

POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE JOINT AUDIT, RISK & ASSURANCE PANEL

PAPER MARKED

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Report of	CHIEF CONSTABLE and CHIEF FINANCE OFFICER (OPCC)
Subject	ANNUAL AUDIT LETTER AND ISA260
Date	WEDNESDAY 23 OCTOBER – 10.00 A.M.
Author :	MR NEIL HARRIS, ERNST & YOUNG

Purpose of Report

1. For members to consider the report.

Recommendation

2. The Panel is recommended to discuss the contents of the report.

Background

3. None

Implications

Financial: none.

Legal: none.

Equality Impact Assessment: none.

Risks and Impact: as per individual reports.

Link to Police and Crime Plan: as per audit plan

List of Attachments / Appendices

Annual Audit Letter

Police Audit Results Report

Background Papers

None

Officer to Contact

Paul Dawkins – Assistant Chief Officer (Finance & Resources): Leicestershire Police and
Temporary Chief Finance Officer: Office of Police and Crime Commissioner for
Leicestershire – 0116 248 2244

**The Police & Crime
Commissioner for
Leicestershire and the Chief
Constable for Leicestershire**

Annual Audit Letter for the year
ended 31 March 2018

October 2019

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

Building a better
working world

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk).

This 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 (updated April 2018)' issued by PSAA set 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities and Terms of Appointment. 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.



01 Executive Summary

Executive Summary

We are required to issue an annual audit letter to the Police and Crime Commissioner for Leicestershire (PCC) and the Chief Constable (CC) for Leicestershire following completion of our audit procedures for the year ended 31 March 2019.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the PCC, CC, Group and Pension Fund's:	Unqualified - the financial statements give a true and fair view of the financial position of the PCC, CC, Group and Pension Fund as at 31 March 2019 and of its expenditure and income for the year then ended
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the PCC and CC's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the PCC and CC.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the PCC and CC which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report.

Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the PCC and CC communicating significant findings resulting from our audit.	Our Audit Results Report was discussed verbally on 24 July 2019, issued in draft on 31 July 2019 and revised for the outcome of the audit on the 16 th September 2019.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 16 September 2019

We would like to take this opportunity to thank the Office of the Police and Crime Commissioner's staff and the staff of the Chief Constable for their assistance during the course of our work.



Neil Harris
Associate Partner
For and on behalf of Ernst & Young LLP



02

Purpose

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the PCC and CC.

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the 24 July 2019 JARAP Committee and subsequently up to the 16th September 2019 to the PCC, CC and JARAP representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the PCC and CC.



03 Responsibilities



Responsibilities

Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we issued on 30 March 2019 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2018/19 financial statements, and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the PCC and CC has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the PCC and CC;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the PCC and CC, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The group PCC and CC is below the specified audit threshold of £500million. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the PCC and CC

The PCC and CC is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the PCC and CC reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

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



04

Financial Statement Audit



Financial Statement Audit

Key Issues

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

We audited the PCC, CC, Group and Pension Fund's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 31 July 2019.

Our detailed findings were reported to the 24 July 2018 JARAP Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Misstatement due to fraud or error (including Incorrect capitalisation of Revenue Expenditure and Revenue Expenditure Financed through Capital under Statute) (Management Override)</p> <p>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.</p> <p>We consider that this risk manifests in:</p> <ul style="list-style-type: none"> - the inappropriate capitalisation of revenue spend; and - the incorrect classification of revenue spend as capital as well as revenue expenditure under statute (REFCUS). 	<p><u>Inappropriate capitalisation of revenue spend</u></p> <p>We performed sample testing of Property, Plant and Equipment additions. All sampled items were agreed to evidence to confirm the existence of the asset and the appropriateness of the capitalisation.</p> <p>For the incorrect classification of revenue spend as capital as well as revenue expenditure under statute we undertook the following:</p> <p>We sample tested additions to property, plant and equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised; and</p> <p><u>Incorrect classification of revenue spend as capital as well as revenue expenditure under statute</u></p> <p>We sample tested expenditure classed as REFCUS, ensuring that it meets the criteria for this treatment. In addition, to inform our audit work, we reviewed the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the policing body's normal course of business.</p>



Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Key Findings	Conclusion
Collaboration	We reviewed the underlying allocation of expenditure in the PCC's and CC's own accounts against agreements in place. As the same EY auditor undertook the collaboration work across all sites we have not had recourse to write separately to auditors as regards significant streams of expenditure not controlled by Leicestershire
Appropriateness of manual journals	We selected a sample of manual journals and tested the items through to supporting evidence. We reviewed the business rationale for the manual journals for reasonableness and checked the accounting entry. We have not identified any material issues from our journals testing.
Pension Liability Valuation	<p>We assessed the assumptions within the PCC's and CC's updated actuarial reports for the McCloud and GMP judgements. We also reviewed the movement on the total fund asset values.</p> <p>The impact of these changes has been to increase the pension fund liability by £118.858m million from £2,163.703 million and £2,282.561 million.</p> <p>Management has amended the financial statements to reflect these increases, see Section 3 for the adjustments. Management has also removed the contingent liability disclosure relating to McCloud and GMP as the sums have now been accounted through the Accounting for Pension Costs Notes in the financial statements.</p> <p>From our testing of assumptions and sensitivity analysis, we have not identified any issues with the updated accounting entries and disclosures made within the financial statements for the Local Government Pension Scheme or Police Pension Scheme.</p>
<p>Valuation of Land and Buildings</p> <p>The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Group accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>We found the PCC's external valuer to be appropriately qualified with the relevant skills to perform the valuation analysis.</p> <p>We engaged EYRE to review one asset and found that the valuation was undertaken in accordance with relevant financial reporting guidance, and the key assumptions used in the valuation were appropriate and within an acceptable range. We also completed our own sample testing of key asset information and assumptions used by the valuer with no significant matters arising.</p> <p>The asset valuations was undertaken in line with the PCC's accounting policies.</p> <p>We were satisfied that the classification of assets reported in the financial statement is materially correct.</p>

Financial Statement Audit (cont'd)

Our application of materiality

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

Item	Thresholds applied
Planning materiality	Changes in materiality: We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment as follows:

Entity	Basis of materiality	Final assessment			Planned assessment		
		Planning materiality	Performance materiality	Audit differences	Planning materiality	Performance materiality	Audit differences
Group	Gross revenue expenditure	5.5 million	4.1 million	£0.28 million	5.6 million	4.2 million	£0.28 million
PCC	Gross assets	2.2 million	1.66 million	£0.11 million	1.9 million	1.4 million	£0.09 million
CC	Gross revenue expenditure	5.4 million	4 million	£0.27 million	5.5 million	4.1 million	£0.27 million
Pension Fund	Benefits payable	1.3 million	0.8 million	£0.06 million	1 million	0.77 million	£0.05 million

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.



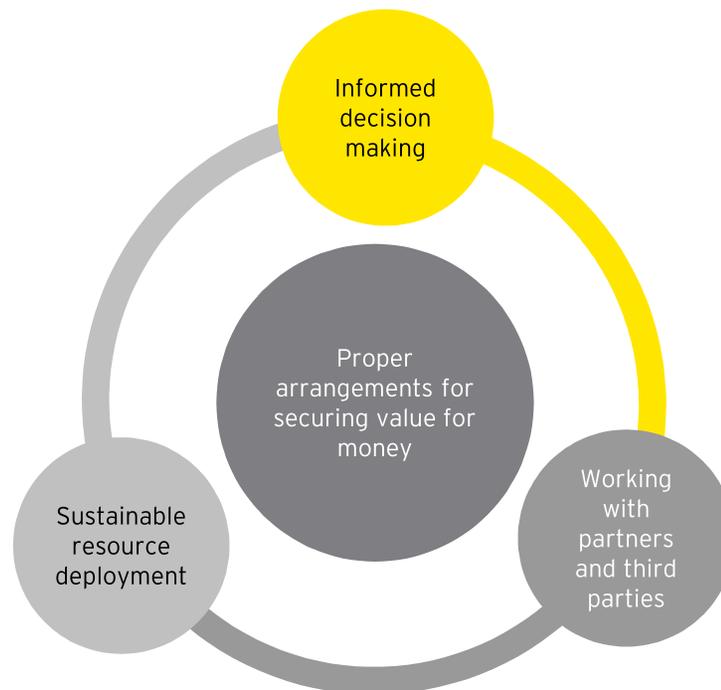
05 Value for Money

Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.



We identified one significant risk around regards financial resilience in relation to these arrangement. The tables below present our findings in response to the risks in our Audit Planning Report and any other significant weaknesses or issues we want to bring to your attention.

As a result of the work we have performed, we have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Value for Money (cont'd)

We issued an unqualified value for money conclusion on 16 September 2019.

Significant Risk	Conclusion
<u>Securing financial resilience</u>	We have performed the following procedures:
<p>The PCC and CC continues to face significant financial challenges in the medium term.</p> <p>The January 2018 medium term financial plan (MTFP) shows that projected funding gap from 2019/20 to 2022/23 as £9 million. This was eliminated in part by the February 2019 MTFP which reported the use of £5.1m of reserves.</p> <p>The remaining gap was closed by the precept increase for 2019/20 £24.00 (from £12).</p> <p>Actions have therefore been taken to address plans to mitigate the risk.</p>	<ul style="list-style-type: none">▶ Reviewed the MTFP including the adequacy of the major assumptions;▶ Reviewed the arrangements that the PCC and CC has put in place for identifying the medium term savings requirement.▶ Undertook a sensitivity analysis of past and current activity on the level of general fund and available to use reserves. <p>Based on the results of our procedures we are satisfied that appropriate arrangements are in place to address this significant risk.</p>



06 Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

The PCC and CC is below the specified audit threshold of £500million. Therefore, we did not perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the PCC and CC's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

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

Report in the Public Interest

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

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

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the PCC and CC to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.



Other Reporting Issues (cont'd)

Objections Received

We did not receive any objections to the 2018/19 financial statements from members of the public.

Other Powers and Duties

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

Independence

We communicated our assessment of independence in our Audit Results Report to the JARAP Committee on 24th July 2019 and subsequently up to 16th September 2019. 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 regulatory and professional requirements.

Control Themes and Observations

It is the responsibility of the PCC and CC to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Policing Body has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



07 Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the PCC and CC is summarised in the table below.

Standard	Issue	Impact
IFRS 9 Financial Instruments	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>We have considered the PCC and CC implementation plan and preparedness for IFRS 16. The PCC and CC have already considered their completeness of leases and identifying those that may require reclassifying. We therefore believe the PCC and CC is well placed to address the implications of IFRS 16.</p> <p>However, what is clear is that the PCC and CC will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The PCC and CC must therefore ensure that all lease arrangements are fully documented.</p>
IFRS 15 Revenue from Contracts with Customers	<p>The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>This introduces;</p> <ul style="list-style-type: none"> - new definitions of assets, liabilities, income and expenses - updates for the inclusion of the recognition process and criteria and new provisions on derecognition - enhanced guidance on accounting measurement bases - enhanced objectives for financial reporting and the qualitative aspects of financial information. <p>The conceptual frameworks is not in itself an accounting standard. However, an understanding of concepts and principles can be helpful to preparers of local authority financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.</p>	<p>It is not anticipated that this change to the Code will have a material impact on Local Authority financial statements.</p> <p>However, PCC and CC will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.</p>

A close-up photograph of a person's hand reaching into a filing cabinet to touch a folder. The cabinet is filled with numerous folders of various colors (yellow, orange, blue, white) and sizes, each containing stacks of papers. The background is a textured, light-colored wall.

08 Audit Fees

Audit Fees

In our Annual Planning Report and Audit Results Report we highlighted that we would plan to and did carry out additional work to complete the audit and would seek to agree an additional fee with the PCC and CC Chief Financial Officer. In the table below we summarise our current position on fees and the next steps.

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19
	£	£	£
Total PCC Fee - Code work	TBC	£24,971	£32,430
Total CC Fee - Code work	TBC	£11,550	£15,000
Additional fee - Jointly Controlled Operations	£5,000	£5,000	£4,965
Total fees	TBC	£36,521	£52,395

All fees exclude VAT

The final fee for 2018/19 will be subject to additional fees for work carried out in response to significant risks and change of scope, specifically the work identified in this report, covering:

- Work undertaken in order to provide assurances to the auditors for East Midlands PCCs and CCs on the work we have undertaken at Leicestershire where they act as host to jointly controlled operations.
- Additional pensions procedures as a result of the McCloud and GMP judgements, as well as the actual asset position compared with the estimated position;
- Significant risks included within the Report; and
- Resolving, documenting and reporting errors within the financial statements as reported both to Members and officers.

We will discuss and agree these extra fees with management in this case the PCC and CC Chief Financial Officer and we will provide an update to JARAP and PCC, CC. Any additional fees are subject to approval by the PSAA.

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This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

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**The Police & Crime Commissioner
for Leicestershire /
Chief Constable of Leicestershire
Constabulary**

Final version Audit results report

October 2019

Year ended 31 March 2019

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y'.

Building a better
working world



Police and Crime Commissioner and Chief Constable
Leicestershire Police
Leicester
LE19 2BX

Updated Annual Results Report

1 October 2019

We are pleased to attach our audit results report. This report summarises the conclusion of the audit of the Police and Crime Commissioner for Leicestershire (PCC) and Chief Constable of Leicestershire Constabulary (CC) 2018/19. This follows my verbal update to the JARAP meeting on the 24th July 2019.

We issued an unqualified audit opinion on the financial statements in the form at Section 3 dated 16th September 2019. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources. Our revised report will be presented in the 23 October 2019 meeting.

This report is intended solely for the use of the PCC and the CC, JARAP and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

Yours faithfully

Neil Harris
Associate Partner
For and on behalf of Ernst & Young LLP
Encl

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This report is prepared in the context of the Statement of responsibilities. It is addressed to the the PCC for Leicestershire and CC of Leicestershire Constabulary, JARAP and management 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.

professional institute. We can provide further information on how you may contact our professional institute.



01 Executive Summary

Executive Summary

Scope update

In our audit planning report tabled at the 25 April 2019 JARAP meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- ▶ The Government Actuary's Department ("GAD") has been able to estimate the potential impact of various age discrimination cases. The impact related to the transitional protection granted to certain members as part of the 2014/15 changes to the LGPS, Police and Fire schemes (the "McCloud" judgement) and gender discrimination (relating to Guaranteed Minimum Pensions (GMP)). The Supreme Court denied the Government leave to appeal. The decision therefore creates a constructive obligation as at the balance sheet date which would increase the liability of the Pension Fund. Therefore we requested the PCC and CC to request of its actuaries revised actuarial reports to effect the adjustment to the financial statements. We extended our audit procedures to review management's consideration of the judgment and applied sensitivity analysis to the amendments made by the actuaries in response to the McCloud/Sargeant judgments for the LGPS scheme.
- ▶ We have needed to engage Pensions specialist resource to review the assumptions and apply sensitivity analysis to the amendments made to the Police Pension Fund. We have now completed our audit procedures in this area.
- ▶ The PCC and CC have also considered the result of the Lloyds Bank High Court case, whereby all pension schemes must equalise Guaranteed Minimum Pensions between males and females. We have extended our audit procedures to review management's consideration of the judgement, the revised amendments following its updated actuarial report and applied sensitivity analysis.
- ▶ At the time of issuing actuarial reports, the actuary estimates the Pension Fund asset value as at the 31 December. There can be material movements in asset values to the final position. The PCC and CC also commissioned a revised actuarial report with asset values at 31 March 2019. We have extended our procedures to review the variance between the two figures to assess the changes in the estimate for the PCC's and CC's share of Pension Fund Assets.
- ▶ We have reported the results of our work in Section 2 of this Report.

Executive Summary

Scope update

Changes in Materiality

- ▶ We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment.
- ▶ Based on our materiality measure of 2% gross expenditure on provision of services, we have updated our overall materiality assessment:
 - The PCC Group has decreased to £5.5 million (Audit Planning Report – £5.6 million); and
 - The CC Single Entity has decreased to £5.4 million (Audit Planning Report – £5.5 million).
- ▶ Based on our materiality measure using 2% of gross assets, we have updated our overall materiality assessment:
 - The PCC Single Entity has increased to £2.2 m (Audit Planning Report – £1.9 million).
- ▶ The Police Pension Fund materiality has increased to £1.3 million (Audit Planning Report - £1 million) based on 2% of the higher of Benefits Payable/Contributions Receivable
- ▶ This results in updated performance materiality levels, set at 75% of overall materiality, of £4.1 million; £4 million; £1.66 million; and £0.8 million for the PCC Group; CC Single Entity; PCC Single Entity; and Police Pension Fund respectively.
- ▶ Thresholds for reporting uncorrected misstatements have been updated to £275k; £268k; £110k and £56k for the PCC Group; CC Single Entity; PCC Single Entity; and Police Pension Fund respectively.



Executive Summary

Status of the audit

We have completed our audit of the PCC and CC's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Audit Planning Report. We are issuing an unqualified opinion on the PCC's and CC's financial statements in the form which appears at Section 4.

We are issued the audit certificate at the same time as the audit opinion.

Audit differences

There are no unadjusted audit differences arising from our audit.

In common with other local authorities, the Authority has made changes to the draft accounts in relation to pensions. These changes reflect information received after the preparation of the draft accounts. Firstly, it has updated the value of LGPS pension assets which has reduced pension assets by £4.546 million. Secondly, it has increased the net defined benefit pension liability by £114.312 million (LGPS: £3.71 million, Police: £110.602 million). This follows information received in July from the pension fund actuary in respect of the impact of national issues on age and gender discrimination (commonly known as the McCloud case) and also GMP.

The Force has also included a Contingent Liability in relation to the potential costs associated with the Independent Inquiry into Child Sex Abuse (IICSA) and why these cannot be reliably estimated at this stage. We have corroborated management's judgement that a contingent liability disclosure is appropriate under IAS37.

Executive Summary

Areas of audit focus

Our audit plan identified key areas of focus for our audit of the Authority's financial statements. We summarise below our latest findings.

Area of audit focus	Findings & conclusions
Valuation of other land & buildings & investment properties	We have engaged our Real Estates team for one asset and have completed our testing and identified no issues to report.
Pension liabilities	We have completed our work for the Police Pension Fund following the Authority's update to the accounts to reflect the change in the value of assets and liabilities for scheme assets and the implication of the McCloud and GMP judgements.
Implementation of new accounting standards	We have considered management's impact assessment and are satisfied that the Authority has implemented the new standards appropriately.

This report sets out our observations and conclusions on the above matters, and any others identified, in the "Areas of Audit Focus" section of this report. We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues; and
- ▶ You agree with the resolution of the issues; and there are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to your attention

Executive Summary

Control observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified the following significant risk:

- Sustainable resource deployment: the PCC's and CC's arrangements for the achievement of savings needed to address the budget shortfall over the Medium Term given the financial challenges the PCC and CC faces over the next three to four years.

From our work, we determined that the PCC and CC had adequate arrangements to respond to the risks of securing its medium to longer term financial resilience.

Other reporting issues

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

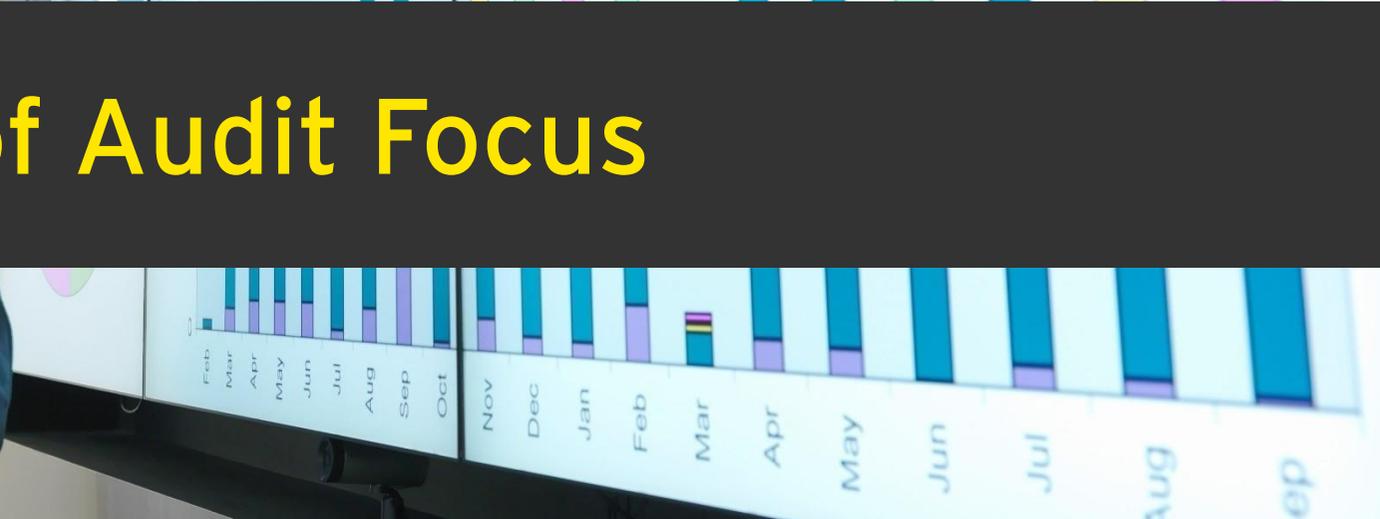
The PCC and CC complied with the 2015 Accounts and Audit Regulations in their notice of audit.

We are not reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission as the PCC Group falls below the £500 million threshold for review as per the NAO's group instructions.

We have no other matters to report.

Independence

Please refer to **Section 9** for our update on Independence. We have no independence issues to bring to your attention.



02

Areas of Audit Focus



Areas of Audit Focus

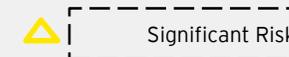
Significant risk

Risk of misstatement due to fraud or error (including Incorrect capitalisation of Revenue Expenditure and Revenue Expenditure Financed through Capital under Statute) (Management Override)

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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.



What judgements are we focused on?

We focused on aspects of the financial statements where management could inappropriately inflate income or understate expenditure, primarily reviewing:

- Undertook an identification of fraud risks during the planning stages, and inquired of management about risks of fraud and the controls put in place to address those risks.
- Gained an understanding the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud and determined an appropriate strategy to address those identified risks.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- Obtained an understanding of how the transactions and balances for each jointly controlled operation are identified, recorded and classified in the Leicestershire PCC and CC general ledger.
- Obtained a breakdown of how the transactions and balances for each jointly controlled operation are allocated by Leicestershire PCC and CC to each East Midlands PCCs and CC.
- Tested a representative sample of transactions and balances for jointly controlled operations (expenditure and where appropriate assets and liabilities) to ensure that these relate to collaborative arrangements and are appropriately apportioned to each of the East Midlands PCCs and CCs in accordance with the underlying collaboration (or section 22 agreements).

For the incorrect classification of revenue spend as capital as well as revenue expenditure under statute we undertook the following:

- Sample tested additions to property, plant and equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised; and
- Sample tested expenditure classed as REFUS, ensuring that it meets the criteria for this treatment.

In addition, to inform our audit work, we reviewed the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.



Areas of Audit Focus

Significant risk (cont.)

What did we do?

In response to this risk, we:

- Identified fraud risks during the planning stages.
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Gained an understanding the oversight given by those charged with governance of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

What are our conclusions?

- We obtained the responses we requested from management and those charged with governance and used these to inform our understanding of fraud risks. We noted that key elements of the entity level control framework that we would expect to see, especially arrangements for internal audit, counter fraud and risk management, were in place.
- Our walkthrough testing included considering what controls are in place to address significant risks. We confirmed that these controls were in place, although our approach was not to rely on controls.
- We have not identified any material weaknesses in controls or evidence of material management override.
- We have not identified any instances of inappropriate judgements being applied.
- We have not identified any material misstatements from the incorrect capitalisation of expenditure items.
- Our work on collaborative arrangements in respect of the allocation of income and expenditure has not identified any material errors.



Areas of Audit Focus

Significant risk (cont.)



Further details on procedures/work performed

We focused on the following judgemental areas:

- **Capitalisation of revenue expenditure**

Our approach focussed on selecting a sample of additions in year and testing these to supporting evidence to confirm that these items were correctly accounted for as capital, in line with the accounting standards. We have not identified any additions that were incorrectly capitalised.

- **Collaboration**

We reviewed the underlying allocation of expenditure in the PCC's and CC's own accounts against agreements in place. As the same EY auditor undertook the collaboration work across all sites we have not had recourse to write separately to auditors as regards significant streams of expenditure not controlled by Leicestershire

- **Appropriateness of manual journals**

We selected a sample of manual journals and tested the items through to supporting evidence. We reviewed the business rationale for the manual journals for reasonableness and checked the accounting entry. We have not identified any material issues from our journals testing.



Areas of Audit Focus

Other areas of audit focus - Pension Fund Liability

What is the area of focus?	What did we do?	Our Conclusions
<p>Pension Liability Valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require extensive disclosures within the financial statements regarding membership of the Local Government Pension Scheme administered by Leicestershire County Council and the Police Pension Scheme.</p> <p>The information disclosed is based on the IAS 19 reports issued to the PC and CC by the actuaries to the Leicestershire Pension Fund and also 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</p>	<p>Local Government and Police Pension Schemes</p> <p>We have:</p> <ul style="list-style-type: none"> • Updated our documentation of management’s processes and controls over pension expenditure and deduction of employer and employee contributions; • Liaised with the auditors of Leicestershire Pension Fund and Police Pensions (i.e. Grant Thornton), to obtain assurances over the information supplied to the actuary in relation to Leicestershire Police; • Reviewed the work of the Local Government actuary (Hymans Robertson LLP) and the Police Pension actuary (Mercer) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team to ensure they are in our expected range; and • Reviewed and tested the accounting entries and disclosures made within the PCC and CC’s financial statements to ensure consistency with the IAS 19 entries in both actuarial reports. • Considered the effect of both McCloud judgement and Guaranteed Minimum Pensions (GMP) equalisation and tested the revised actuarial assumptions and adjustments. • Reviewed the process of quantifying the effect of equalisation by the pension fund, including from detailed and ‘granular’ calculations of the actuaries. <p>Police Pension Scheme (only)</p> <p>We have:</p> <ul style="list-style-type: none"> ▶ Tested a sample of lump sums and pension payments for new Police pensioners; ▶ Completed a predictive analytical review for both the pensions payroll and employees and employers pension contributions; ▶ Assessed management’s arrangements to reconcile the active and pensioner membership numbers. 	<p>Our Conclusions</p> <p>We engaged our Pensions specialists to support us in the review of assumptions used by the actuaries within the PCC’s and CC’s updated actuarial reports for the McCloud and GMP judgements. We also reviewed the movement on the total fund asset values.</p> <p>The impact of these changes has been to increase the pension fund liability by £118.858m million from £2,163.703 million and £2,282.561 million.</p> <p>Management has amended the financial statements to reflect these increases, see Section 3 for the adjustments. Management has also removed the contingent liability disclosure relating to McCloud and GMP as the sums have now been accounted through the Accounting for Pension Costs Notes in the financial statements.</p> <p>From our testing of assumptions and sensitivity analysis, we have not identified any remaining issues with the updated accounting entries and disclosures made within the financial statements for the Local Government Pension Scheme or Police Pension Scheme.</p>



Areas of Audit Focus

Other areas of audit focus – Valuation of Land and Buildings

What is the area of focus?	What did we do?	Our Conclusions
<p>Valuation of Land and Buildings</p> <p>The fair value of Property, Plant and Equipment including assets held for sale, represent significant balances in the Group accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>We have</p> <ul style="list-style-type: none">▶ Considered the work performed by the PCC’s valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;▶ Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;• Considered the circumstances that require the use of EY valuation specialists to review any material specialist assets and the underlying assumptions used;▶ Considered changes to useful economic lives as a result of the most recent valuation; and▶ Tested that accounting entries have been correctly processed in the financial statements.	<ul style="list-style-type: none">• We found the PCC’s external valuer to be appropriately qualified with the relevant skills to perform the valuation analysis.• We engaged EYRE to review one asset and found that the valuation was undertaken in accordance with relevant financial reporting guidance, and the key assumptions used in the valuation were appropriate and within an acceptable range. We also completed our own sample testing of key asset information and assumptions used by the valuer with no significant matters arising.• The asset valuations was undertaken in line with the PCC’s accounting policies.• We were satisfied that the classification of assets reported in the financial statement is materially correct.



Areas of Audit Focus

Other matters

IFRS 16 implementation plan and preparedness:

The implementation of IFRS 16 to the local Government Code of Practice is for the 2020/21 financial year, the below link provides information from CIPFA on the new leasing standard.

<https://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/local-authority-leasing-briefings>

The PCC and CC has begun to identify and classifying leases, although the impact of applying the code is not yet known.

In addition, changes have been made to the CIPFA/LAASAC Code for 2019/20.

We have not identified any material impact for the PCC and CC at this stage, but we will continue to discuss the changes and impacts with management, including;

- Treatment of the Apprenticeship Levy
- Updated guidance on IFRS 9 Financial Instruments
- Clarifications for the disclosure requirements with respect to interests in entities holding Non-current Assets Held for Sale and Discontinued Operations



Areas of Audit Focus



Other matters

Assessment of new Accounting Standards

IFRS 9 financial instruments

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change;

- How financial assets are classified and measured;
- How the impairment of financial assets are calculated; and
- The disclosure requirements for financial assets.

We have:

- Assessed the PCC's and CC's implementation arrangements that will include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- Considered the classification and valuation of financial instrument assets;
- Reviewed new expected credit loss model impairment calculations for assets; and
- Checked additional disclosure requirements are met.

We did not identify any material errors or errors of disclosure from our audit work.

IFRS 15 Revenue from contracts with customers

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. The 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised. The impact on Police accounting is likely to be limited as large revenue streams like council tax and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

We have

- Assessed PCC's and CC's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- Considered application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- Checked additional disclosure requirements are met.

We did not identify any material errors or errors of disclosure from our audit work.



03 Audit Report



Audit Report

Audit report

Our opinion on the financial statements

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

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Leicestershire for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Police and Crime Commissioner for Leicestershire and Group Comprehensive Income and Expenditure Statement;
- Police and Crime Commissioner for Leicestershire and Group Balance Sheet;
- Police and Crime Commissioner for Leicestershire and Group Movement in Reserves Statement;
- Police and Crime Commissioner for Leicestershire and Group Cash Flow Statement
- Related notes 1 to 41; and
- Police and Crime Commissioner for Leicestershire Pension Fund Account Statements and related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Leicestershire and Group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19

Basis for opinion

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

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Audit Report

Our opinion on the financial statements

Other information

The other information comprises the information included in the Narrative Report set out on pages 1 to 7, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, the PCC put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014

We have nothing to report in these respects

Audit report

Our opinion on the financial statements

Responsibility of the Chief Finance Officer

As explained more fully in the “Statement of Responsibilities for the Accounts for the Police and Crime Commissioner” set out on page 8, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the PCC had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the PCC put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.



Audit Report

Audit report

Our opinion on the financial statements

We report if significant matters have come to our attention which prevent us from concluding that the PCC has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of the Police and Crime Commissioner for Leicestershire in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to PCC, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the PCC, for our audit work, for this report, or for the opinions we have formed.

Neil Harris (Key Audit Partner)
Ernst & Young LLP, (Local Auditor)
Luton
Date 16 September 2019

The maintenance and integrity of the PCC of Leicestershire's website is the responsibility of the PCC; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Audit Report

Audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF LEICESTERSHIRE

Opinion

We have audited the financial statements of the Chief Constable of Leicestershire for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Chief Constable of Leicestershire Comprehensive Income and Expenditure Statement;
- Chief Constable of Leicestershire Balance Sheet;
- Chief Constable of Leicestershire Movement in Reserves Statement;
- Chief Constable of Leicestershire Cash Flow Statement;
- and the related notes 1 to 22; and
- Chief Constable of Leicestershire e Pension Fund Account and related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Leicestershire as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19

Basis for opinion

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

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Audit Report

Audit report

Our opinion on the financial statements

Other information

The other information comprises the information included in the Narrative Report set out on pages 1 to 9, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, the CC put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects



Audit Report

Draft audit report

Our opinion on the financial statements

Responsibilities of the Chief Financial Officer

As explained more fully in the "*Statement of Responsibilities for the Accounts for the Chief Constable of Leicestershire*" set out on page 10, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the CC had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the CC has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.



Audit Report

Audit report

Our opinion on the financial statements

We report if significant matters have come to our attention which prevent us from concluding that the CC has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the CC's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of the CC in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the CC in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the CC for our audit work, for this report, or for the opinions we have formed.

Neil Harris (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton

Date 16 September 2019

The maintenance and integrity of the CC's website is the responsibility of the CC; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04 Audit Differences





Audit Differences

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

Summary of adjusted differences

We highlight the following misstatements in the financial statements greater than £275k for the PCC Group; £268k for the CC Single Entity; £110k for PCC Single Entity and £56k for the Police Pension Fund identified during the audit. These have been corrected by management:

As noted in the Executive Summary is a national issue has resulted in a relatively late change to the accounts and IAS19 liability disclosure. It relates to legal rulings regarding age discrimination (commonly known as the McCloud case) and gender discrimination (relating to Guaranteed Minimum Pensions - GMP). Since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27th June 2019 which rejected the Government's appeal against the McCloud ruling, which suggested that the amounts relating to the rulings should be able to be fully calculated and so included the IAS 19 liability disclosed within the financial statements. The actuary has now estimated the impact of the McCloud ruling and GMP for the Authority.

We have corroborated within a reasonable range the actuaries revised assumptions and adjustments to Police Pension Fund in the financial statements. The impact of the adjustments is decreasing pension fund assets of LGPS by £4,546,000 and increasing the net defined benefit pension liability reported by:

- LGPS: £3,710,000
- Police Pension: £110,602,000

As well as some other related disclosure changes, including changes to the disclosure of sources of estimation uncertainty and post balance sheet events, have also been made.

The Force has also made disclosure in relation to the Independent Inquiry into Child Sexual Abuse (IICSA) which will investigate whether public bodies and other non-state institutions have taken seriously their duty to protect children from sexual abuse in England and Wales. The Janner strand of the enquiry is due to be heard in the window from 3rd to 21st February 2020. The PCC will be required to fund the legal costs of former officers as well as those of the Chief Constable in representing the interests of the Force. However at this stage a reliable estimate of these costs cannot be made at this time and therefore it has been disclosed as a contingent liability. Once a reliable estimate can be made it is likely that an earmarked reserve will be set up for this purpose. We have corroborated the disclosure and this is appropriate to account for a Contingent Liability.

There were no uncorrected misstatements.



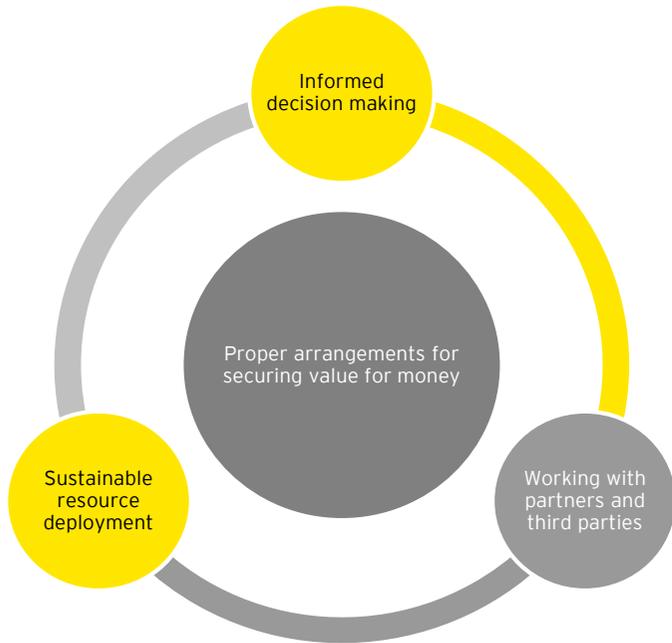
05

Value for Money Risks





Value for Money



Background

We are required to consider whether the PCC and CC have put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

At the early planning stage of the audit we identified one significant risk regarding the PCC and CCs financial resilience. We obtained further information from the PCC and CCs financial team on the assumptions set out in the medium term financial strategy and completed a qualitative and quantitative assessment of the PCCs and CCs financial resilience. This did not highlight any further significant concerns and as a result we determined at the execution phase of the audit that the risk on the PCC and CCs financial resilience was no longer a significant audit risk.

We have undertaken appropriate procedures and concluded that we have no matters to include in the auditor's report about your arrangements to secure economy efficiency and effectiveness in your use of resources and have issued an unmodified opinion.

Our findings are in the table below.



Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>Securing financial resilience The PCC and CC continues to face significant financial challenges in the medium term.</p> <p>The January 2018 medium term financial plan (MTFP) shows that projected funding gap from 2019/20 to 2022/23 as £9 million. This was eliminated in part by the February 2019 MTFP which reported the use of £5.1m of reserves.</p> <p>The remaining gap was closed by the precept increase for 2019/20 £24.00 (from £12).</p> <p>Actions have therefore been taken to address plans to mitigate the risk.</p>	<p>Sustainable resource deployment</p>	<p>We have only undertaken initial procedures as set out in our audit strategy. This is because in updating our work upon receipt of the financial statements, the current levels of reserves at 31 March 2019 means that financial resilience is not a risk to our VFM conclusion for 2018/19. Therefore we have not reviewed plans to identify future savings and the level of reported savings delivered in year. We have undertaken the following audit work:</p> <p>The key assumptions made within the 2019/20 annual budget The process for setting the PCC’s and CC’s budget is sound. We concluded that the MTFP identifies the key assumptions expected to underpin the 2019/20 budget. Management use scenario planning effectively to provide guidance to the PCC and CC to make decisions on the level of precept to set. The Treasury Management report alongside the MTFP also considers the impact of Brexit within its assumptions. Our work also covered discussions with the Head of Change to understand the PCC and CC transformation plan, and a review of the extensive work currently being undertaken. The expected conclusion of the transformation plan is that there will be more efficiencies which will translate to cost savings that will support the medium to long term financial plan.</p> <p>An assessment of the sensitivity of those assumptions underlying the 2019/20 MTFS Using sensitivity analysis, taking into account the PCC’s and CC’s history of under and overspends, past savings achieved, planned use of reserves (Budget Equalisation Reserve (BER) £8.9m at 31/3/2019) in 2019/20 to 2021/22 and dependency on innovative income streams, we have determined that the PCC and CC should have retained sufficient general reserves above its minimum level to address any remaining risks to its future budgets and financial plans.</p> <p>Summary of the Medium Term financial Plan for 2019/20 to 2021/22 As a result, the updated MTFS currently assumes no budget gaps and presents a balanced budget throughout this period.</p> <p>We do note that the current use of the BER reserve to support the budget will not be a sustainable strategy beyond 2021/22 financial year. It will be important for the PCC and CC to use the outcome of its change and transformation plans to develop the ongoing savings and efficiencies required to maintain a balanced budget and adequate level of reserves beyond the 2021/22 financial year. We will revisit this area in our 19-20 audit.</p>



06 Other reporting issues



Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the 2018/19 Statement of Accounts with the audited financial statements. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the 2018/19 Statement of Accounts and published with the financial statements was consistent with the audited financial statements. We also have no matters to report on the Annual Governance Statement which was consistent with our knowledge.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

As the PCC Group falls below the £500 million threshold for review as per the NAO's group instructions, we are not reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the PCC's and CC's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have nothing to report on these matters.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the PCC and CC to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice.

Our responsibility as your auditor is to consider whether the PCC and CC have put adequate arrangements in place to satisfy themselves that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



08

Data Analytics



Use of Data Analytics in the Audit

Data analytics

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

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

In 2018/19, our use of these analysers in the PCC's and Cc's audit included testing journal entries and to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.



09

Independence

Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning report dated 13 February 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. 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 which you should review, as well as us. It is important that the PCC and CC consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence.

Independence

Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and its PCC and CC and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats. There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed below has been provided on a contingent fee basis.

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

Independence

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19
	£	£	£
Total PCC Fee - Code work	TBC	£24,971	£32,430
Total CC Fee - Code work	TBC	£11,550	£15,000
Additional fee - Jointly Controlled Operations	£5,000	£5,000	£4,965
Total fees	TBC	£36,521	£52,395

The final fee for 2018/19 will be subject to additional fees for work carried out in response to significant risks and change of scope, specifically the work identified in this report, covering:

- Work undertaken in order to provide assurances to the auditors for East Midlands PCCs and CCs on the work we have undertaken at Leicestershire where they act as host to jointly controlled operations.
- Additional pensions procedures as a result of the McCloud and GMP judgements, as well as the actual asset position compared with the estimated position;
- Significant risks included within the Report; and
- Resolving, documenting and reporting errors within the financial statements as reported both to Members and officers.

We will discuss and agree these extra fees with management. The additional fees are subject to approval by the PSAA



10 Appendices

Appendix A

Required communications with the Audit Committee

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

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Governance and Performance Working Group 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.	Audit Planning Report - 25 April 2019
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Planning Report - 25 April 2019
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial 	Audit Results Report - 24 July 2019 and 16 September 2019

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ 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 	No conditions or events were identified, either individually or together to raise any doubt about the PCC's and CC's ability to continue for the 12 months from the date of our 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 ▶ Material misstatements corrected by management 	Audit Results Report - 24 July 2019 and 16 September 2019
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Governance and Performance Working Group to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to the Governance and Performance Working Group responsibility. 	Audit Results Report - 24 July 2019 and 16 September 2019

Appendix A

		Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Audit Results Report - 24 July 2019 and 16 September 2019
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Planning Report - 25 April 2019 and</p> <p>Audit Results Report - 24 July 2019 and 16 September 2019</p>

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
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. 	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Audit Results Report - 24 July 2019 and 16 September 2019
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit Results Report - 24 July 2019 and 16 September 2019

Appendix A

		Our Reporting to you
Required communications	 What is reported?	  When and where
Group Audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	Audit Results Report - 24 July 2019 and 16 September 2019
Written representations	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit Results Report - 24 July 2019 and 16 September 2019
Material inconsistencies or misstatements	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report - 24 July 2019 and 16 September 2019
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - 24 July 2019 and 16 September 2019
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Planning Report - 25 April 2019 and Audit Results Report - 24 July 2019 and 16 September 2019

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