring reports record the delivery of savings plans from collaboration with Norfolk Constabulary as well as through the change programme detailed within the MTFP. ▶ The PCC for and CC need to ensure that they continue to apply present governance procedures rigorously to enable the PCC and CC to achieve the remaining £4.6 million of the £10 million savings identified from 2016/17 to 2019/20. ▶ The £10.5 million budget gap comprises: <ul style="list-style-type: none"> ▶ Phase Two of the Suffolk Local Policing Review with £5 million (£2.1 million and £2.9 million) to be achieved by 31 March 2018. ▶ £5.5 million from as yet unidentified savings.

Significant risks:	Impacts arrangements for securing:	Key findings:
		<ul style="list-style-type: none"> ▶ The CC is making good progress with Phase 2 of the Suffolk Local Policing Review with plans nearing completion. This work is based on an analysis of demand, already in progress, across four areas covering community contact, neighbourhood teams, investigations and emergency response. ▶ The plan is to present the business cases for approval to the Suffolk Only Programme Board at its meeting on 29 September 2015 following which a formal decision will be made by the PCC around mid- October 2015, with planned implementation with effect from 1 April 2016. ▶ To meet the £5.5 million of unidentified savings in 2018/19 and 2019/20 the PCC and CC are scoping plans a transformational re-design of the delivery of public services across Suffolk. Other initiatives being reviewed are priority and outcome based budgeting and workforce skill mix. ▶ The PCC and CC still face a significant challenge in reducing the savings gap, particularly given the efficiencies already secured over the past five years ▶ Reserves which per the MTFP are scheduled to reduce from £16.2 million to £12.5 million by 31 March 2017 and remain at that level until 31 March 2020. If the £10.5 million as yet unidentified savings are not achieved, the PCC and CC would, on current projections, need to draw on the General Fund balance of £5 million by 2018/19 to achieve a balanced budget. All reserves would be exhausted by 2018/19 and this represents a risk to financial resilience. ▶ To secure the ongoing sustainability of the PCC's and CC's financial position and the ability to maintain service levels in future years, the PCC and CC will need to: <ul style="list-style-type: none"> ▶ Develop robust plans quickly for review of services across Suffolk; ▶ Drive through the required savings identified from Phase 2 of the Local Policing Plan; ▶ Consider carefully the impact of any decisions to freeze council tax; and ▶ Continue to review the levels of reserves to support the PCC's and CC's finances. ▶ We will monitor progress during 2015/16, through discussions with management for both the PCC and CC. We will also consider work of HMIC as part of a managed approach to audit and inspection, to minimise duplication of work.
Other risks:	Impacts arrangements for securing:	Key findings:
<p>PCC Commissioning</p> <p>In line with Section 143 (1) – (3) of the Anti - Social Behaviour, Crime and Policing Act 2014, a local policing body may provide for the provision of services that:</p> <ul style="list-style-type: none"> ▶ Will contribute to securing crime and disorder reduction in the body's area; ▶ Are intended to help victims or witnesses of offences or anti-social behaviour; and ▶ Are specified in an order made by the Secretary of State. 	<p>Economy, efficiency and effectiveness</p>	<ul style="list-style-type: none"> ▶ For 2015/16, the PCC's commissioning budget is £1.7 million. The budget covers the Crime and Disorder Reduction Fund and administration of the Ministry of Justice Victims' Services Grant Fund. ▶ The PCC for Suffolk has documented procedures specifying that organisations receiving grant funding will be subject to full scrutiny, including reviews of governance structure, financial sustainability and desired outcomes for those schemes in receipt of the monies. ▶ In September 2014, Internal Audit assessed the administration of Crime and Disorder Reduction Grants as effective. The report highlighted improvements to documentation for specifying the conditions of the award, which management has implemented. ▶ Our review noted good governance arrangements in place for the distribution of awards and also for monitoring of those awards.

Significant risks:	Impacts arrangements for securing:	Key findings:
<p>The local policing body may make grants in connection with the arrangements which may be subject to any conditions that the body thinks appropriate.</p> <p>The MTFP records a PCC commissioning budget of £1.6 million for 2014/15 covering crime and disorder reduction grants, the Safer Suffolk Fund and the Ministry of Justice Competed Fund. The PCC for Suffolk has set out conditions for the awards of grants to organisations.</p>		<ul style="list-style-type: none"> ▶ Management has different procedures based on the size of the grant and the PCC for Suffolk's decision notices on approved schemes specify the conditions for awarding grants. ▶ Procedures also specify varying degrees of monitoring dependent upon size of the grant. All conditions of award specify that the grant recipient may be required to attend the PCC's Accountability and Performance Panel. Attendance mandatory for the higher awards along with more frequent monitoring. ▶ Our review concludes that there is good scrutiny of the outcomes of the grants awarded as evident from the minutes of the PCC's Accountability and Performance Panel. ▶ In addition, management has adopted various methods to independently corroborate the outcomes from the awards of grants. Management are also seeking further ways to check the outcome from the user's perspective This is good practice and aids decision making as to whether and how future should be awarded.
<p>The provision of funding and its governance represent new areas of work for the Office of the PCC. The PCC needs to ensure that arrangements are in place to provide the appropriate scrutiny of funds dispensed to ensure expenditure achieves intended outcomes.</p>		
<p>Dual PCC and CC Role of the Chief Finance Officer</p>		
<p>Since we issued our Audit Plan in March 2015, from 1 May 2015, the PCC's Chief Finance Officer is acting on a temporary basis until 31 March 2016 in a dual capacity covering both the PCC and the CC.</p> <p>The dual role is explained in Section 4: the Governance Framework within both the PCC and CC Annual Governance Statement. The Statement notes the separate employment contracts in place for both roles and close working relationship with the CC's Assistant Chief Officer (Resources).</p>	<p>Economy, efficiency and effectiveness</p> <p>Financial resilience</p>	<ul style="list-style-type: none"> ▶ The accompanying letter to the CIPFA Statement on the Role of the Chief Finance Officer (CFO) strongly advocates that each CFO should form part of their respective leadership team. It goes on to say that those charged with governance should reassure themselves that any potential conflicts of interest could be appropriately handled. ▶ The March 2015 Audit Committee noted the proposal for the CFO function for PCC and Chief Constable to be carried out by same person on a temporary basis. ▶ Audit Committee members considered the paper prepared by the PCC Chief Executive. The paper noted the relevant guidance, advice taken by other Offices for the PCC and practice in the police sector, consideration of relevant ethical standards for CFOs and proposed working arrangements should a conflict occur. ▶ We undertook work to review the report to the Audit Committee, consider the legal advice sought and reviewed the two (employment) contracts in place for the two roles. ▶ We understand that the arrangement is temporary. We are satisfied to date that the arrangements are working in practice and as such we are not minded to challenge the proposal. ▶ We will continue to review the arrangement during our 2015-16 audit.

5. 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.

The matters reported below are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

5.1 Current year observations

Description	Impact
We have not identified any material weakness in the design or operation of an internal control that might result in a material error in your financial statements.	No action required.

5.2 Status of previous year's recommendations

Description	Impact
<p>Previous audit reports have reported weaknesses within the register to support Property, Plant and Equipment which have continued into 2014/15.</p> <p>Management continue to respond to audit requests and provide reports to support disclosures to the financial statements. Management are seeking to address the issue through the Enterprise Resource Planning System from 1 April 2015.</p> <p>However, this year, following audit, management has also amended the financial statements for material errors within Note 15 Property, Plant and Equipment.</p>	<p>The errors found this year indicates that management should continue to ensure that all assets that have been fully depreciated are still in possession of the PCC</p> <p>Given the errors found this year, we are likely to include Property, Plant and Equipment as a risk area for our 2015/16 Audit Plan.</p>

5.3 Challenges for the coming year

Description	Impact
Management has reported some problems following the implementation of the ERP system, principally in the difficulties in running reports and in the coding of income and expenditure. Management is looking to resolve the remaining in time for the production of the 2015-16 financial statements.	<p>2015/16 is the first year that management will use the ERP system to compile the financial statements.</p> <p>Management has reported some problems following the implementation of the ERP system, principally in the difficulties in running reports and in the coding of income and expenditure.</p> <p>We are aware that management are investigating the coding of 2015/16 income and expenditure to ensure its allocation to the correct cost centre</p> <p>Management is looking to resolve the remaining issues in time for the production of the 2015-16 financial statements.</p>

6. Status of our work

6.1 Financial statement audit

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

Item	Actions to resolve	Responsibility
Financial statements	<ul style="list-style-type: none"> ▶ Finalisation of queries and amendments for non-current assets ▶ Receipt of a revised Annual Government Statement for the CC ▶ Receipt of the letter from Kier Group PLC, representing the management experts in respect of pension providers ▶ Details of savings achieved for previous periods to complete the value for money conclusion ▶ Completion of the audit of: <ul style="list-style-type: none"> ▶ Reserves; and ▶ Related Parties ▶ Manager and Audit Director final review of audit work and financial statements for the PCC for Suffolk and the CC of Suffolk Constabulary 	Management and EY.
Production and approval of revised accounts	<ul style="list-style-type: none"> ▶ Production of amended accounts including audit adjustments and then review of these by EY ▶ Approval of accounts at Audit Committee by the PCC for Suffolk and the CC of Suffolk Constabulary ▶ Accounts re-certified by the PCC for Suffolk and the CC of Suffolk Constabulary and the responsible chief finance officers 	Management and the PCC for Suffolk, the CC of Suffolk Constabulary and EY.
Letter of representation	<ul style="list-style-type: none"> ▶ Signed copy to be provided at Audit Committee on 25 September 2015. 	Management and the PCC for Suffolk, the CC of Suffolk Constabulary and EY.
Production and approval of revised annual governance statement	<ul style="list-style-type: none"> ▶ Production of amended annual governance statement ▶ Approval of amended annual governance statement at Audit Committee by the PCC for Suffolk and the CC of Suffolk Constabulary ▶ Annual governance statement certified by the PCC for Suffolk and the CC of Suffolk Constabulary and the responsible officer 	Management and the PCC for Suffolk, the CC of Suffolk Constabulary and EY.
Whole of government accounts	<ul style="list-style-type: none"> ▶ Whole of Government Accounts review to be completed by audit team 	▶ Management and EY.

On the basis of our work performed to date, we will issue an unqualified auditor's report in respect of the PCC for Suffolk and the CC of Suffolk Constabulary's financial statements. However, until we have completed our outstanding procedures, it is possible that further matters requiring amendment may arise.

6.2 Economy, efficiency and effectiveness

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

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

6.3 Objections

We have received no objections to the 2014/15 financial statements for the PCC for Suffolk and the CC of Suffolk Constabulary from members of the public.

7. Fees update

A breakdown of our fee is shown below.

	Proposed final fee 2014/15 £'000	Planned fee 2014/15 £'000	Scale fee 2014/15 £'000	Explanation of variance
Total Audit Fee – PCC Code work	42	42	42	We are proposing to submit a scale fee variation increase of £1,074, chargeable to the PCC for Suffolk, for extra work in relation the audit of Property, Plant and Equipment. We are proposing a scale variation increase of £216 for work on the dual role of the PCC and CC Chief Finance Officer.
Total Audit Fee – CC Code work	20	20	20	We are proposing a scale variation increase of £216 for work on the dual role of the PCC and CC Chief Finance Officer
Non-audit work	0	0	0	

During 2014/15 audit, we have undertaken more work in reviewing the Private Finance Initiative covering both the Police Investigation Centres, shared with the Police and Crime Commissioner for Norfolk.

The total proposed extra fees chargeable to the PCC for Suffolk and the CC of Suffolk Constabulary are £1,506, the split being £1,290 to the PCC and £216 to the CC. Variations to scale fees are subject to agreement by the Chief Finance Officer of the PCC and the CC and approval from the Public Sector Appointments Ltd.

Property, Plant and Equipment

Previous audit reports have reported weaknesses within the register to support Property, Plant and Equipment.

Management continue to respond to audit requests and provide reports to support disclosures to the financial statements. Management are seeking to address the issue through the Enterprise Resource Planning System from 1 April 2015.

However, this year, following audit, management has also amended the financial statements for material errors within Note 15 Property, Plant and Equipment, particularly concerning the existence of assets that are fully depreciated.

We have undertaken extra work to identify the errors, extrapolate the impact, assess the relevant accounting entries, discuss with management and audit the responses received.

We are proposing to submit a scale fee variation increase of £1,074, chargeable to the PCC for Suffolk, to the Public Sector Audit Appointments Ltd, upon conclusion of the audit, once agreed by management.

Dual PCC and CC Role of the Chief Finance Officer

Since we issued our Audit Plan in March 2015, from 1 May 2015, the PCC's Chief Finance Officer is acting on a temporary basis until 31 March 2016 in a dual capacity covering both the PCC and the CC.

We have undertaken extra audit work to:

- ▶ Review the evidence to support the arrangements made to address any conflicts of interest arising with regard to the CIPFA Statement on the Role of the Chief Finance Officer; and
- ▶ Document our audit work.

We are proposing to submit a scale fee variation increase of £432 (split £216 to the PCC and £216 to the CC) to the Audit Commission, upon conclusion of the audit, once agreed by management.

8. Summary of audit differences

In the normal course of any audit, we identify differences between amounts we believe should be recorded in the financial statements and amounts actually recorded. These differences are classified as either 'factual' or 'judgemental'. Factual 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 which are uncertain or open to interpretation.

We determined planning materiality to be for the:

- ▶ PCC Group: £3.9 million (2014: £3.7 million), which is 2% of gross revenue expenditure, including pension interest costs and interest payable reported in the accounts of £195.5 million;
- ▶ PCC single entity: £1.7 million (2014: £1.9 million), which is 2% of non-current and current assets reported in the accounts of £85.5 million;
- ▶ CC single entity: £3.6 million (2014: £3.5 million), which is 2% of gross revenue expenditure, including pension interest costs and interest payable reported in the accounts of £179.5 million;
- ▶ Police Pension Fund: £0.6 million (2014: £0.6 million), which is 2% of Benefits Payable reported in the accounts of £30.3 million;

This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the PCC group and the CC.

The PCC holds legal title and consumption of future economic benefit for assets. The PCC is responsible for making strategic decisions on the future of local policing in their areas, which in most cases is involving proposals to review the number and use of Police stations and how assets can be best used in collaboration with other parts of the public sector in their areas. Therefore we use the non-current and current assets as the basis for PCC planning materiality.

We set our tolerable error for the audit at the upper end of the available range. Tolerable error is the application of planning materiality at the individual account or balance level. It is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality. The level of tolerable error drives the extent of detailed audit testing required to support our opinion. We set tolerable error at this level because the level of errors in past years has been low, mainly typographical in nature and having no financial impact.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2.9 million (£2.8 million in 2013/14), (PCC Group), £2.7 million (£2.7 million) (CC single entity), £1.3 million (£1.5 million) (PCC single entity) and £0.5 million (£0.4 million) (Police Pension Fund). We set out the errors management has corrected above these levels below.

8.1 Uncorrected misstatements

There are no uncorrected misstatements.

8.2 Corrected misstatements

We highlight in particular the following misstatements identified during the course of our audit and which have been corrected by management.

- ▶ Management has amended the financial statements for the following material sums concerning Note 15, Property, Plant and Equipment within the PCC Group and Single Entity accounts:
 - Following audit, management has written out of Note 15 both assets and the accumulated depreciation to the value of £8.8 million for plant and equipment and £0.6 million for intangible assets. Management has also provided a disclosure note to explain the in-year movement. As the assets were in the PCC for Suffolk's group and single entity accounts at nil net book value, there is no impact on the Balance Sheet or the financial position; and
 - In addition, Note 15 did not agree to the PCC Comprehensive Income and Expenditure Account (CIES) in respect of the £1.3 million deficit on the revaluation of assets. Management has amended the financial statements to show a £4.9 million charge to the CIES and the £1.3 million deficit recognised in the revaluation reserve. As a presentational amendment, there is no impact on the financial position of the financial statements of the PCC for Suffolk group and single entity.

- ▶ The PCC for Suffolk and the CC of Suffolk Constabulary have disclosed at Note 27 (PCC) and Note 8 (CC) a material non-adjusting event in the 2014-15 financial statements. The note includes an estimate of the likely level of additional payments based on the work of Kier Group PLC, management's pension provider experts.

9. Independence confirmation: update

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 11 March 2015 and discussed at 27 March 2015 Audit Committee. We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Standing Guidance: in our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the Audit Committee on 25 September 2015.

Appendix A Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committee. These are detailed here:

Required communication	Reference
Terms of engagement	The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies.
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
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 ▶ Any significant difficulties encountered during the audit ▶ Any significant matters, arising from the audit that were discussed with management ▶ Written representations we are seeking ▶ Expected modifications to the audit report ▶ Any other matters significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits 	Audit Results Report
Misstatements <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Audit Results Report
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 we have identified or information we have obtained indicating that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit Results Report
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <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
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

Required communication	Reference
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ 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
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ 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 	Audit Plan and update in section 8 of this report
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report
<p>Significant deficiencies in internal controls identified during the audit</p>	Audit Results Report
<p>Group audits</p> <ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit Plan and Audit Results Report
<p>Fee reporting</p> <ul style="list-style-type: none"> ▶ Final, planned and scale fee broken down into the headings of Code audit work; certification of claims and returns; and any non-audit work (or a statement to confirm that no non-audit work has been undertaken for the body). 	Audit Plan and Audit Results Report

Appendix B PCC - Letter of representation

[On the PCC for Suffolk Letterhead paper]

Date: 25 September 2015

To:

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

Dear Neil

**The Police and Crime Commissioner for Suffolk
Letter of Representation
Audit of 2014/15 Financial Statements**

This representation letter is provided in connection with your audit of the consolidated and parent financial statements of the Police and Crime Commissioner for Suffolk (the Group and PCC) for the year ended 31 March 2015. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent financial statements give a true and fair view of the Group and PCC financial position of the Police and Crime Commissioner for Suffolk as of 31 March 2015 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the PCC, the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
2. We acknowledge, as members of management of the Group and PCC, our responsibility for the fair presentation of the financial statements. We believe the consolidated and PCC financial statements referred to above give a true and fair view of the financial position financial performance (or results of operations) and cash flows of the Group and PCC in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and are free of material misstatements, including omissions. We have approved the consolidated and PCC financial statements.
3. The significant accounting policies adopted in the preparation of the consolidated and PCC financial statements are appropriately described in the consolidated and PCC financial statements.
4. As members of management of the Group and PCC, we believe that the Group and the PCC has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the consolidated and PCC financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Group and the PCC's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the consolidated or PCC financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the consolidated or PCC financial statements or otherwise affect the financial reporting of the Group and the PCC.

C. Compliance with Laws and Regulations

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

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that you have requested from us for the purpose of the audit and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and PCC financial statements.
3. We have made available to you all minutes of the meetings of the Accountability and Performance Panel, Audit Committee and Collaboration Panel (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year up to the 25 September 2015.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and PCC's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and PCC financial statements.
5. We have disclosed to you the group and PCC has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

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

F. Subsequent Events

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

G. Accounting Estimates

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

H. Retirement benefits

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

Yours Sincerely,

Chris Bland
Chief Finance Officer

I confirm that this letter has been discussed and agreed at a meeting with of the Audit Committee, attended by the Police and Crime Commissioner for Suffolk on 25 September 2015.

Tim Passmore
The Police and Crime Commissioner for Suffolk

Appendix C CC - Letter of representation

[On the Chief Constable of Suffolk Constabulary Letterhead paper]

Date: 25 September 2015

To:

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

Dear Neil

**The Chief Constable of Suffolk Constabulary
Letter of Representation
Audit of 2014/15 Financial Statements**

This representation letter is provided in connection with your audit of the financial statements of the Office of the Chief Constable of Suffolk Constabulary (the Office) for the year ended 31 March 2015. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Office as of 31 March 2015 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
2. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and of its expenditure and income of the Office in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. We believe that the Office has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the internal controls over financial reporting in the Office. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the CC's financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the CC's financial statements or otherwise affect the financial reporting of the Office.

C. Compliance with Laws and Regulations

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

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.

- Additional information that you have requested from us for the purpose of the audit and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
 3. We have made available to you all minutes of the meetings of the Accountability and Performance Panel, Audit Committee and Collaboration Panel (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year up to the 25 September 2015.
 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Office's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
 5. We have disclosed to you, and the Office has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

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

F. Subsequent Events

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

G. Accounting Estimates

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

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

H. Retirement benefits

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

Yours Sincerely,

Chris Bland
Chief Finance Officer

I confirm that this letter has been discussed and agreed at a meeting with of the Audit Committee, attended by the Temporary Chief Constable of Suffolk Constabulary on 25 September 2015

Gareth Wilson
Temporary Chief Constable of Suffolk Constabulary

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

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

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