

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

**Auditor's Annual Report
Year ended 31 March 2021**

March 2023



EY

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Contents

Section	Page
01 - Executive Summary	02
02 - Purpose and responsibilities	05
03 - Financial statements audit	07
04 - Value for Money	14
05 – Other reporting issues	27
Appendix A – Fees	30

Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated April 2018)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Joint Audit Risk and Assurance Panel and management of The Police and Crime Commissioner for Leicestershire and The Chief Constable for Leicestershire in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Joint Audit Risk and Assurance Panel and management of The Police and Crime Commissioner for Leicestershire and The Chief Constable for Leicestershire those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Joint Audit Risk and Assurance Panel and management The Police and Crime Commissioner for Leicestershire and The Chief Constable for Leicestershire for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

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

Section 1

Executive Summary



Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
Opinion on The Police and Crime Commissioner for Leicestershire	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our auditor's report on 26 August 2022.
Going concern	We have concluded that the Temporary Chief Finance Officer's, for the PCC, and the Chief Financial Officer, for the CC, use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the annual report and other information published with the financial statements	Financial information in the annual report and published with the financial statements was consistent with the audited accounts.
Area of work	Conclusion
Reports by exception:	
Value for money (VFM)	We had no matters to report by exception on the Authority's VFM arrangements. We have included our VFM commentary in Section 04.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Authority.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

Executive Summary: Key conclusions from our 2020/21 audit

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

Outcomes	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	We issued an Audit Results Report dated 27 April 2022 to the Joint Audit Risk and Assurance Panel and a revised and final one on 25 August 2022.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have not yet issued our certificate for 2020/21 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. Nationally, the process remains open and the NAO still have the right to request additional information. Once further guidance is received we will conclude our procedures and look to issue our certificate.

Fees

We carried out our audit of the Authority's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in relation to; the significant and fraud risks and the areas of audit focus identified in our audit plan. In addition we performed additional procedures in relation to the new value for money code, the impact of Covid-19 and the going concern assessment and disclosures, and the revised auditing standard for estimates. We include details of the status of our audit fees in Appendix 1.

We would like to take this opportunity to thank the Authority's staff for their assistance during the course of our work.



Hayley Clark

Partner

For and on behalf of Ernst & Young LLP

Section 2

Purpose and responsibilities



Purpose and responsibilities

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

Purpose

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

Responsibilities of the appointed auditor

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

As auditors we are responsible for:

Expressing an opinion on:

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

Reporting by exception:

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

Responsibilities of the Authority

The Authority is responsible for preparing and publishing its annual report and accounts and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

Financial Statement Audit



Financial Statement Audit

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

Key issues

The Annual Report and 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.

On 26 August 2022, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 27 April 2022 Joint Audit Risk and Assurance Panel meeting. We issued our final report detailing our findings on 25 August 2022. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
Misstatements due to fraud or error The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK) 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.	We did not identify any: • material weaknesses in controls or evidence of material management override; • transactions during our audit which appeared unusual or outside the normal course of business; or • instances of inappropriate judgements being applied.
Risk of fraud in revenue and expenditure recognition Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. In respect of income and expenditure we consider that the risk for 2020/21 is most focussed around those items that are non-routine and involve management estimation and judgement such as accruals. The risks predominantly relate to the following areas: 1. Income from sales, fees and charges (£8.8m). 2. Inappropriate capitalisation of revenue expenditure specific to PPE additions (£7.9m) including assets under construction and expenditure for intangible fixed assets (£0.7m additions).	Our testing did not identify any material misstatements from revenue and expenditure recognition in respect of the specific judgements that we focused on (income from sales, fees and charges and inappropriate capitalisation of revenue expenditure specific to PPE additions).

Financial Statement Audit (continued)

Significant Risk	Conclusion
Valuation of Property, Plant and Equipment The fair value of Property, Plant and Equipment (PPE) including assets held for sale, represent significant balances in the Group accounts and are subject to valuation changes and impairment reviews which are based on assumptions and judgements. The risk is if the these are inappropriate this could result in a material impact on the financial statements. This has been assessed as significant risk in this financial year due to the PCC commissioning a change of external valuers.	For those assets revalued in the year, supported by our EY Real Estate Specialists (EYRE), we were able to conclude that the values determined by management and included within the draft financial statements specialists fell within an acceptable range, We noted that for two of the valued properties i.e. Beaumont Leys and Keyham Lane police stations, management used a market approach for specialised facilities such as cell blocks which represented a portion of the building. We were able to conclude that a market approach remained supportable for the valuations as at 31st March 2022 in relation to the office or administration areas of the building but highly specialised facilities such as cell blocks, if being valued as operational property (i.e. not surplus), should be assessed through a depreciated replacement cost approach. The impact of not valuing the specialised facilities such as the cell blocks is not material to our audit opinion. We recommend that management revisit the basis of the valuations of these assets with their external valuer for the 2021/2022 financial statements to ensure that a significant proportion of the sites still have service and market potential. Our work in assessing the competence of capability of the valuer did not identify any issues to bring to your attention. The PCC has undergone a detailed desktop exercise and this has been supported by appropriate working papers on request from the valuer. Our testing of journals found the items in our risk based sample to be appropriately supported and correctly entered into the general ledger. Our testing of floor plans i.e. key asset information used by valuers in performing their valuation did not identify any misstatements. We reviewed the changes in the useful lives of assets as a result of revaluation exercise and did not identify any inconsistencies. This has been supported by the work performed by EY real estate specialists.

Continued over.

The Police and Crime Commissioner and Chief Constable for Leicestershire

Financial Statement Audit (continued)

In addition to the significant risks above, we also concluded on the following areas of audit focus.

Other area of audit focus	Conclusion
Collaborative arrangements The Chief Constable (CC) participates in a number of Jointly Controlled Operations (JCO) or Collaborations with other East Midlands Forces. These are used to deliver services within the Forces. The share of cost to Leicestershire is different depending on the number partaking in the JCO. There is also combination of JCO's being hosted by either Leicestershire or Derbyshire. Given the volume of transactions being accounted for across the 5 Forces that participate across the JCO's and their value, we consider there to be a risk associated with the accuracy of the information being reported and accounted for (i.e. the measurement/valuation, completeness and presentation and disclosure of balances included in the financial statements).	We did not identify any significant issues in our testing.
Pension Liability Valuation 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. The information disclosed is based on the IAS 19 report issued to the PCC and CC by the actuaries to the County Council and also the Police Pension Fund. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	We completed our review of the actuary, accounting entries and disclosures and carried out procedures to assess the assurance provided by Hymans Robertson LLP and the Police Pension actuary (Mercers) over the information supplied to the actuary in relation to the PCC and CC. We engaged our EY Pensions Specialist to recalculate the pension liability based on the assumptions and data in the IAS 19 report to confirm accuracy. Having implemented these checks we did not identify significant misstatements.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
Going Concern Compliance with ISA 570 Covid-19 has created a number of financial pressures throughout Local Government. Dependent on the circumstances of the individual body it is creating financial stress in either or a combination of increasing service demand leading to increased expenditure in specific services, and reductions in income sources. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19. There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in Chief Financial Officers using their s114 powers. This could be under s114(3), insufficient resources to fund likely expenditure. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS 1, Presentation of Financial Statements. The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Council's assessment will also need to cover this period.	We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as going concern. Management have prepared a going concern assessment which they used to form the basis of the disclosure included within the financial statements. We are satisfied that the disclosure note appropriately sets out the circumstances surrounding the financial implications prevalent at the date of authorisation of the financial statements.

Financial Statement Audit (continued)

Audit differences

We identified one error in assets under construction where an asset should have been transferred out in 2019/20 rather than 2020/21 and the subsequent adjustment made in depreciation amounting to £190,710. The error was not corrected in the financial statements.

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	We determined planning materiality to be 1.8% of gross expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority. Level of materiality as follows: <table><tr><th>Authority</th><th>Amount</th></tr><tr><td>Group</td><td>£6,228,280</td></tr><tr><td>CC</td><td>£6,024,160</td></tr><tr><td>PCC</td><td>£2,173,380</td></tr></table>	Authority	Amount	Group	£6,228,280	CC	£6,024,160	PCC	£2,173,380
Authority	Amount								
Group	£6,228,280								
CC	£6,024,160								
PCC	£2,173,380								
Reporting threshold	We communicated to the Joint Audit Risk and Assurance Panel that we would report to the Panel all uncorrected misstatements relating to primary statements (comprehensive income and expenditure statement, balance sheet, movements in reserves statement, cash flow statement) as follows: <table><tr><th>Authority</th><th>Amount</th></tr><tr><td>Group</td><td>£311,000</td></tr><tr><td>CC</td><td>£301,208</td></tr><tr><td>PCC</td><td>£108,669</td></tr></table>	Authority	Amount	Group	£311,000	CC	£301,208	PCC	£108,669
Authority	Amount								
Group	£311,000								
CC	£301,208								
PCC	£108,669								

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

- ▶ **Cash/bank balance:** We audited all disclosures and undertook procedures to confirm material completeness
- ▶ **Related party transactions, officers remuneration and exit packages.** We audited all disclosures and undertook procedures to confirm material completeness

A photograph of two business professionals in a cafe setting. A man in a dark suit and tie is seated at a dark table, looking down at a document and writing with a pen. A woman, partially visible on the left, is using a laptop. A smartphone lies on the table next to the document. The background shows a blurred cafe interior with arched windows and other patrons.

Section 4

Value for Money

Value for Money (VFM)

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

Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our VFM risk assessment to the 21 October 2021 Joint Audit Risk and Assurance Panel meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Authority and committee reports, discussions with management and evaluation of associated documentation and knowledge of sector-wide issues that may affect the Authority. We reported that we have not identified risks of significant weakness in the Authority's VFM arrangements.

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

Reporting

We completed our planned VFM arrangements work in August 2022 and did not identify any significant weaknesses in the Authority's VFM arrangements. As a result, we had no matters to report by exception in the audit certificate.

Our VFM commentary highlights relevant issues for the Authority and the wider public.

VFM Commentary

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

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

The Authority has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Introduction and context

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

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

For the purpose of this commentary, OPCC means Office of the Police and Crime Commissioner, OCC means Office of Chief Constable and the Authority refers to the combined organisations.

Financial sustainability

For 2020/21, based on our review of Authority minutes, documents and reports presented at relevant Committee meetings, the Authority has appropriate arrangements in place to enable it to carry out its plan and manage its resources effectively. This ensures that the Authority can continue to deliver its services.

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Head of Finance meets with the financial management team on a monthly basis and makes contact with Budget Holders on a regular basis. The Head of Finance attends the 4/6 weekly SMT meetings where items that have been highlighted by the budget holders and finance teams will be discussed further to ensure all relevant parties are aware.

The Head of Finance and Chief Finance Officer attend the Major Governance Board meetings and provide insight and comments to the papers. In addition, Executive Group chaired by the Chief Finance Officer meets monthly to discuss financial implications as a result of budget holder and SMT meetings.

Every year a Force Management Statement is prepared, provides a summary for the Force position, which compliments the Business Plan for the force. The business plan outlines the preparation undertaken for the budgets and the risks that are facing the force that are leading to budgetary pressures.

Any financial pressures identified are recognised in the Medium Term Financial Plan (MTFP). Stress testing is performed as part of the process to determine what the impact would be. The MTFP is then taken to the Corporate Governance Board (CGB) for approval. The purpose of the board is to monitor quarterly the position with regards to costs; growth bids; realignment; maintain emerging pressures; sign posting costs that could materialise.

Financial sustainability (continued)

How the body plans to bridge its funding gaps and identifies achievable savings

The MTFP presented to the Police and Crime Panel on 5th February 2020 shows funding gaps as follows:

- 2021/22 - (£3.2m)
- 2022/23 - (£6.4m)
- 2023/24 - (£7.1m)
- 2024/25 - (10.0m)

The MTFP does not reflect savings to bridge the funding gaps. OPCC plans to use the Budget Equalisation Reserve (BER) to balance the budget. As of 31 March 2021, the BER has balance of £13.6m and the Commissioner plans to use £9.6m to balance the budget for the years 2021/22 to 2022/23.

OPCC and CC has a Reserves Strategy in place which sets the following guiding principles when managing the reserves.

- General fund reserves should be in the range of 2% to 5% of the total net budget (between £4.0m and £10.0m based on the 2020-21 budget).
- The BER can be used to support the budget but there must be a strategy to move reliance away from the reserve over a period of time.
- Other earmarked reserves should only be used for specific time limited projects, to provide financial cover for potential future financial liabilities and for 'invest to save' projects.
- Ongoing reliance should not be placed on reserves to deal with the funding of financial deficits and a clear plan should be in place to move reliance away from one off reserves.
- There should be an annual review of reserves.

The OPCC and OCC has also considering increase in precepts/council tax to help ease the budget gap.

The Authority has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Financial sustainability (continued)

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The budget and MTFS is focused on the priorities contained within the Police and Crime Plan 2017-2021 and Strategic Policing Requirement. The Police and Crime Plan 2017-2021 outlines the services that are required to be provided and the available funding to do so i.e. grants and or precept monies. Around 96% of the funding is returned back to the Force. Other funds are retained by the Commissioner to run OPCC and to support capital programme.

The OPCC and OCC has a performance management framework, performance plans, targets and performance monitoring focused on achieving the objectives set out in the Plan. These are discussed in the following meetings:

- Performance Delivery Group (PDG);
- Crime and Operations Effectiveness; and
- Strategic Assurance Board

In addition, financial reporting is in place, which routinely projects end of year outturn positions to allow early corrective action or highlight reinvestment opportunities.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The MTFP is aligned to all other plans including the budget plan for the current year and the following year as much as possible based on available information and data.

The Chief Finance Officer has worked closely with the Force finance team throughout the year during the budget monitoring process and in the preparation of the budget for 2020-21. In respect of the budget, this has included (but was not limited to), the identification and agreement of assumptions and methodology and challenge and scrutiny of the budget workings. In addition, where the CFO has sought clarification, or changes, these have been discussed and amendments made where appropriate.

The Commissioner, together with his Senior Management Team have held regular discussions with the Chief Constable and his Chief Officers throughout the year, particularly prior to and throughout the budget preparation process and the announcement and interpretation of the Settlement. This has resulted in a number of full and robust discussions of the budget requirement, the national and local operational and financial challenges, the precept options available and a review of the MTFP and associated risks.

Furthermore, there has been a significant degree of scrutiny and challenge undertaken by the Commissioner and his team, prior to and during, the Strategic Assurance Board at which, agreement of the Force budget for 2020-21 between the Commissioner and the Chief Constable was reached.

Incorporated also in the MTFP are the OPCC's and OCC's Capital Strategy, Capital Programme and Treasury Management Strategy.

The Authority has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Financial sustainability (continued)

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The OPCC and OCC maintains a risk register. All risks including financial risks are reported in the risk register. The risk register is monitored and updated regularly to ensure that risks are controlled and mitigated. In addition, the risk register is regularly reported with the Corporate Governance Board and Joint Audit, Risk and Assurance Panel meetings.

Financial risks identified are incorporated during the budget setting and the development of medium-term financial plan. The OPCC and OCC present a budget plan to the Strategic and Assurance Board and Joint Audit Risk and Assurance Panel meetings with its underlying assumptions. The assumptions used are also challenged and scrutinise during these meetings.

The Authority has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

The financial performance of the OPCC and OCC is monitored through monthly budget monitoring reports that are discussed and reviewed by the Corporate Governance Board, Strategic Assurance Board and Joint Audit, Risk and Assurance Panel. Any material budget variances are reviewed in detail and reported through this robust governance framework, with appropriate action taken to understand the implications of variances and to take corrective action where necessary to manage the financial impact to the organisations as part of this good financial management and control.

Governance

For 2020/21 the Authority had the expected arrangements in place to ensure that it made informed decisions and properly managed its risks

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The OPCC and OCC has Corporate Governance Framework in place which covers the following Financial Regulations and Standing Orders to ensure that transactions are made in accordance with the core principles as highlighted in the International Framework: Good Governance in the Public Sector:

- Section A Financial Management Framework
- Section B Financial Planning and Control
- Section C Management Risk and Resources
- Section D Systems and Procedures
- Section E External Arrangements
- Section F Contract Standing Orders
- Section G Delegated Limits
- Section H Guidance Notes on Breach of Standing Orders and Financials Regs
- Section I Anti-Fraud and Corruption Strategy and Response Plan

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

The Corporate Governance Framework is reviewed by the Strategic Assurance Board on an annual basis at a minimum. In addition, they are also responsible on overseeing its implementation on a regular basis.

In addition to the above, the OPCC and OCC has an internal audit contract arrangement with Mazars to perform internal control review to gain assurance over the effectiveness of the Authority's internal control. An internal control review is undertaken on an annual basis and focuses on the services or areas determined as significant by management. In the Internal Annual Audit Report for 2020/21, out of 15 audits undertaken, Mazars provided 9 significant level of assurance reports, 5 satisfactory level of assurance reports and 1 limited level of assurance report. This limited level of assurance related to IT Security.

The results of internal controls review are reported and presented to the Joint Audit, Risk and Assurance Panel.

Governance (continued)

How the body approaches and carries out its annual budget setting process

OPCC and OCC has a risk-based approach to budget setting which sought to align the budget process with identified strategic operational priorities and risks as outlined in the Police and Crime Plan and Strategic Policing Requirement and in consideration of the risks identified in the regular meetings of Finance Team, Senior Leadership Team and different committees/boards.

There is a budget setting process undertaken through 'Budget Build Plan'. The document outlines the following:

- Financial Challenge
- Capital Programme
- MTFP
- Key Risk Areas
- Reserves
- Detailed Guidance (consultation to budget holders)
- Timescales
- The Approach (Devolved Budget Setting)
- Police Staff Pay
- Non-pay Budgets
- Regional Budgets
- Budgets Requiring Specific Evidence
- Departmental / Corporate Risks
- Appendices (timetable, responsibilities, reserves, MTFP, pressures and savings, turnover savings)

Financial challenges are reported to the Corporate Board and Directorate Lead and would appear as an item on the agenda for the Executive Committee.

After the above process, the budget is presented and reported to the following board or committees for approval and scrutiny:

- Executive Committee
- Strategic and Assurance Board
- Police and Crime Panel
- Joint Audit, Risk and Assurance Panel

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

Governance (continued)

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

The OPCC and OCC has Corporate Governance Framework which sets out the rules for budgetary control. The Monitoring Officer has a statutory role as the S151 Officer (Chief Finance Officer). Regular monitoring is undertaken by the finance teams.

There is oversight over budgetary control via the use of Agresso and the internal controls that exist within the system. There are segregation of duties across the team and internal audit reviews in place to consider weaknesses in controls. Regular bi-monthly and monthly reviews are conducted where actual and forecast positions are reviewed for accuracy. Any material budget variances are reviewed in detail and reported through this governance framework, with appropriate action taken to understand the implications of variances and to take corrective action where necessary to manage the financial impact to the organisations as part of this good financial management and control.

Internal audit has conducted a review of budgetary control and provided recommendations and actions plans as a result which have been reported to the Joint Audit, Risk and Assurance Panel. In addition, Corporate Services monitor the status of the internal audit reports recommendations. The Corporate Services coordinate the responses, when the recommendation will be implemented by and provide quarterly updates to Joint Audit, Risk and Assurance Panel. The recommendations are collated into one document and reported to Joint Audit, Risk and Assurance Panel when corrective action is determined.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.

The OPCC and OCC's Corporate Governance Framework provides a Scheme of Consent and Delegation. This Scheme of Consent and Delegation provides a framework which ensures the business is carried out efficiently, ensuring that decisions are not unnecessarily delayed. It forms part of the overall corporate governance framework and should be read in the context of the aforementioned statement and code.

The Scheme of Consent and Delegation also details the key roles of the Police and Crime Commissioner, the Chief Executive, the Chief Constable and the Chief Finance Officers.

Joint Audit Risk and Assurance Panel which consists of five independently appointed individuals scrutinise the effectiveness of risk management and internal control arrangement, the integrity of financial reporting, and the effectiveness of the governance arrangements. Joint Audit, Risk and Assurance Panel holds quarterly meetings and received all Internal Audit, External Audit and Management reports and updates for scrutiny.

Joint Audit, Risk and Assurance Panel will hold private meetings, as necessary if they have concerns that require immediate attention and action. Minutes of meetings held by Joint Audit, Risk and Assurance Panel are available on the website for transparency. In addition, significant decisions made by the Strategic Assurance Board are also made available on the website.

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

Governance (continued)

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

The OPCC and OCC has a monitoring officer to ensure their compliance with law and legislation. In addition, the OPCC and OCC has established policy where key members have to disclose their gift and hospitality in Joint Audit Risk and Assurance Panel meetings and make declaration of interest disclosures on a yearly basis.

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

Improving economy, efficiency and effectiveness

For 2020/21 the Authority had the expected arrangements in place for using information about its costs and performance to improve the way it manages and delivers services

How financial and performance information has been used to assess performance to identify areas for improvement

Performance and financial information are reviewed together as they in most if not all cases impact on each other. Under and over performance is identified by the finance team and investigated with the budget holders to understand why the performance and financial information is not aligned.

There is a new Strategic Performance Board held monthly where the KPI 's are reviewed by the Chief and chaired by the Deputy Chief Constable.

Weekly assessments are performed by the Corporate Services Lead - looking at how to improve and be better. Any problems identified are challenged by the lead to the directorate involved. The monthly monitoring report is used to identify any areas of concern by the finance team so there are a number of angles that can challenge performance.

How the body evaluates the services it provides to assess performance and identify areas for improvement

The key roles of the Police and Crime Commissioner among others include the setting of the strategic direction and objectives of the Leicestershire Police service through the Police and Crime Plan following consultation with the Strategic Assurance Board and the Police and Crime Panel and monitoring the performance of the Force against the agreed priorities.

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The PCC and Chief Constable meet at the Strategic Performance Board where the performance and financial reports are taken. Regional audit reports are prepared across the East Midlands regarding collaboration.

There is a management board for each collaboration to monitor performance whereby a representative attends from each Force. The frequency of management board meetings depends on the nature of the collaboration, for example Leicester and Rugby meet twice a year to discuss the HR arrangements.

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

Improving economy, efficiency and effectiveness (continued)

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

The OPCC and OCC has a procurement function; there is a strategy, a plan, a budget and rigorous process in place. The Procurement team are sufficiently experienced and have the appropriate training to enable them to ensure the team are compliant with laws and regulations.

There are also internal financial control procedures in Agresso that ensure that the correct procurement procedures are undertaken, when a number is processed to raise a requisition, the order will go to the procurement team for review/to check against contracts. Any orders made inappropriately would be identified via the monthly monitoring reports.

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

A blurred background image of a business meeting. Several people in professional attire are gathered around a wooden conference table. A woman with blonde hair is in the foreground, looking intently at a document on the table. Other people's hands and arms are visible, some resting on the table. The scene is brightly lit, suggesting an indoor office environment with large windows.

Section 5

Other Reporting Issues

Other Reporting Issues

Governance Statement

We are required to consider the completeness of disclosures in the Authority's governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

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

Whole of Government Accounts

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. We will liaise with the Authority to complete this work as required.

Report in the Public Interest

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

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

Other powers and duties

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

Control Themes and Observations

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

We have adopted a fully substantive approach and have therefore not tested the operation of controls. Our audit did not identify any controls issues to bring to the attention of the Joint Audit Risk and Assurance Panel.

We considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.

Appendix A

Audit Fees



Audit Fees

Our fee for 2020/21 is in line with the audit fee agreed and reported in our Audit Planning Report (21 October 2021) and Audit Results Report (25 August 2022).

	Estimated Final Fee 2020/21 £	Planned Fee 2020/21 £	Final Fee 2019/20 £
Total PCC Fee	24,971	24,971	24,971
Total CC Fee	11,550	11,550	11,550
Scale Fee Variation	TBC (b)	TBC (b)	14,716 (a)
			51,237

(a): In our Annual Audit Letter, we communicated to PCC / CC, that the scale fee was impacted by a range of factors which resulted in additional work in 2019-20. We communicated our proposed fee variation to PSAA, who determined a fee variation of £14,716. All fees exclude VAT.

(b): The 2020/21 work will also include a scale fee variation for the additional work required in the following areas:

- New requirements of the NAO Code of Audit Practice on Value for Money arrangements, which PSAA have set out minimum fee range of between £6,000-£11,000
- Additional audit work to respond to ISA540 which PSAA have set out a minimum fee range of £2,500.
- Additional audit work required to address significant audit risks and audit differences, agreed amendments set out in this report.
- Additional audit work required to address enhanced requirements from professional and regulatory standards and expectations.

We will set out to management our proposed fee variation and submit this to PSAA for approval.

As per the Redmond Report, local government external audit fees have not kept pace with regulatory change. We believe that changes in the work required to address professional and regulatory requirements and scope changes associated with the risk of the organisation mean that as of 2019 the scale fee for the Group should more realistically be set at a level of £94k. The scale fee is set by PSAA Limited.

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