

**ORIGINATOR: ERNST & YOUNG LLP  
EXTERNAL AUDITORS**

**PAPER NO: AC22/17**

**SUBMITTED TO: AUDIT COMMITTEE – 2 DECEMBER 2022**

**SUBJECT: PROVISIONAL AUDIT PLAN FOR YEAR ENDING MARCH 2022**

**SUMMARY:**

1. The Audit Plan for the year ending 31 March 2022 is attached.
2. The Plan sets out how Ernst & Young (EY) will carry out their responsibilities as the External Auditor.
3. The Plan summarises EYs initial assessment of the key risks driving the development of an effective audit and outlines the planned audit strategy in response to those risks.

**RECOMMENDATION:**

1. The plan was circulated to Audit Committee members in October 2022 with a basis to review the proposed audit approach and scope for the 2021/22 audit. The Audit Committee is requested to consider the attached report alongside the verbal audit update from EY.



**Police and Crime Commissioner for Suffolk /  
Chief Constable for Suffolk Constabulary**

**Provisional Audit Plan**

Year ended 31 March 2022

12 September 2022

Police and Crime Commissioner and Chief Constable for Suffolk Police

12 September 2022



Suffolk Police HQ  
Martlesham Heath  
Ipswich  
Suffolk  
IP5 3QS

Dear Tim and Steve,

We are pleased to attach our provisional Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Joint Independent Audit Committee with a basis to review our proposed audit approach and scope for the 2021/22 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Police and Crime Commissioner (PCC) and Chief Constable (CC), and outlines our planned audit strategy in response to those risks. Our planning procedures remain ongoing, we will inform management and the Committee if there are any significant changes to the audit risks and strategy included in this plan arising from our completed risk assessment procedures.

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

We welcome the opportunity to discuss this report with you on 30 September 2022 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

*MARK HODGSON*

Mark Hodgson, Associate Partner

For and on behalf of Ernst & Young LLP

# Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Joint Independent Audit Committee and management of Suffolk Police in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Joint Independent Audit Committee, and management of Suffolk Police those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Joint Independent Audit Committee and management of Suffolk Police for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

# Overview of our 2021/22 audit strategy



## Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Police and Crime Commissioner (PCC) and Chief Constable (CC) with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error - management override of controls (Group/PCC/CC)	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Risk of fraud in revenue and expenditure recognition - specifically inappropriate capitalisation of revenue expenditure (Group/PCC)	Fraud risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. For Suffolk Police, we consider that the risk could specifically manifest itself in the inappropriate capitalisation of revenue expenditure, given the extent of the capital programme.
Valuation of Pension Liability - Police Pension Scheme (Group / CC)	Inherent risk	Reduced from Significant risk in 2021/22 from prior year	The Police Pension Scheme valuations involve significant estimation and judgement which management engages an external specialists to provide these actuarial assumptions. A small movement in these assumptions could have a material impact on the value in the balance sheet. We have reduced the risk from significant risk to inherent risk as no material amendments were found following a change of actuary from Hymans Robertson to Government Actuary's Department (GAD) in 2020/21 and we are not aware of any other fundamental changes within the year which would increase the risk of material misstatement.
Valuation of Pension Liability - Local Government Pension Scheme (LGPS) (Group/PCC/CC)	Inherent Risk	No change in risk or focus	The estimation of the defined benefit obligation is sensitive to a range of assumptions including rates of pay and pension inflation, mortality and discount rates. The pension fund valuations separately involve external specialist to provide these actuarial assumptions. A small movement in these assumptions could have a material impact on the value in the balance sheet.

## Overview of our 2021/22 audit strategy (continued)

Risk / area of focus	Risk identified	Change from PY	Details
Valuation of Property, Plant and Equipment (PPE) (Group/PCC)	Inherent Risk	No change in risk or focus	The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Group and PCC's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end Land & Buildings balances recorded in the Balance Sheet.
Accounting for Private Finance Initiative (PFI) schemes (Group/PCC)	Inherent Risk	No change in risk or focus	The PCC and CC disclose one PFI contract within their financial statements for the use of six Police Investigation Centres shared with the Police and Crime Commissioner of Norfolk. The liability and payments for services are dependent upon assumptions within the accounting models underpinning the PIF scheme. As such Management is required to apply estimation techniques to support the disclosures within the financial statements.
Going Concern disclosure (Group, PCC,CC)	Area of Audit Focus	Reduction in risk from Inherent Risk to Area of Audit focus	ISA 570 has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospect of entities which collapsed shortly after. In addition, the unpredictability of the current economic environment and the volatility of the market due to the ongoing impact of Covid as well as the Ukraine-Russia conflict also gives rise to a risk that Suffolk Police may not appropriately disclose the impact of these issues on their going concern assessment. The disclosure should be underpinned by the management's assessment based on the Suffolk Police's actual year end financial position for the going concern period of 12 months from the auditor's report date.

## Overview of our 2021/22 audit strategy (continued)

### Materiality

Group	CC	PCC	
Planning materiality £4.398m	Planning materiality £4.132m	Planning materiality £1.859m	The materiality for Group and CC has been set at £4.398 million and £4.132 million respectively, using 2% of the gross expenditure on provisions of services as disclosed in the 2021/22 draft accounts. The materiality for PCC has been set at £1.859 million, using 2% of the assets as disclosed in the 2021/22 draft accounts.
Performance materiality £3.298m	Performance materiality £3.099m	Performance materiality £1.395m	Performance materiality has been set at 75% of materiality for the Group, CC and PCC.
Audit differences £0.220m	Audit differences £0.207m	Audit differences £0.093m	We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement and police pension fund financial statements) greater than £0.207 million for CC and £0.093 million for PCC. Other misstatements identified will be communicated to the extent that they merit the attention of the PCC and CC.

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- Remuneration disclosures - we will agree all disclosures back to source data. We will report any differences above £5K as these are the bandings used in the disclosure.
- Related party transactions - we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.
- Audit fees - we will agree these to the PSAA scale fees and any agreed variations and report any differences above £1K.



# Overview of our 2021/22 audit strategy (continued)

## Audit scope

This Provisional Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of the PCC and CC for Suffolk Police give a true and fair view of the financial position as at 31 March 2022 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 03.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the PCC's and CC's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards. When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the PCC and CC.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the ISA 540 (revised) and the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of the PCC and the CC for Suffolk Police's audit, we will discuss these with management as to the impact on the scale fee.

### Effects of climate-related matters on financial statements and Value for Money arrangements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements. We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

## Overview of our 2021/22 audit strategy (continued)

### Value for money conclusion

We include details in Section 03 but in summary:

- ▶ We are required to consider whether the PCC and CC has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- ▶ Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the PCC's and CC's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- ▶ We will provide a commentary on the PCC's and CC's arrangements against three reporting criteria:
  - ▶ Financial sustainability - How the PCC and CC plans and manages its resources to ensure it can continue to deliver its services;
  - ▶ Governance - How the PCC and CC ensures that it makes informed decisions and properly manages its risks; and
  - ▶ Improving economy, efficiency and effectiveness - How the PCC and CC uses information about its costs and performance to improve the way it manages and delivers its services.
- ▶ The commentary on VFM arrangements will be included in the Auditor's Annual Report.

### Timeline

The Ministry of Housing, Communities and Local Government established regulations to extend the target date for publishing audited local authority accounts from 31 July to 30 September, for a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years).

In December 2021, the Department for Levelling Up, Housing and Communities (DLUHC) announced proposals to extend the deadline for the publication of audited accounts to 30 November 2022 for 2021/22.

In Section 07 we include a provisional timeline for the audit. We will work with the respective offices of the PCC and CC to ensure that appropriate publication wording is published by the date set out above.



# 02 Audit risks



## Audit risks

### Our response to significant risks (continued)

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	<b>What is the risk?</b>	<b>What will we do?</b>
<b>Misstatements due to fraud or error *</b>  <b>Group/PCC/CC</b>	As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	In order to address this risk we will carry out a range of procedures including: <ul style="list-style-type: none"><li>▶ Identify what specific fraud risks exist during audit planning.</li><li>▶ inquire of management about risks of fraud and the controls put in place to address those risks.</li><li>▶ Understand the oversight given by those charged with governance of management's processes over fraud.</li><li>▶ Consider the effectiveness of management's controls designed to address the risk of fraud.</li><li>▶ Perform mandatory procedures regardless of specifically identified fraud risks, including tests of journal entries and other adjustments in the preparation of the financial statements.</li><li>▶ Review accounting estimates for evidence of management bias;</li><li>▶ Evaluate the business rationale for significant unusual transactions.</li></ul>
<b>Financial statement impact</b>		
The financial statements as a whole are not free of material misstatements whether caused by fraud or error.		

## Audit risks

# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

**Risk of fraud in revenue and expenditure recognition \* - specifically in inappropriate capitalisation of revenue expenditure  
Group/PCC**

### Financial statement impact

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could understate expenditure in the CIES and overstate PPE additions.

### What is the risk?

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

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

This risk has been associated to the following testing areas:

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

### What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Obtaining an analysis of capital additions in the year, reconciling to the Fixed Assets Register (FAR), and reviewing the description to identify whether there are any potential items that could be revenue in nature;
- ▶ Sample test additions to property, plant and equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised; and
- ▶ Use our data analytics tool to identify and test journal entries that moved expenditure into capital codes. We will assess journal entries more generally for evidence of management bias and evaluate for business rationale.

## Audit risks

### Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

#### What is the risk/area of focus?

##### Valuation of Pension Liability - Police Pension Scheme and Local Government Pension scheme (LGPS) (Inherent Risk - Group/PCC/CC)

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

The respective PCC and CC Pension Fund liability is a material estimated balance and the Code requires that this liability be disclosed on the Balance sheets of the PCC and CC. At 31 March 2022 these totalled:

- PCC - £0.388 million (PY was £1.115 million); and
- CC - £1,565.709 million (PY was £1,576.495 million).

The information disclosed is based on the IAS 19 report issued to the PCC and CC by the actuary to the Suffolk Pension Fund and the Police Pension Scheme. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

#### What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ liaise with the auditors of Suffolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Suffolk Police Force;
- ▶ assess the work of the LGPS Pension Fund actuary (Hymans Robertson) and the Police Pension actuary (GAD) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the NAO for all Local Auditors, and considering any relevant reviews by the EY actuarial team;
- ▶ evaluate the reasonableness of the respective Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's actuarial models; and
- ▶ review and test the accounting entries and disclosures made within the Group, PCC and CC financial statements in relation to IAS19, including any updates to the value of year end assets.

## Audit risks

### Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

#### What is the risk/area of focus?

##### **Valuation of Property, Plant and Equipment (Inherent Risk - Group/PCC)**

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

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

As the PCC's asset base is significant (£59.711 million at 31 March 2022), and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

##### **Private Finance Initiative (PFI) (Inherent Risk - Group/PCC)**

The PCC and CC disclose one PFI contract within their financial statements for the use of six Police Investigation Centres shared with the Police and Crime Commissioner for Norfolk from 2011 until 2041. At 31 March 2022, the PCC for Suffolk's share of the PFI liability was £21.006 million (PY was £21.448 million).

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

#### What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ consider the work performed by the external valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ sample test key asset information used by the valuer in performing their valuation;
- ▶ consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ review assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated;
- ▶ consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ test accounting entries have been correctly processed in the financial statements.

In order to address this risk we will carry out a range of procedures including:

- ▶ enquire whether there have been any significant changes within the model since our review;
- ▶ undertake a review and assessing the impact of any changes in assumptions upon the model; and
- ▶ agree the models to the disclosures within the financial statements

## Audit risks

### Other areas of audit focus (continued)

#### What is the risk/area of focus?

##### **Going Concern disclosure (Area of Focus - Group/PCC/CC)**

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 states that organisations can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report.

In addition, the unpredictability of the current economic environment and the volatility of the market due to the ongoing impact of Covid as well as the Ukraine-Russia conflict also gives rise to a risk that Suffolk Police may not appropriately disclose the impact of these issues on their going concern assessment.

The disclosure should be underpinned by the management's assessment based on the Suffolk Police's actual year end financial position for the going concern period of 12 months from the auditor's report date.

#### What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ challenging management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;
- ▶ challenging management's assessment of going concern, including the cashflow forecast covering the foreseeable future and its impact on liquidity;
- ▶ undertaking a stand back review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- ▶ reviewing the disclosure made in the accounts in respect of going concern to ensure adequacy.





03

Value for Money Risks





# Value for Money

## PCC/CC responsibilities for value for money

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

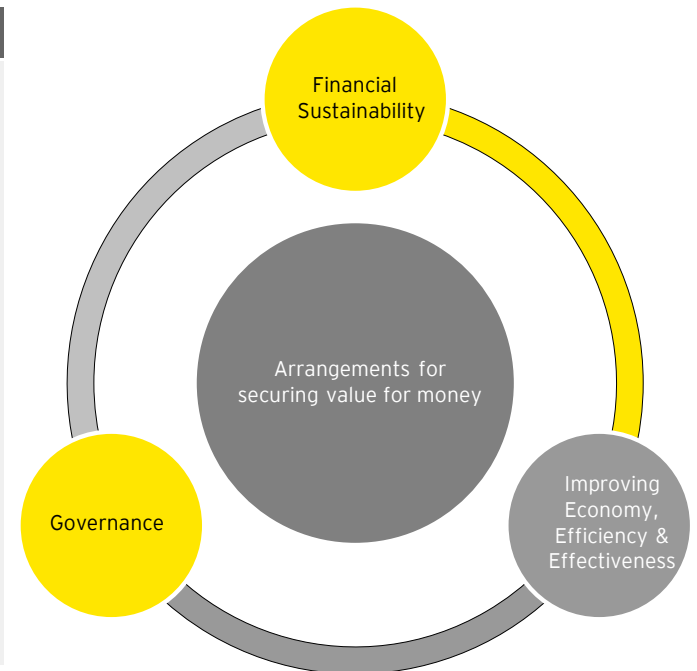
As part of the material published with the financial statements, the PCC/CC is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the PCC/CC tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

## Auditor responsibilities under the new Code

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

The specified reporting criteria are:

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





## Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the PCC/CC's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the PCC/CC's arrangements, we are required to consider:

- ▶ The PCC/CC's governance statement;
- ▶ Evidence that the PCC/CC's arrangements were in place during the reporting period;
- ▶ Evidence obtained from our work on the accounts;
- ▶ The work of inspectorates and other bodies; and
- ▶ Any other evidence source that we regards as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- ▶ Exposes - or could reasonably be expected to expose - the PCC/CC to significant financial loss or risk;
- ▶ Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the PCC/CC's reputation;
- ▶ Leads to - or could reasonably be expected to lead to - unlawful actions; or
- ▶ Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- ▶ The magnitude of the issue in relation to the size of the PCC/CC;
- ▶ Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- ▶ The impact of the weakness on the PCC/CC's reported performance;
- ▶ Whether the issue has been identified by the PCC/CC's own internal arrangements and what corrective action has been taken or planned;
- ▶ Whether any legal judgements have been made including judicial review;
- ▶ Whether there has been any intervention by a regulator or Secretary of State;
- ▶ Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- ▶ The impact on delivery of services to local taxpayers; and
- ▶ The length of time the PCC/CC has had to respond to the issue.



# Value for Money

## Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Joint Independent Audit Committee.

## Reporting on VFM

Where we are not satisfied that the PCC/CC has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the commentary on arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the PCC/CC's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

## Status of our 2021/22 VFM planning

We have yet to complete our detailed VFM risk planning. However, one area of focus will be on the arrangements that the PCC/CC has in place in relation to financial sustainability - including the impact of Covid-19 on the medium term financial planning.

We will provide an update on the outcome of our VFM planning and our planned response to any additional identified risks of significant weaknesses in arrangements at a future Joint Independent Audit Committee meeting.



04

# Audit materiality



# Audit materiality

## Materiality

For planning purposes, materiality for 2021/22 has been set out at £4.132 million and £1.859 million for CC and PCC respectively. The Group materiality is set at £4.398 million.

	Group	CC	PCC
Materiality basis	2% of the gross expenditure on provisions of services	2% of the gross expenditure on provisions of services	2% of the assets
Planning materiality	£4.398 million	£4.132 million	£1.859 million
Performance materiality	£3.298 million	£3.099 million	£1.395 million
Audit differences	£0.220 million	£0.207 million	£0.093 million

Materiality will be reassessed throughout the audit process.

We have provided supplemental information about audit materiality in Appendix C.

We request that the PCC and CC confirm their understanding of, and agreement to, these materiality and reporting levels.

## Key definitions

**Planning materiality** - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Performance materiality** - the amount we use to determine the extent of our audit procedures. We have set performance materiality at 75% of planning materiality, which is consistent with the prior year.

**Audit difference threshold** - we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and the police pension fund financial statements that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of Joint Independent Audit Committee, or are important from a qualitative perspective.

**Specific materiality** - We can set a lower materiality for specific accounts disclosure e.g. remuneration disclosures, related party transactions and exit packages which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.

# Materiality

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- ▶ Remuneration disclosures - we will agree all disclosures back to source data. We will report any differences above £5K as these are the bandings use in the disclosure.
- ▶ Related party transactions - we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.
- ▶ Audit fees - we will agree these to the PSAA scale fees and any agreed variations and report any differences above £1K.



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## Scope of our audit





## Our Audit Process and Strategy

### Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

#### 1. Financial statement audit

##### Our opinion on the financial statements:

- ▶ whether the financial statements give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and
- ▶ whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

##### Our opinion on other matters:

- ▶ whether other information published together with the audited financial statements is consistent with the financial statements; and
- ▶ where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

##### Other procedures required by the Code:

- ▶ Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the NAO.

#### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

As outlined in Section 03, we are required to consider whether the PCC/CC has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

## Our Audit Process and Strategy (continued)

### Audit Process Overview

#### Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2021/22 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

#### Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Joint Independent Audit Committee.

#### Internal audit:

We will review Internal Audit plans and the results of their work. We will reflect on these when designing our overall audit approach and when developing our detailed testing strategy. We may also reflect relevant findings from their work in our reporting, where it raises issues that could have a material impact on the financial statements.



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## Audit team



## Audit team

### Audit team

The engagement team continues to be led by Mark Hodgson, who is supported by Vicky Chong, who is responsible for the day-to-day direction of audit work and is key point of contact for the finance team. The day-to-day audit team will be led by Tyler Gohegan, who has replaced Nichola Vella as the Lead Senior of the audit.

### Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where specialists are expected to provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	We will consider any valuation aspects that may require EY valuation specialists to review any material specialist assets and the underlying assumptions used by the PCC's valuer, NPS.
Pensions disclosure	EY Pensions Advisory, PwC (Consulting Actuary to the National Audit Office) who will review the work of Hymans Robertson, the actuaries to the Suffolk County Council Pension Fund, and the Government Actuary's Department (GAD) for the Police Pension Scheme.

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the PCC/CC's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

# Developing the right Audit Culture

In July 2021, EY established a UK Audit Board (UKAB) with a majority of independent Audit Non-Executives (ANEs). The UKAB will support our focus on delivering high-quality audits by strengthening governance and oversight over the culture of the audit business. This focus is critical given that audit quality starts with having the right culture embedded in the business.

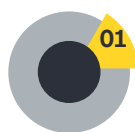


Our audit culture is the cement that binds together the building blocks and foundation of our audit strategy. We have been thoughtful in articulating a culture that is right for us: one that recognises we are part of a wider, global firm and is clear about whose interests our audits serve.

There are three elements underpinning our culture:

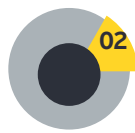
1. Our people are focused on a **common purpose**. It is vital we foster and nurture the values, attitudes and behaviours that lead our people to do the right thing.
2. The essential attributes of our audit business are:
  - ▶ **Right resources** – We team with competent people, investing in audit technology, methodology and support
  - ▶ **Right first time** – Our teams execute and review their work, consulting where required to meet the required standard
  - ▶ **Right reward** – We align our reward and recognition to reinforce the right behaviours

### 3. The six pillars of Sustainable Audit Quality are implemented.



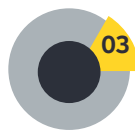
#### Tone at the top

The internal and external messages sent by EY leadership, including audit partners, set a clear tone at the top - they establish and encourage a commitment to audit quality



#### Exceptional talent

Specific initiatives support EY auditors in devoting time to perform quality work, including recruitment, retention, development and workload management



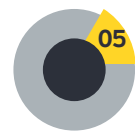
#### Accountability

The systems and processes in place help EY people take responsibility for carrying out high-quality work at all times, including their reward and recognition



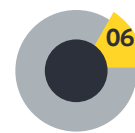
#### Audit technology and digital

The EY Digital Audit is evolving to set the standard for the digital-first way of approaching audit, combining leading-edge digital tools, stakeholder focus and a commitment to quality



#### Simplification and innovation

We are simplifying and standardising the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit



#### Enablement and quality support

How EY teams are internally supported to manage their responsibility to provide high audit quality

A critical part of this culture is that our people are **encouraged and empowered to challenge and exercise professional scepticism** across all our audits. However, we recognise that creating a culture requires more than just words from leaders. It has to be reflected in the lived experience of all our people each and every day enabling them to challenge themselves and the companies we audit.

Each year we complete an audit quality culture assessment to obtain feedback from our people on the values and behaviours they experience, and those they consider to be fundamental to our audit quality culture of the future. We action points that arise to ensure our culture continues to evolve appropriately.

#### 2021 Audit Culture Survey result

A cultural health score of 78% (73%) was achieved for our UK Audit Business

#### We bring our culture alive by investing in three priority workstreams:

- Audit Culture with a focus on professional scepticism
- Adopting the digital audit
- Standardisation

This investment has led to a number of successful outputs covering training, tools, techniques and additional sources. Specific highlights include:

- Audit Purpose Barometer
- Active Scepticism Framework
- Increased access to external sector forecasts
- Forensic risk assessment pilots
- Refreshed PLOT training and support materials, including embedding in new hire and trainee courses
- Digital audit training for all ranks
- Increased hot file reviews and improved escalation processes
- New work programmes issued on auditing going concern, climate, impairment, expected credit losses, cashflow statements and conducting effective group oversight
- Development of bite size, available on demand, task specific tutorial videos

*“A series of company collapses linked to unhealthy cultures....have demonstrated why cultivating a healthy culture, underpinned by the right tone from the top, is fundamental to business success.”*

Sir John Thompson  
Chief Executive of the FRC



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## Audit timeline





## Audit timeline

# Timetable of communication and deliverables

### Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2021/22.

From time to time matters may arise that require immediate communication with the PCC and CC and we will discuss them with the PCC and CC and senior management as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
Planning: Risk assessment and setting of scopes	July - September 2022	Joint Independent Audit Committee	Provisional Audit Plan
Walkthrough of key systems and processes	August - September 2022		
Year end audit	November - January 2022		
Year end audit: Audit Completion procedures	January 2023	Joint Independent Audit Committee	Audit Results Report Audit opinion and completion certificate
	February - April 2023		Auditor's Annual Report



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Independence





# Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

## Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> <li>▶ The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between you, your affiliates and directors and us;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> </ul>	<ul style="list-style-type: none"> <li>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</li> <li>▶ Details of non-audit/additional services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</li> <li>▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner</li> <li>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</li> <li>▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

# Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

## Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your audit engagement partner and the audit engagement team have not been compromised.

## Self interest threats

A self interest threat arises when EY has financial or other interests in the PCC and CC. Examples include where we have an investment in the PCC and CC; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

When the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. We do not plan to perform any non-audit work. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

## Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

## Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the PCC and CC. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

## Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.



## Other communications

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### **EY Transparency Report 2021**

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021: [https://www.ey.com/en\\_uk/about-us/transparency-report-2021](https://www.ey.com/en_uk/about-us/transparency-report-2021)



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## Appendices



## Appendix A

### Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2021/22	Final Fee 2020/21
	£'s	£'s
Total Audit Fee - Code work	35,984	35,984
Estimated Scale Fee Variation (Note 1)	-	51,101
Recurring Baseline increase in Scale Fee from 2019/20 and 2020/21 (Note 2)	43,370	-
<b>Total audit</b>	<b>TBC</b>	<b>87,085</b>

*All fees exclude VAT*

**Note 1** - Scale Fee Variation has been notified to management and submitted to PSAA Ltd which takes into account the recurring scale fee elements from 2019/20 and NAO Code of Practice requirements and additional risk procedures identified and completed during the course of the 2020/21 audit. This variation is now subject to PSAA Ltd determination.

**Note 2** - For 2021/22 the scale fee has again been re-assessed to take into account the same recurring risk factors as in 2019/20 and 2020/21 and is subject to determination by PSAA Ltd - subject to any further notified annual price uplifts.

For 2021/22, the scale fee will be impacted by a range of factors which will result in additional work, including those that were present in the prior year. See Section 2 of this report for further areas that are likely to lead to additional fees.

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the PCC/CC; and
- The PCC/CC has an effective control environment.





If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the PCC/CC in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

## Appendix B





# Required communications with Joint Independent Audit Committee

We have detailed the communications that we must provide to the Joint Independent Audit Committee.

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the PCC and CC of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.  When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Provisional Audit Plan - September 2022
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report - January 2023





## Appendix B

# Required communications with Joint Independent Audit Committee

		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	  <b>When and where</b>
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit Results Report - January 2023
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report - January 2023
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiries of the PCC and CC where appropriate regarding whether any subsequent events have occurred that might affect the financial statements</li> </ul>	Audit Results Report - January 2023
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the PCC and CC to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to the PCC's and CC's responsibility</li> </ul>	Audit Results Report - January 2023

## Appendix B



# Required communications with Joint Independent Audit Committee

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	<ul style="list-style-type: none"> <li>▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</li> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Results Report - January 2023
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Provisional Audit Plan - September 2022 Audit Results Report - January 2023
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit Results Report - January 2023
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the PCC and CC into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the PCC and CC may be aware of</li> </ul>	Audit Results Report - January 2023



## Appendix B

# Required communications with Joint Independent Audit Committee

		Our Reporting to you
Required communications	 What is reported?	 When and where
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit Results Report - January 2023
Group audits	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ 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</li> <li>▶ 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</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ 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</li> </ul>	Provisional Audit Plan - September 2022 Audit Results Report - January 2023
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - January 2023
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - January 2023
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - January 2023 Auditor's Annual Report - February 2023
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit plan is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Provisional Audit Plan - September 2022 Audit Results Report - January 2023 Auditor's Annual Report - February 2023
Value for Money	<ul style="list-style-type: none"> <li>▶ Risks of significant weakness identified in planning work</li> <li>▶ Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses.</li> </ul>	Provisional Audit Plan - September 2022 Audit Results Report - January 2023 Auditor's Annual Report - February 2023

## Additional audit information

### Objective of our audit

Our objective is to form an opinion on the Group's consolidated financial statements under International Standards on Auditing (UK) as prepared by you in accordance with with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Joint Independent Audit Committee. The audit does not relieve management or the Joint Independent Audit Committee of their responsibilities.

### Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

#### Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Joint Independent Audit Committee reporting appropriately addresses matters communicated by us to the Joint Independent Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

## Additional audit information (continued)

### Other required procedures during the course of the audit (continued)

<b>Procedures required by the Audit Code</b>	<ul style="list-style-type: none"> <li>▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.</li> <li>▶ Examining and reporting on the consistency of consolidation schedules or returns with the PCC's and CC's audited financial statements for the relevant reporting period (WGA Return).</li> </ul>
<b>Other procedures</b>	<ul style="list-style-type: none"> <li>▶ We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.</li> </ul>

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

### Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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