

Police and Crime Commissioner
and Chief Constable of
Nottinghamshire Police

Audit results progress report

Year ended 31 March 2019

14 February 2020



Building a better
working world



Private and Confidential

14 February 2020

Dear Paddy and Craig

We are pleased to attach our audit results progress report for the forthcoming meeting of the Joint Audit and Scrutiny Panel. This report summarises our preliminary audit conclusion in relation to the audit of the Police and Crime Commissioner and Chief Constable for Nottinghamshire for 2019/20.

We have progressed our audit of the Police and Crime Commissioner and Chief Constable for Nottinghamshire (the PCC and CC) for the year ended 31 March 2019 but at the time of writing there are a number of areas where work remains ongoing. This has resulted from a number of resourcing constraints on both our part, and that of the PCC and CC finance teams. We continue to work with management to bring the audit to a conclusion.

This report is intended solely for the use of the Joint Audit and Scrutiny Panel, other members of the PCC and CC, 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.

We welcome the opportunity to discuss the contents of this report with you at the meeting of the Joint Audit and Scrutiny Panel on 24 February 2020.

Yours faithfully

Neil Harris

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



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.psaa.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 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 statute, and covers matters of practice and procedure which are of a recurring nature.

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

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



01

Executive Summary

Executive Summary

Scope update

In our audit planning report tabled at the 29 May 2019 Joint Audit and Scrutiny Panel meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We are carrying out our audit in accordance with this plan.

Status of the audit

We have substantially completed our audit procedures in respect of cash, borrowings, investments, collaboration disclosures, taxation and non-specific grant income, employee costs and usable reserves. Work on the following areas has commenced, but is not yet complete:

- Property, plant and equipment
- PFI
- Pension testing
- Other income (specifically CC)
- Creditors and Debtors sample testing
- Officers' remuneration and exit packages

We will be undertaking further fieldwork in w/c 17 February, and will provide an update to the Audit and Scrutiny Committee following that work.

Throughout the course of our audit procedures, various required changes to the accounts have been noted and made by management. Prior to concluding the audit, we will require a final version of the financial statements and a signed management representation letter. Once the audit opinion is signed, we will complete the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

Audit differences

To date we have identified a number of adjustments (set out in section 4) which have been discussed with management and we understand are likely to be corrected in the final financial statements. We will update the committee with the final position on the conclusion of our audit procedures.



Executive Summary

Objections – delete if not applicable

We have received no objections to the 2019/20 accounts from members of the public.

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of the Police and Crime Commissioner and Chief Constable for Nottinghamshire's financial statements. This report sets out our observations to date. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" 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
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

At the time of writing, there are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Police and Crime Commissioner (PCC) and Chief Constable (CC).

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

During the audit we identified a number of observations and improvement recommendations in relation to management's financial processes and controls:

- Working papers to support the financial statements (particularly in respect debtors/creditors, income and expenditure) were not readily available to show a breakdown of the items included in the year end reported positions.
- Multiple versions of accounts and confused version control. This has meant that working papers provided for audit do not always agree to the final version of accounts, and there is a lack of clarity over who is responsible for certain disclosure notes,



Executive Summary

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 Planning Report we identified the following significant risk:

- Take informed decisions and sustainable resource deployment in respect of Multi-Force Shared Services (MFSS): the adequacy of arrangements for governance and risk management for the implementation of new financial systems at the CC (Project Fusion).

In addition, after we had begun the audit of the financial statements, we increased the scope of our VFM Conclusion work to include a significant risk around:

- Taking informed decisions and working with partners and third parties: the PCC's and CC's arrangements for the governance and decision making processes concerning Joint Police and Fire Headquarters with the Nottinghamshire Fire and Rescue Authority.

We have also reviewed the financial standing of the PCC and CC:

- Sustainable resource deployment: the PCC's and CC's budgeting arrangements for achieving a sustainable financial position given an overall net overspend of £0.854 million and the use of £1.4m use of reserves to support the overrun on the MFSS budget in 2018/19 and anticipated use of earmarked reserves of £7.257 million by 31 March 2022.

We have undertaken appropriate procedures and anticipate we will have no matters to include in the auditor's report about your arrangements to secure economy efficiency and effectiveness in your use of resources as regards the Joint Police and Fire Headquarters with the Nottinghamshire Fire and Rescue Authority and financial resilience. We are, however, awaiting further information in respect of the joint Headquarters on the financial and legal advice received. We will update our findings within the final report.

However, we anticipate issuing a modified opinion in respect of the significant overspend on Project Fusion in 2018/19 of £2 million against a £2.2 million budget . Our key considerations are outlined in section 6.

Executive Summary

Other reporting issues

We have requested several amendments to the PCC and CC Annual Governance Statement as a result of our work (See Section 6). The PCC and CC are in the process of responding to these suggestions. We have no other matters to report as a result of this work.

We have also reviewed the PCC's and CC's Narrative Report for consistency with the financial statements and our knowledge. We have made observations for enhancing the context within the Report, The PCC and CC are in the process of responding to these suggestions. We have no other matters to report as a result of this work.

We do not anticipate 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.

Independence

Please refer to Section 10 for our update on Independence.



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

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.

Under ISA240 there is also a presumed risk that revenue may be misstated due to improper recognition of revenue. 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. We consider this risk is not material in relation to our audit.

What judgements are we focused on?

For the Group and PCC Single Entity, we have identified the potential for the incorrect classification of revenue spend as capital as a particular area where there is a risk of fraud or error.

What did we do?

- We identified fraud risks during the planning stages;
- We inquired of management about risks of fraud and the controls put in place to address those risks;
- We gained an understanding the oversight given by those charged with governance of management's processes over fraud;
- We considered the effectiveness of management's controls designed to address the risk of fraud;
- We determined an appropriate strategy to address those identified risks of fraud;
- We performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements;
- We are testing PPE additions to ensure that expenditure has been capitalised appropriately with a sample size reflective of the risk; and
- We are specifically considering how the PCC and CC have made judgements on whether to accrue or provide against known litigations, claims and costs. An example which we are discussing with management is the PCCs share of any costs associated with delays or changes to the MFSS project.

What are our conclusions?

In our work to date, 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.

Our testing of PPE additions is not yet complete, but no issues have been found to date.

We have challenged management on the treatment of potential liabilities for MFSS costs arising from Avon & Somerset leaving the partnership. Currently there is no provision recognised or contingent liability disclosed in the Nottinghamshire financial statements. We are conscious of the need for consistency and are benchmarking this against the Northamptonshire police position (where a contingent liability is disclosed in relation to this matter). It is our understanding that management intend to disclose a contingent liability in the final financial statements.



Areas of Audit Focus

Inherent risk

Private Finance Initiatives

What is the risk?

The PCC has two PFI Schemes, being the provision and maintenance of the Riverside building and of the vehicle fleet. Correctly accounting for PFI schemes involves transactions which are derived from operating models for which assumptions and changes need to be updated accurately and reflected in the financial statements. There is a risk that disclosures in the financial statements are not consistent with the assumptions within the PFI operating model.

What did we do?

We:

- Engaged an EY Specialist to test the completeness and accuracy of the inputs to the financial model and the subsequent correct application of the outputs to the financial statements; and
- Reviewed the consistency of the accounting transactions and disclosures with the PFI model.

What are our conclusions?

Our PFI specialist has reviewed the agreements covering the Riverside building and the vehicles fleet and the accounting models which underpin the financial statements.

The findings are due shortly for discussion with management before finalising our work. The key areas to discuss will cover:

- Riverside:
 - The process for the repayment of the liability given that calculations assign all the minimum lease rentals to costs of finance; and
 - The fair value of the opening liability based on a revaluation rather than the costs of construction.
- Vehicles:
 - The decision to account for the vehicles an operating lease as the original agreement indicates that control remains with the PCC indicating that the PFI should be on balance sheet.



Areas of Audit Focus

Inherent risk

Valuation of Land and Buildings

What is the risk?

The fair value of property, plant and equipment (PPE), Council Dwellings and investment properties (IP) represent significant balances in the Group's 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.

What did we do?

We:

- Considered the work performed by the Group and PCC 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 of Practice. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries have been correctly processed in the financial statements.

What are our conclusions?

Our work in this area is ongoing.



Areas of Audit Focus

Inherent risk

Pension Liability Valuation

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the PCC and CC to make extensive disclosures within their financial statements regarding its membership of the Local Government Pension Scheme and the Police Pension Fund. The PCC and CC's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the respective balance sheets of the PCC and CC.

The information disclosed is based on the IAS 19 report issued to the PCC and CC by the actuary to the administering body 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.

What did we do?

We:

- Liaised with the auditors of Nottinghamshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Nottinghamshire Police Force;
- Assessing the work of the LGPS Pension Fund and the Police Pension actuary 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; and
- Reviewing and testing the accounting entries and disclosures made within the PCC and CC's financial statements in relation to IAS19.

In addition, with respect to the Police Pension scheme, we have engaged the support of our EY Actuarial team to review the assumptions and calculations of the actuary with respect to the McCloud adjustment.

What are our conclusions?

Our work in this area remains ongoing. However, our pension specialist has reviewed the McCloud impact and indications are that it sits within an acceptable range, but this is subject to partner review at the time of writing.



Areas of Audit Focus

Inherent risk

Collaboration disclosures

What is the risk?

Joint arrangements operate with partners across the East Midlands. There is a risk that the allocation of activity in the financial statements is not correctly recorded in their financial statements.

What did we do?

We have:

- Reviewed the underlying allocation of expenditure in the Authority's own accounts against agreements in place; and
- Sought further assurance from external auditors at the other Police Authorities over any significant stream of expenditure not controlled by Nottinghamshire.

What are our conclusions?

We have noted no issues as a result of our work.



Areas of Audit Focus

Inherent risk

Multi-Force Shared Service (MFSS)

What is the risk?

The Chief Constable of Cheshire Constabulary hosts a collaborative shared service covering Human Resources, Accounts, Purchasing and Payroll for the PCC and CC. Our interim audit work highlighted few PCC and CC controls surrounding the transactions to and from the MFSS. The PCC and CC do not commission an ISAE3402 assurance report covering controls and risk management from the CC of Cheshire Constabulary. Without an ISAE3402 report basis, there is a risk that we do not have a basis for identifying and assessing the risks of material misstatement

What did we do?

We have carried out a range of procedures to update our knowledge of the MFSS, including:

- Discussing with PCC and CC finance staff to understand the oversight by the participating bodies of the MFSS (governance and controls);
- Reviewing reports by the PCC's and CC's Internal Auditors to review references to procedures at the MFSS; and
- Visit the MFSS to view specific records or carry out testing such as reconciliations of GL data to system data.

We adopt a substantive approach to our audit of the PCC and CC. This involves the direct testing of income, expenditure and balance sheet transactions within the financial statements.

In assessing the control environment at the PCC and CC and MFSS, we assessed the initiation, recording, processing and reporting of a single transaction within each significant financial system, identifying the controls that exist and testing relevant controls.

Having tested transactions at the PCC and CC, a clear boundary existed where we were unable to test processing and recording. Without an independent ISAE3402 assurance report to assess controls at MFSS, we therefore visited MFSS to complete our work.

What are our conclusions?

From the work that we undertook at both the PCC, CC and MFSS, for each significant financial system we were able to:

- Identify the initiation of a transaction,
- Determine how the transaction had been recorded in the relevant account;
- Follow how transaction had been processed; and
- Check MFSS staff had reconciled the general ledger and subledger data.

During 2018/19, Internal Audit assessed as satisfactory the adequacy and effectiveness of internal controls for core financial systems for General Ledger, Treasury Management, Income and Debtors but assessed as limited for Payroll and Payments for Creditors with priority 2 recommendations for updating procedures, payroll processing times and payment authorisation limits.

As such we have no matters to report from our work. However, the PCC and CC may wish to consider in future the value of an ISAE3402 assurance report which would provide comprehensive coverage and reporting of controls covered by shared services.



Other Areas of Audit Focus



IFRS 9 and IFRS 15

What is the risk/area of focus?

IFRS 9 financial instruments

This new accounting standard is applicable for local authority and police 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.

There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 9.

IFRS 15 Revenue from contracts with customers

This new accounting standard is applicable for local authority and police 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.

What did we do?

We:

- Assessed the Group and PCC'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 the classification and valuation of financial instrument assets;
- Reviewed new expected credit loss model impairment calculations for assets; and
- Checked additional disclosure requirements.

We:

- Assessed the Group, PCC and CC 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 Group, PCC and CC 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.

Results

No issues were noted as a result of our work.

No issues were noted as a result of our work.



Other Areas of Audit Focus



Inhouse preparation of accounts

What was the area of focus?

The closedown and preparation of the financial statements have been undertaken by the CCs finance team. This brings back in-house the preparation of accounts when in the prior year the PCC and CC used the CIPFA Big Red Button and encountered difficulties. We understand that a manual process will be completed to ensure the accounts comply with the CIPFA Code of Practice. We identified risks that:

- There is not sufficient capacity and resilience to meet the closedown timetable;
- There is not adequate arrangements in place for management quality assurance and review of the financial statements and supporting working papers prior to audit;
- A manual process could result in areas of non-compliance with the CIPFA Code or risk a material error or omission of key disclosures; and
- There are delays or slippage in delivering data for analytics work or in providing good quality working papers and responses to our audit queries.

What have we done?

- Assess the robustness of the PCC and CC accounts closedown timetable. We noted that PCC and CC were operating and monitoring a timetable covering the expected areas. The Finance Team met the 31 May deadline for publication of the draft accounts.
- We have continually assessed the capacity and resilience of the PCC and CC teams to respond to our requests for data, information and address audit queries. The Finance Team responded promptly to our requests including our analytics data and supporting evidence for our income and expenditure testing for the start of our interim audit. At the end of the interim audit visit, the Finance Team were left working through a number of queries raised on income and expenditures testing for return once the final accounts have been prepared.
- Subsequent review of 31 May draft accounts by management identified various significant quality issues. Work then commenced to correct these issues, and a revised set of accounts was presented for audit.
- To date we have received 3 versions of the accounts (we understand there are 14 versions in existence). This has led to some degree of confusion as to which is the 'latest set' and has impacted the quality of supporting workpapers and information presented for audit.
- We have worked with management to progress the audit as quickly as possible against this backdrop, balancing the resourcing constraints within the PCC (and particularly CC) finance teams with our own constraints.

Given the current vacancy within the CC finance team, concern remains over the ability conclude the audit in a timely manner, alongside the requirement to produce, publish and present for audit, the 2019/20 financial statements.



03 Audit Report



Audit Report

Draft audit report (Group and PCC)

Our draft opinion on the group financial statements

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

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Nottinghamshire 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 Nottinghamshire and Group Comprehensive Income and Expenditure Statement;
- Police and Crime Commissioner for Nottinghamshire and Group Movement in Reserves Statement;
- Police and Crime Commissioner for Nottinghamshire and Group Balance Sheet;
- Police and Crime Commissioner for Nottinghamshire and Group Cash Flow Statement;
- related notes 1 to 8; and
- Police and Crime Commissioner for Nottinghamshire Police Officer Pension Fund Accounts and explanatory notes.

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 Nottinghamshire 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 Police and Crime Commissioner for Nottinghamshire 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.

Other information

The other information comprises the information included in the Financial Statements set out on pages 5 to 26, 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 Police and Crime Commissioner for Nottinghamshire put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.



Audit Report

Draft audit report (Group and PCC), continued

Our draft opinion on the group financial statements

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.

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities for the Statement of Account set out on page 19, 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 Police and Crime Commissioner 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 Police and Crime Commissioner 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 Police and Crime Commissioner 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.

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner 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.



Audit Report

Draft audit report (Group and PCC), continued

Our draft opinion on the group financial statements

Certificate

We certify that we have completed the audit of the accounts of the Police and Crime Commissioner for Nottinghamshire 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 Police and Crime Commissioner for Nottinghamshire, 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 Police and Crime Commissioner for Nottinghamshire, 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

The maintenance and integrity of the Police and Crime Commissioner for Nottinghamshire web site is the responsibility of the directors; 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.

Unadjusted audit differences

At the time of writing, we have not concluded our audit procedures, nor received final accounts. We list below those matters which have been identified as audit differences in the group accounts (and the relevant single entity) to date:

- No Net Assets Statement for the Police Pension Fund has been included, which is necessary as per the CIPFA code;
- Note 3.3 Movements in Unusable Reserves does not agree to Note 3.4 Unusable Reserves due to the incorrect figures for CIES/Adjustments Line being used;
- Presentation of bad debt provision of £123k under Note 4.11 should be moved to the Debtors Note and be presented as net of the total debtors in accordance with CIPFA Guidance in page 527;
- Adjustments should be made to the insurance provision in net cost claims (should be £937K, not the £1,168k disclosed) and additional provision (should be £966k, not the £1,139k disclosed). There is no impact on the beginning and ending balance of provision;
- Contingency disclosures with regards to Allard Reserve should be made in the CC Accounts as well as the Group;
- The Debtors & Creditors figures from their relevant notes in the financial statements have been input incorrectly within the Financial Instruments Outstanding table;
- £3.5m of payroll creditors has been misclassified within debtors.



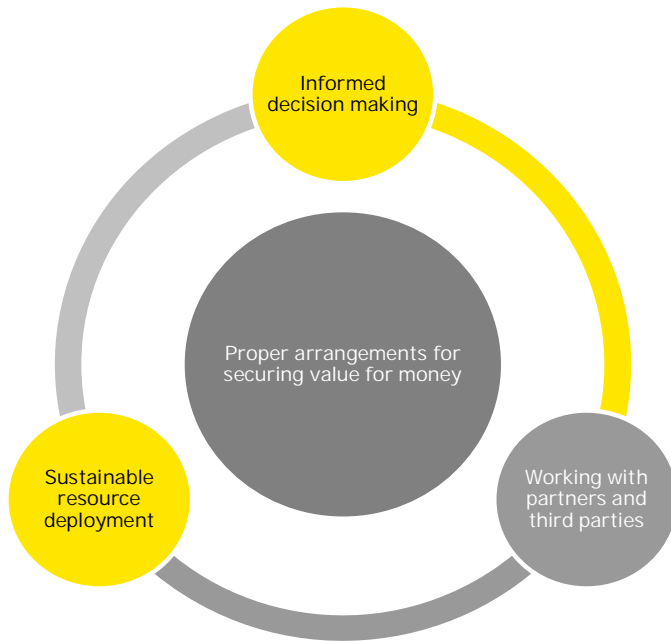
05

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 their 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 planning stage of the audit we identified one significant risk for taking informed decisions and sustainable resource deployment as regards the Multi-Force Shared Services (MFSS): the adequacy of arrangements for governance and risk management for the implementation of new financial systems at the CC (Project Fusion) We have noted the significant overspend on MFSS Project Fusion in 2018/19 of £2 million against a £2.2 million budget.

Since our planning procedures we increased the scope of our VFM Conclusion work to include a significant risk around the PCC's and CC's arrangements for the governance and decision making processes concerning the Joint Police and Fire Headquarters with the Nottinghamshire Fire and Rescue Authority. Pending the receipt of further information, we have no matters to include in the auditor's report to the PCC and CC.

From our work, we have determined that whilst financial resilience is not a significant risk to our VFM Conclusion, we have identified weaknesses as regards controlling expenditure and have reported our key considerations to you.

We have undertaken appropriate procedures and concluded that we expect to issue an "except for" conclusion in relation to the significant overspend on Project Fusion in 2018/19.



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.

We present below the findings of our work in response to additional risks identified since our audit planning report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
The Multi-Force Shared Services (MFSS) provides transactional back office services to Cheshire, Nottinghamshire and Northamptonshire Police and the Civil Nuclear Authority.	Take informed decisions Deploy resources in a sustainable manner	Our work in this area is substantially complete, pending receipt of documents relating to the monitoring of Project Fusion and budget position at MFSS Board. However, from the work undertaken to date, we expect to issue an “except for” conclusion in relation to the significant overspend on Project Fusion in 2018/19.
The PCC migrated to Oracle Cloud Applications (FUSION) in April 2019. is to offer expanded application functionality, real-time Business Intelligence and related modules all via Oracle Cloud Applications.		
However, the project was not implemented by the due date of April 2018 and has incurred significant budget overruns.		

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.

We present below the findings of our work in response to additional risks identified since our audit planning report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>In September 2018 and February 2019, The PCC and CC approved the development of a business case for a joint Police and Fire Headquarters at Sherwood Lodge, Arnold through a Limited Liability Partnership (LLP).</p> <p>The total estimated costs for the redevelopment of Sherwood Lodge is about £18.5m, of which the Authority is to contribute £4 million to be offset by the sale of the current Fire Headquarters.</p> <p>In progressing significant projects there are risks around arrangement for governance and coming to an informed decision</p>	<p>Take informed decisions</p> <p>Working with partners and other third parties</p>	<p>Please note that the following paragraphs are our provisional conclusions pending receipt of the documents to cover the reporting process to the PCCs and the legal and financial guidance received by the PCC and CC.</p> <p>Our audit work has focussed on the decision-making arrangements surrounding the decisions to redevelop the site at Sherwood Lodge and progress to the delivery model through an LLP. Our review of the arrangements found that to deliver the implementation of the joint Headquarters the management has:</p> <ul style="list-style-type: none"> • Sought specialist financial and legal advice to consider: <ul style="list-style-type: none"> • The governance structures which may be appropriate for the delivery of the joint Headquarters covering a contractual joint venture, a special purpose vehicles either for a company limited by shares and/or guarantee or through an LLP; and • Taxation and legal consequences of the preferred option for an LLP. • Considered reasons for not proceeding with the new build as advised but to progress a re-development of the site; • Managed the process through the Strategic Collaboration Board supported by the Collaborative Delivery Board and working group comprising Members, Chief Officers and officers of both organisations; <p>We concluded therefore that there was evidence of reasonable arrangements to inform the decision-making process. However, we note that the February 2019 report:</p> <ul style="list-style-type: none"> • Asked the PCC and CC to approve the move to the LLP. However, an LLP involves complex legal and taxation considerations of which the PCC and CC need to be aware before final decisions are taken. <p>We recommend that the PCC and CC in 2019/20 consider a summary of the final taxation and legal guidance received and the reasons for not pursuing other governance delivery options before pursuing the LLP model.</p>

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”

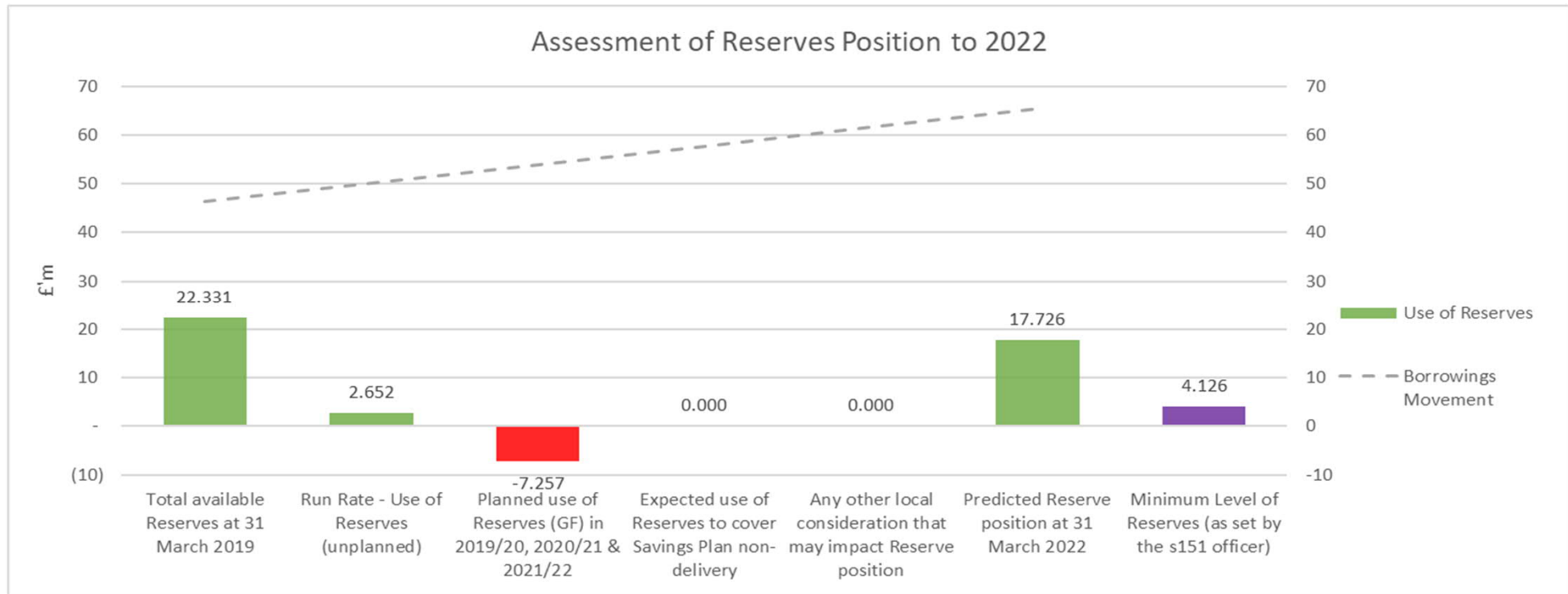
Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

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>Achievement of Savings Needed over the Medium Term</p> <p>In common with other Police bodies the PCC and CC is facing significant financial pressures in the medium term.</p> <p>In January 2019, the PCC and CC reported within the Medium Term Financial Plan (MTFP) that to balance the budget, efficiencies would be required of £3m and £3.2m by 31 March 2021 and 31 March 2022 respectively,</p> <p>In balancing the budget the PCC is planning to reduce earmarked reserves by £7.257m to fund capital projects.</p> <p>Achieving efficiencies and the ability to use reserves depends on strong budgetary control.</p>	<p>Sustainable resource deployment</p>	<p>The current levels of reserves at 31 March 2019 means that financial resilience is not a significant risk to our VFM conclusion for 2018/19. However, we report following from our initial review of financial resilience:</p> <p>The key assumptions made within the 2019/20 annual budget and Medium Term Financial Plan</p> <p>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. This includes recognising that there is a possibility that public sector expenditure will be impacted negatively by Brexit and considering a worst case scenario for police funding beyond 2019-20 and a potential requirement for future savings. We noted, however, that the MTFP could usefully scenario plan to provide guidance on how the PCC made decisions on the level of precept to set.</p> <p>An assessment of the sensitivity of those assumptions underlying the 2019/20 MTFS</p> <p>Using sensitivity analysis, taking into account the PCC’s and CC’s history of under and overspends over the past two years and planned use of reserves in 2019/20 to 2021/22, we have determined that the PCC and CC should have sufficient reserves above its minimum level of £4.126 million, being 2% of 2019/20 budgeted expenditure.</p> <p>Review of Outturn Against Budget</p> <p>The balanced budgets for 2019/20 to 2020/21 assume that the delivery of budgeted efficiencies would enable a reduction in earmarked reserves by £7.257m to £10.3m to fund capital projects. However, this would only be achieved if the PCC and CC achieve forecast income and expenditure budgets.</p> <p>Previously, the PCC and CC have reported significant outturn under or overspends from estimates. In 2016/17, the PCC had to take £9m from reserves as the CC did not deliver efficiency programmes and in-year budget omissions. In 2016/17 a revised policing model and efficiency monitoring led to the delivery of £12m efficiencies and £1m taken to reserves. In 2017/18, the net underspend of £2.4m was masked by expenditure overspends of £6.5m and unplanned income of £9m. In 2018/19, the net overspend of £0.854m resulted from overspends of £4m and unplanned income of £3.1m. The PCC also supported the MFSS overspend of £1.4m by the use of reserves.</p> <p>Such significant variances from expenditure budget may not be sustainable in future, especially if not matched by unplanned income. We also note that the MTFP identified that in its worst case scenario of government funding reductions, the PCC and CC would need to make savings of £2.8m and £5.7m. As well as identifying and addressing the causes of gross budget overspends, the PCC and CC could also plan savings programmes now to avoid the impact of adverse expenditure outturns and the use of reserves to support the budget in the future.</p>



Value for Money



Our Assessment

In our assessment we considered:

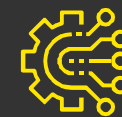
- The PCC's and CC's level of efficiencies to balance the General Fund budget is £3 million and £3.2 million in 2020/21 and 2021/22 respectively;
- The PCC's and CC's history of over or under spending on the General Fund budget over the past two years and the impact this trajectory would have on the use of General Fund reserves;
- The PCC's and CC's planned use of reserves in each of the next 3 years; and
- Reliance upon any income other than grant income which has not been confirmed post 2018/19, upon which the Authority is reliant.

The graph shows borrowing increasing by £19.086 million over the next three years based on the 2019/20 Reserves Strategy.

As a result of our assessment, we note that the PCC's and CC's calculated General Fund reserve balance at the 31 March 2022 of £17.726 million would remain just above the PCC's and CC's approved minimum level of £4.126 million (based upon 2% of budgeted expenditure), should the Authority not be able to deliver the savings to bridge the worst case budget gap scenario of £2.8 million and £5.7 million identified in the MTFP for 2020/21 and 2021/22.



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 Annual 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.

We have requested several amendments to the PCC and CC Annual Governance Statement as a result of our work. These cover ensuring that the Statements comply with the Code of Practice and that the statements and including disclosures covering governance arrangements with the MFSS and the overspend on MFSS . The PCC and CC are in the process of responding to these suggestions.

We have also reviewed the PCC's and CC's Narrative Report for consistency with the financial statements and our knowledge. We have made observations for enhancing the context within the Report, including further disclosure on the PCC's and CC's relationship with the MFSS, The PCC and CC are in the process of responding to these suggestions. We have no other matters to report as a result of this work.

We have also reviewed the PCC's and CC's Narrative Report for consistency with the financial statements and our knowledge. We have made observations for enhancing the context within the Report, The PCC and CC are in the process of responding to these suggestions. We have no other matters to report as a result of this work.

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.

We are currently concluding our work in this area and will report any matters arising to the Joint Audit and Scrutiny Panel.

Other reporting issues

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 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 [Authority]’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;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits



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 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.

Our main concern with respect to the preparation of the financial statements is the continued lack of permanent resource responsible for the preparation of annual accounts. Our experience to date has shown the following issues:

- Working papers to support the financial statements (particularly in respect debtors/creditors, income and expenditure) were not readily available to show a breakdown of the items included in the year end reported positions.
- Multiple versions of accounts and confused version control. This has meant that working papers provided for audit do not always agree to the final version of accounts, and there is a lack of clarity over who is responsible for certain disclosure notes,



08

Independence

Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 15 May 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 you and your Joint Audit and Scrutiny Panel consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Joint Audit and Scrutiny Panel on 24 February 2020.

Independence



Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY), the PCC and CC, their directors and senior management and affiliates, including all services provided by us and our network to the PCC and CC, their directors and senior management and 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 our services have 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 2019/20	Scale Fee 2019/20	Final Fee 2018/19
	£	£	£
Total Audit Fee – PCC Code work	TBD	27,119	35,220
Total Audit Fee – CC Code work	TBD	11,550	15,000
Total Audit Services	TBD	38,669	50,220
Non-audit work	-	-	-
Total	TBD	38,669	50,220

* The final fee for 2018/109 will be subject to additional fees for the work carried out in response to significant risks and change of scope, specifically the work identified in this report covering:

- Additional pensions procedures as a result of the McCloud and GMP judgements, and the engagement of EY Pensions;
- The engagement of PFI specialists;
- The VFM significant risks identified;
- Quality and version control of the financial statements presented for audit;
- Delays in audit readiness.

We will discuss these fees with management in the first instance, before agreeing them with you and requesting approval from Public Sector Audit Appointments (PSAA).







10 Appendices

Appendix A

Required communications with the PCC and CC

There are certain communications that we must provide to the PCC and CC. 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 PCC and CC of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • 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 audits 	Audit results report

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 [insert client name]'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
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the Joint Audit and Scrutiny Panel where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report
Fraud	<ul style="list-style-type: none"> • Enquiries of the PCC, CC and Joint Audit and Scrutiny Panel to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the PCC and CC • 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 PCC and CC, any identified or suspected fraud involving: <ul 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 PCC, CC & Joint Audit and Scrutiny Panel responsibility. 	Audit results report

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 PCC's and CC'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 PCC or CC 	Audit results report
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>	Audit Plan and Audit results report

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 PCC, CC and Joint Audit and Scrutiny Panel into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Joint Audit and Scrutiny Panel may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
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

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 Plan/audit results report
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<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
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
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 Results Report

Appendix B

Management representation letter

Draft Management representation letter for the Chief Constable (a separate, similar, representation letter will be required for the PCC/Group)

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Mr Neil Harris
Ernst & Young LLP
400 Capability Green
Luton LU1 3LU

Dear Neil,

This letter of representations is provided in connection with your audit of the financial statements of the Chief Constable for Nottinghamshire Police ("the CC") for the year ended 31 March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Chief Constable for Nottinghamshire Police as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

2. We acknowledge, as those charged with governance and members of management of the CC, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the CC in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As those charged with governance and members of management of the CC, we believe that the CC has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the CC's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the CC (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the CC's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the CC's activities, its ability to continue to operate, or to avoid material penalties;

Management representation letter (continued)

Management Rep Letter

- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the CC and committees, including the Joint Audit Committee, (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 27 January 2020.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the CC's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the CC has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and confirm there are no guarantees that we have given to third parties.

E. Subsequent Events

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

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Going Concern

1. We are not aware of any matters that are relevant to the CC's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

H. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

I. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.

J. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the measurement and valuation of the Pension Fund and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Management representation letter (continued)

Management Rep Letter

K. Estimates (pensions valuation)

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate has been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We confirm that the significant assumptions used in making the estimate of the pension liability appropriately reflects our intent and ability to carry out providing services on behalf of the entity.
3. We confirm that the disclosures made in financial statements with respect to the accounting estimate are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the CC financial statements due to subsequent events.

L. Retirement Benefits

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

Yours faithfully,

Chief Finance Officer

Chief Constable

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2017 EYGM Limited.
All Rights Reserved.

ED None

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.

ey.com