

**The PCCs for Norfolk and Suffolk and The CCs of Norfolk and Suffolk Constabularies  
Reasons for slippage on the 2017/18 Audits**

This document outlines the main areas of slippage on the audit for 2017/18 and sets out inefficiencies arising from the audit process, indicates the processes EY will put in place going forwards to address the issues arising and prevent future budget overruns.

The document also sets out some of the delays in the provision of information from the PCCs and CCs during the audit process whilst completing the audit work.

Area Of Slippage	EY Inefficiencies	The PCCs for Norfolk and Suffolk and The CCs of Norfolk and Suffolk Constabularies
Income and Expenditure Testing	<p>In common with other Police audits EY apply the lower PCC materiality to income and expenditure as the analytics tool cannot map to the transaction level required for separate PCC and CC entries. Despite testing at interim, the lower materiality was producing more samples than expected at the final accounts audit. EY therefore tried to increase the efficiency of the audit by trying to split out PCC and CC expenditure. Time was lost due to the initial calculation of the sample sizes and then the re-calculation of the revised samples using a higher materiality level for the CC accounts.</p> <p>For next year, with a more efficient sample selection methodology available, the size of the samples should reduce. EY are to also discuss the mapping process of data with the Finance Team to enable the analytics data to drill down to PCC and CC individual transactions.</p> <p>EY used the PCC's and CC's computer to try and advance testing by directly accessing invoices. However, not all invoices chosen went to an invoice, some going to journals and others to emails that could not be opened. In addition, due to the way the data was provided from EY Analytics, EY were unable to select samples from the lowest drilldown level, which increased time spent on our testing. This meant further requests for information. EY will reflect on use of the computer for next year.</p> <p>The overrun amounted to 24 hours, split 12 each between Norfolk and Suffolk.</p>	

**Constabularies Response**

The issue here for us is that there was a significant delay until these samples were created due to the auditor not being on site and working on the B/C/H audits. This meant there was less resource available for our audit and delays in the commencement of significant work.

Area Of Slippage	EY Inefficiencies	The PCCs for Norfolk and Suffolk and The CCs of Norfolk and Suffolk Constabularies
Property, Plant and Equipment	<p>Extra time was undertaken on the selection of the sample for the existence testing, the Audit Manager not having understood the instructions of the Associate Partner. In addition the budget for the work across the two audit sites underestimated the time involved to progress the audit work for Property, Plant and Equipment. The member of staff undertaking the audit was new to the audit and the budget did not take account of the time needed to become familiar with the working papers and accounting records.</p> <p>The lesson to learn from the process is to adjust the budgets where staff are new to the audit and working on more complex areas.</p> <p>This amounted to 26 hours, split 13 each between Norfolk and Suffolk. The element relating to existence testing included in these figures is 4 hours, 2 hours each between Norfolk and Suffolk</p>	<p> During the course of our work on valuations, our assessment of the estimate provided by Management's expert highlighted that the estimate was outside of our predicted range.</p> <p>EY has spent extra time to understand the range and possible sensitivities to the range before raising with the Finance team and asking questions to assess how the estimate had been derived in light of our analysis. The assessment of the client response may require the use of an Auditor's expert in the form of the EY Estates Team.</p> <p>This has taken 6 hours to date, 3 hours each between Norfolk and Suffolk, with further anticipated time required.</p>
Debtors and Creditors	<p>There was an error in budgeting given the lower audit testing thresholds that we have applied during the audit, in addition to the amount and standard of work required.</p> <p>The lesson to learn is to consider the impact on the resourcing for the audit should reduced materiality levels arise in future years.</p> <p>The overrun amounted to 4 hours split between 2 hours Norfolk and 2 hours Suffolk.</p> <p>In addition, EY's work was 10 hours over budget split between 5 hours Norfolk and 5 hours Suffolk, in order to re-visit our documents from earlier in the year and bring the documentation on the files to the required quality standards.</p>	<p>EY experienced delays as regards the receipt of evidence in support of the bad debt provision. The original responses received did not provide supporting information to enable a judgement to be made. Therefore we had to request a further listing of cases. Although the process of requesting further samples in themselves is not long, the impact is not being able to undertake the work as planned and when the samples come through these then cause a backlog in work to clear.</p> <p>This amounted to 2 hours, split 1 hour each between Norfolk and Suffolk.</p>

The PPE evaluation was started very late in the audit. We had provided valuations in January, and the Gerald Eves information in April. We have provided information and a speedy response as to why the PPE estimates are within tolerance. The Constabulary team did not "cause" this issue. The time taken here cannot be attributed to us. This is a contingency issue.

This level of delay should be built into contingency planning. And also is an opportunity to work on one of the outstanding issues like Cash and Bank? These tests are not dependant on each other.

Constabularies Response

Area Of Slippage	EY Inefficiencies	The PCCs for Norfolk and Suffolk and The CCs of Norfolk and Suffolk Constabularies
Payroll Contract Testing		<p>EY undertook a test on payroll controls to confirm that the IT system calculated the payroll correctly. One of these tests failed - the test of detail which involved proving the validity of the payments made to officers and staff. This test was to prove payroll back to contracts to prove the pay point. There were a number of queries that were left over from interim period. EY had asked that supporting information be ready for our review.</p> <p>However, the Constabulary does not have records that readily reconcile to the Payroll. Therefore the auditor had to sit with the member of staff to work through the samples in order to understand and audit the figures. This takes a longer process than reviewing the evidence received and ticking the relevant figures. In addition, The Constabulary could not trace evidence for four members. This this took extra time in agreeing to what would be acceptable compensating evidence, discussing with payroll staff and documenting the results.</p> <p>The overrun amounted to 21 hours, split 10.5 each between Norfolk and Suffolk.</p>
Lump Sum Testing		<p>EY requested samples for our lump sum testing in April 2018. When EY followed up on auditing the samples in June, EY found that our sample had not been sent to the service provider. The sample was provided on 13 July which meant that this was adding work at the end of the audit rather than in a phased approach.</p> <p>The overrun amounted to 2 hours, split 1 hour each between Norfolk and Suffolk.</p> <p>Although the process of requesting further samples in themselves is not long, the impact is not being able to undertake the work as planned and when the samples come through these then cause a backlog in work to clear.</p>

We discussed this at our meeting with Mark H on Tuesday. It took too long to get to the point of discussing compensating evidence and therefore the EY audit team wasted their own time. Had those discussions taken place earlier this process would have speeded everything up. At least half of this time is attributable to EY.

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Officers Remuneration		<p>EY experienced slippage as EY were assigned a member of staff to deal with our Remuneration queries, but the member of staff could only deal with one element of the task. EY had to meet with a further officer to test the salary, fees and allowances part of the Remuneration Report note.</p> <p>The draft financial statements did not contain the "Benefits in Kind" figures for senior staff and officers in the Remuneration Report. The Finance Team has only just provided the draft figure calculations on excel 19 July 2018 for the Benefits in Kind,</p> <p>The overruns amount to 2 hours, split 1 hour each between Norfolk and Suffolk.</p> <p>Although the process of requesting further samples in themselves is not long, the impact is not being able to undertake the work as planned and when the samples come through these then cause a backlog in work to clear.</p>	<p>This is incorrect. The draft statements did contain estimates. And the impact of waiting for the final figures is insignificant and the figures themselves are immaterial.</p> <p>Plus there was an opportunity to progress with another item such as Cash and Bank.</p>
Exit Costs		<p>EY requested evidence for the exit costs including compromise agreements and termination letters and calculations on 4 June. The compromise agreements came through towards the end of the week of 15 July with the termination agreements being received early in the week of 16 July. EY has had to start the work and then stop pending the responses. Human Resources have yet to send through the termination agreements as at 19 July 2018, although EY has requested these throughout the audit.</p> <p>The overrun amounted to 4 hours, split 2 hours each between Norfolk and Suffolk.</p> <p>Although the process of requesting further samples in themselves is not long, the impact is not being able to undertake the work as planned and when the samples come through these then cause a backlog in work to clear.</p>	<p>Accept there was a delay in this area. However, some of the questions and follow up queries lack the clarity to deliver the right answers (e.g termination agreements). This process needs to be improved going forward. I cannot believe this has caused 4 hours overrun.</p>

Constabularies Response

This is an analytical review and explanations of “how” WERE provided. The accounts are constructed so that the figures in the main statements are easily traced back to the trial balance, and therefore the source of the figures is easy to verify. These would have been ticked back by a member of the audit team, so there is a communication issue here for EY. Time is invested in this process to make things easier for the auditors to follow. The work requested effectively meant having to reprovide the information already provided again that was easy to follow. There was also a fundamental misunderstanding of our coding structure at a senior level (despite it remaining unchanged for many years).

These things will happen in the course of the audit (i.e. updating figures for PBSE) and should be accommodated in EYs contingency planning. Seven hours is also a significant overestimate of time.

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Audit Manager Review		<p>Each year EY provide a list of queries based principally on the variances within the financial statements. This was issued on June with a response time for 8 June and then this was deferred by agreement for a response by 15 June and the finance Team were preparing their working papers before EY come on site. However, the responses did not provide the how and why a variance had moved and the supporting code information as requested. EY sent the document back requesting this but the Finance Team’s position was that the answers are in other documents already provided. improved answers have been provided but the audit process takes more time than, as request and happens elsewhere, tabs itemising the variances are provide and the variances explained by the Finance Team.</p> <p>The Audit Manager had to request further information and the ask the audit team to follow up certain information and where required then search in the relevant file tabs necessary.</p> <p>The overrun amounts to 7 hours, split 3.5 hours each between Norfolk and Suffolk.</p> <p>Although the process of requesting information in itself is not long, the impact is not being able to undertake the work as planned and when the samples come through these then cause a backlog in work to clear.</p>
Reserves		<p>EY anticipates more work will be required because of the PCC and CC decisions to re-analyse the Reserves Notes. Although the figures may not have changed, we will need to trace through 2016/17 figures again alongside 2017/18 figures to ensure that the presentation is correct.</p> <p>This is likely to take 7 hours, split 3.5 hours each between Norfolk and Suffolk.</p>

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Other Delays		<p>EY experienced other delays as regards to responses as regards:</p> <ul style="list-style-type: none"> <li>- How the PCC and CC were dealing with Carillion;</li> <li>- Responses from the PCC and CC for Suffolk on the response to the fraud enquiry;</li> <li>- Interim work on payroll contracts where information was taking time to prepare and extra time arose and</li> <li>- Several reminders to banks for the return of bank and investment verification letters.</li> </ul> <p>EY flagged the first three delays to the Head of Finance in April 2018 and that an extra audit fee would result from these delays.</p> <p>The overrun amounts to 21 hours (the bulk being 14 hours relating payroll contract work outline above), the remaining seven hours split 3.5 hours each between Norfolk and Suffolk.</p> <p>Although some delays occurred in April, by not having the issues resolved at the appropriate time meant that EY has had to deal with the issue in the final accounts period.</p>
Total hours Overrun	<p>Total Overrun: 64 hours</p> <p>The PCC for Norfolk and CC of Norfolk Constabulary: 32 Hours</p> <p>The PCC for Suffolk and CC of Suffolk Constabulary: 32 Hours</p>	<p>Total Overrun: 72 hours</p> <p>The PCC for Norfolk and CC of Norfolk Constabulary: 36 Hours</p> <p>The PCC for Suffolk and CC of Suffolk Constabulary: 36 Hours</p>

**Constabularies Response**

The bank not responding is not an issue attributable to the constabulary team.

The email to me said “These are likely to cause us extra fee work. “ It did not say it would and I expected further conversations to occur.

The team had the opportunity to review the PPE valuations and assess tolerance against the Gerald Eves information.

The 21 hours mentioned here is a duplication of a previous value of hours and as previously described this was down to the inexperienced approach of the audit staff.

The time attributed to the Constabulary team is completely overstated (and looks like it is engineered to create a 50:50 view). Many of the smaller items (2-4 hours etc) should be accommodated within contingency or allow other items to be progressed (e.g. cash and bank). Some items are actually the fault of EY and some are items not attributable to the constabulary team. When you look at the number of outstanding items not yet progressed, these are NOT caused by delays to the audit and most are items additional to the above not yet commenced. They are caused by under resourcing and use of inexperienced staff NOT by any delays.