



Report to the Joint Audit Committee

**POLICE AND CRIME  
COMMISSIONER  
CAMBRIDGESHIRE AND  
PETERBOROUGH / THE  
CHIEF CONSTABLE OF  
CAMBRIDGESHIRE  
CONSTABULARY**

Draft Audit Completion Report: year ended 31 March 2020

IDEAS | PEOPLE | TRUST



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# WELCOME

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We have pleasure in presenting our Audit Completion Report to the Joint Audit Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2020, specific audit findings and areas requiring further discussion and/or the attention of the Joint Audit Committee. At the completion stage of the audit it is essential that we engage with the Joint Audit Committee on the results of our audit of the financial statements and use of resources comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Joint Audit Committee meeting and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

We would also like to take this opportunity to thank the management and staff of the PCC and Chief Constable for the co-operation and assistance provided during the audit.

Rachel Brittain  
28 July 2020



**Rachel Brittain**  
Engagement lead  
t: +44 (0)20 7893 2362  
m: +44 (0)7971 716 487  
e: rachel.brittain@bdo.co.uk



**Matthew Weller**  
Manager  
t: +44(0)1473 320804  
e: matthew.weller@bdo.co.uk



**Azad Valiyev**  
Audit senior  
t: +44(0)207 893 3257  
e: azad.valiyev@bdo.co.uk

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. This report has been prepared solely for the use of the Joint Audit Committee and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

# OVERVIEW

## Executive summary

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This summary provides an overview of the audit matters that we believe are important to the Joint Audit Committee in reviewing the results of the audit of the financial statements and use of resources of the Group for the year ended 31 March 2020.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.



### Overview

Subject to the successful resolution of outstanding matters, our audit work is complete, and we anticipate issuing our opinion on the Group’s financial statements and use of resources for the year ended 31 March 2020 in line with the agreed timetable.

Outstanding matters are listed on page 47 in the appendices.

There were no significant changes to the planned audit approach and no additional significant audit risks have been identified.

No restrictions were placed on our work.

### Audit report

We anticipate issuing an unmodified audit opinion on the consolidated Group financial statements and the PCC’s and Chief Constable’s single entity financial statements, subject to the completion of outstanding testing.

An emphasis of matter is anticipated to be raised in respect of the valuation of land and buildings due to a material uncertainty expected to be included in the final valuation report by the PCC’s valuer.

We have no exceptions to report in relation to the arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

# THE NUMBERS

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### Final materiality

Planning materiality for the group and the Chief Constable, used for the pension fund only, was determined based on 1.75% of the pension fund liability. Specific materiality for income and expenditure and other balance sheet items was determined based on 1.75% of net cost of services expenditure. Our materiality for the PCC was determined based on 1.75% of gross assets.

Our materiality levels have not required reassessment since our audit planning report issued on 22 January 2020, but have been updated to reflect the pension fund liability, net cost of services expenditure and gross assets reported in the draft financial statements presented for audit.

### Material misstatements

We have not identified any material misstatements to date.

A small number of adjustments have been made to the financial statements for non-material issues identified, which has decreased the deficit on the provision of services for the year by £410,000.

### Unadjusted audit differences

We identified audit adjustments that, if posted, would decrease the deficit on the provision of services for the year by £353,000.

ENTITY	Materiality - Pension Fund	Pension fund clearly trivial threshold	Specific materiality - I&E / other balance sheet items	I&E / other balance sheet items clearly trivial threshold
Group	27,080,000	1,354,000	3,180,000	159,000
Police and Crime Commissioner Cambridgeshire and Peterborough	-	-	1,550,000	77,000
The Chief Constable of Cambridgeshire Constabulary	27,000,000	1,350,000	2,970,000	149,000

# OTHER MATTERS

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### Financial reporting

- We have not identified any non-compliance with Group accounting policies or the applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.
- Going concern disclosures are deemed sufficient
- Our review of the consistency of the Narrative Report and other information included in the Statement of Accounts with the financial statements and our knowledge acquired in the course of the audit is ongoing at the time of writing. We will provide a verbal update to the Joint Audit Committee.
- The Annual Governance Statement is not inconsistent or misleading with other information we are aware of.
- The PCC and Chief Constable are both below the audit threshold of £500 million for a full assurance review of the Whole of Government Accounts Data Collection Tool (DCT).

### Other matters that require discussion or confirmation

- Control deficiency identified in relation to logical access controls over the iTrent IT application.
- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of Representation.

### Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Group, PCC and Chief Constable in accordance with the Financial Reporting Council's (FRC's) Ethical Standard.



# CORONAVIRUS

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The emergence and spread of Coronavirus has had an effect on business and markets around the world. Guidance is now available to assist in identifying the potential corporate reporting and auditing issues and consequences of the virus, and there have been a number of Local Government specific issues, including relaxations to accounts preparation and audit timetables.

However, given the fast moving and ever changing nature of the situation, aspects of this corporate guidance will change over time. The outbreak is an in-year event and will impact the valuations, estimations and disclosures reflected in the financial statements for periods ending on or after 31 March 2020.

### Going concern

In respect of going concern, officers are required to consider events that have occurred both before and after the balance sheet date when determining whether there is a material uncertainty over the ability to continue as a going concern. Consequently, forecast financial information, sensitivity analysis (which may require additional and/or different potential variances to be included) and compliance with bank and other covenants will need to factor in the estimated effects of the Coronavirus pandemic.

A common approach that is developing, and which BDO is encouraging from officers, in relation to each set of financial statements that is prepared for audit is:

- The assessment of going concern officers are required to undertake needs to explicitly consider the impact of Coronavirus to accommodate the uncertainty prevailing and must cover the period of at least 12 months from the date of signing the financial statements. The assessment may not be limited to this period if there are foreseen events or conditions beyond this period which may influence the economic decisions of users.

- The assessment needs to consider the entity’s resilience through three lenses - operational capability (closed locations, reduced workforce through illness, breakdown in supply chain), demand for services (effect on income and expenditure) and structural finance (liquidity and access to committed facilities).
- If the officers consider that there are material uncertainties, this will need to be referenced in the relevant disclosure and will result in a material uncertainty reference in the audit report (albeit the audit opinion is not qualified).
- The going concern disclosures in the basis of preparation note in the financial statements will also need to be enhanced.

Within local government, the Government’s commitment to ensure that local authorities are adequately compensated for additional expenditure incurred or income lost directly as a result of the Coronavirus pandemic, removes some of the uncertainty faced by non-public sector entities. However, the officers’ assessment of going concern, and associated disclosures in the financial statements, are still expected to fully consider and record the impact of Coronavirus.

The auditor’s review of officers’ assessments must be greater than normal, will require more evidence, and will continue to be performed through to the point of signing the audit report.

# CORONAVIRUS 2

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### Financial reporting implications

#### Grant funding

Grant funding received before 31 March 2020 to fund expenditure related to the Coronavirus pandemic will need to be assessed for conditions and recognised in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

#### Valuations of financial and non-financial assets and liabilities:

Data used in valuations of financial and non-financial assets and liabilities should be based on forecasts, projections and assumptions that were reasonable and supportable at the balance sheet date. For 31 March 2020 year ends, given that the significant development and spread of Coronavirus occurred within the financial year and that the World Health Organisation announced a global health emergency on 31 January 2020, the estimated impact of the Coronavirus pandemic will need to be factored into this data.

#### Subsequent events disclosure

Significant income and expenditure incurred as a result of the Coronavirus pandemic after 31 March 2020 and up to the date of signing may need to be disclosed as a non-adjusting post balance sheet event, if considered of such importance as to affect the ability of users of the financial statements to make proper evaluations.

#### Leases:

IFRS 16 Leases will be effective from 1 April 2021 (a further one year deferral).

### Narrative reporting implications

The Annual Governance Statement should clearly set out the risks arising from Coronavirus.

Local authorities will need to monitor developments and ensure that they are providing up-to-date and meaningful disclosures when preparing their Statement of Accounts.

### Other guidance

The National Audit Office (NAO) has published a Guide for Audit Committees on financial reporting and management during the Coronavirus pandemic. This guide aims to help Audit Committee members support and challenge the organisations they work with in the following areas:

- Annual reports
- Financial reporting
- The control environment
- Regularity of expenditure.

In each section of the guide, the NAO has set out some questions to help Audit Committee members understand and challenge activities. Each section can be used on its own, although the NAO would recommend that audit committee members consider the whole guide, as the questions in other sections may be interrelated.

The guide may also be used as organisations and Audit Committees consider reporting in the 2020/21 period when more specific and detailed reporting on the outbreak will be required.

The guide is available through the following link:

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>

# CORONAVIRUS 3

## The effects on year-end reporting and auditing

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### Implications for auditors

#### Risk assessment:

- The impact of Coronavirus on going concern is a risk focus area for the audit, and in some cases may be a significant risk. As part of our on-going risk assessment procedures, we need to think about other specific areas and balances where Coronavirus might cause an issue and if this presents an additional risk. This includes the specific considerations in relation to the risks of having services in an affected area and supply chain issues in relation to items coming from these locations. In summary there may be a heightened risk of misstatement for:
  - The valuation and disclosure of financial and non-financial assets including property, plant and equipment (PPE), investment properties, intangibles, investments and accounts receivable
  - The valuation and disclosure of financial obligations and any lending covenants
  - Going concern and/or working capital assessment and disclosure
  - Risk disclosures
  - Subsequent event disclosures
  - As noted above, entities need to consider their reporting of principal risks and uncertainties and we then need to consider this detail as part of our 'review and consider' of the Narrative Report and Annual Governance Statement, in particular where we believe there are risks missing from the detail.

#### Sufficient and appropriate audit evidence:

- Personnel from audited entities may be unable to carry out their roles on site and/or be available to meet physically with our audit teams. Likewise, our people may be unable to work at audited entity sites or to travel to our offices, thereby potentially affecting the performance, review and supervision of the engagement team, including that of component or other auditors. We need to:
  - Consider the impact on the audited entity
  - Consider alternative ways of working including the use of our technology tools
  - Consider implications for the quality of audit evidence and reporting.
- In undertaking audit work on the valuation of property, particularly specialised property valued using the Depreciated Replacement Cost method and Modern Equivalent Assets assumptions (including alternative site models), auditors are able to draw upon relevant information and indices collated, assessed and reported on by a firm of valuers, Gerald Eve, as commissioned on behalf of local public auditors by the NAO.
- Valuers are also encouraged by updated RICS guidance to include caveats within valuation reports relating to potential material uncertainties in their assessed valuations. In these cases, such caveats should be included within the Authority's financial statements and may be referred to by the auditor in their opinion/report.

# OUR METHODOLOGY

## Summary

### We obtain our audit evidence through substantive testing

As part of our risk assessment procedures we documented the systems and controls in place insofar as they are relevant to the preparation of the financial statements. Given the control activities we identified and the nature of activities, we determined that substantive testing to directly verify items in the Comprehensive Income and Expenditure Statement (CIES) and Balance Sheet would be the most effective approach for our audit. This is consistent with the approach we took in the prior year.



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# AUDIT RISKS OVERVIEW

As identified in our Audit Planning Report dated 22 January 2020 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported	Discussion points / Letter of Representation
Management override of controls	Significant	Yes	No	No	No	Yes
Expenditure cut-off	Significant	Yes	No	No	No	No
Valuation of non-current assets	Significant	Yes	Yes	Yes, adjusted and unadjusted	No	Yes
Valuation of pension liability	Significant	Yes	Yes	No	No	Yes
Related party transactions	Normal	No	No	No	No	Yes



 Areas requiring your attention

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# MANAGEMENT OVERRIDE OF CONTROLS

**Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.**

## Risk description

ISA (UK) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

## Work performed

We carried out the following planned audit procedures:

- Reviewed and verified journal entries made in the year, agreeing the journals to supporting documentation. We determined key risk characteristics to filter the population of journals. We used our IT team to assist with the journal extraction;
- Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.

## Results

We have used our data analytics tools to inspect journals processed throughout the year and as part of the financial reporting closing process for any unusual transactions.

We identified a number of unusual journal entries posted during the year. All were agreed to supporting documentation, with appropriate explanations obtained for all journals identified.

We have assessed and corroborated significant management estimates and judgements in the following key areas:

- Depreciation/Amortisation
- Insurance provision
- Accruals and accrued income
- Valuation of land and buildings
- Pension liability
- Going concern assumptions

We have found no evidence of management override for these estimates to date.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

# EXPENDITURE CUT-OFF

**For public sector bodies the risk of fraud related to expenditure is also relevant.**

## Risk description

Under International Standard on Auditing 240 “The Auditor’s responsibility is to consider fraud in an audit of financial statements”. In the public sector, the risk of fraud is modified by Practice Note 10 (PN10), issued by the Financial Reporting Council. PN10 states that auditors should also consider the risk that material misstatements may occur through the manipulation of expenditure recognition. This risk is identified as only being relevant to non-payroll expenditure in relation to cut-off of expenditure where testing will be focussed.

## Work performed

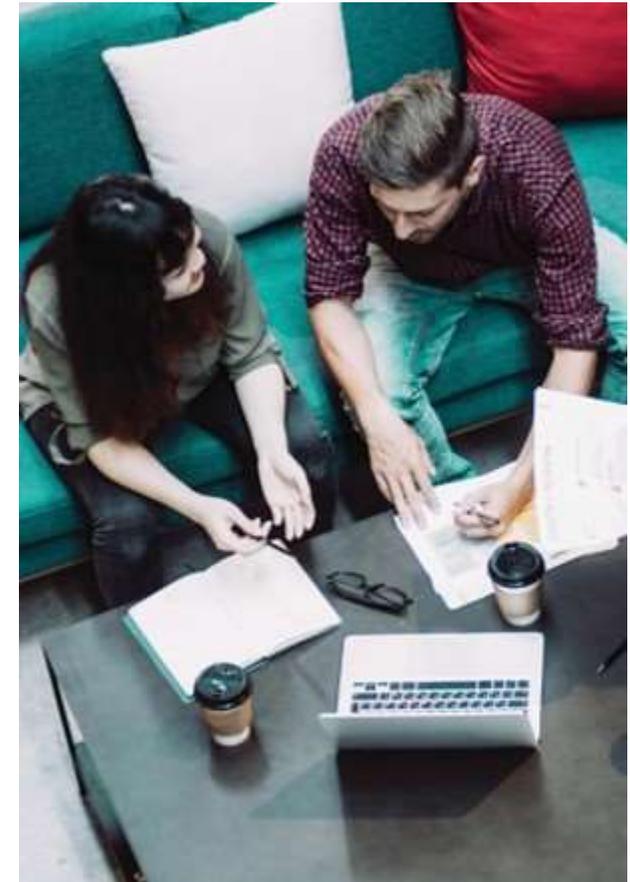
We carried out the following planned audit procedures:

- Checked that expenditure is recognised in the correct accounting period by substantively testing a sample of expenditure items around year-end.

## Results

Our audit work on expenditure cut off to date has not identified any issues. We have tested a sample of items around the year-end, agreeing them to supporting documentation, and confirmed that the expenditure has been recognised in the correct year, with accruals/creditors or prepayments recognised where necessary.

Our testing in this area has been performed up to 31 May, and will need to be extended up to the date of signing the audit.



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# VALUATION OF NON-CURRENT ASSETS

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**The valuation of non-current assets is a significant risk as it involves a high degree of estimation uncertainty.**

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
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## Risk description

Local authorities are required to ensure that the carrying value of land and buildings is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date. There is a risk over the valuation of these assets due to the high degree of estimation uncertainty and where updated valuations have not been provided for a class of assets at the year-end.

## Work performed

We carried out the following planned audit procedures:

- Reviewed the instructions provided to the valuer and the valuer’s skills and expertise in order to determine if we can rely on the management expert;
- Confirmed that the basis of valuation for assets valued in year is appropriate based on their usage;
- Reviewed accuracy and completeness of information provided to the valuer, such as floor areas;
- Reviewed assumptions used by the valuer and movements against relevant indices for similar classes of assets;
- Followed up valuation movements that appear unusual; and
- Confirmed that assets not specifically valued in the year have been assessed to ensure their reported values remain materially correct.

## Results

From our review of the instructions provided to the valuer and our assessment of the expertise of the valuer, we are satisfied that we can rely on their work.

For the sample of PPE assets we are satisfied that the basis of the valuation for each asset is appropriate. Our review of the reasonableness of valuation assumptions applied is noted overleaf.

The following issues were identified:

- Of the ten assets valued, the valuation movements were posted to the financial statements for nine of them. The movement posted for three of these nine was posted incorrectly. An adjustment has been made in the revised financial statements to amend one of these misstatements by £104,000. The remaining unadjusted misstatement was concluded to be trivial.
- Our testing identified that the floor areas had been included in the valuation calculation incorrectly for a number of assets, the impact of which is an overstatement of asset values of £154,000. An unadjusted audit difference has been raised for this on page 23.

Our review of the land areas for three of the assets is ongoing at the time of writing. We will provide a verbal update to the Joint Audit Committee.

# VALUATION OF NON-CURRENT ASSETS

## Continued

### Significant accounting estimates: £43.023m

#### Overview

PCC's are required to ensure that the carrying value of property, plant and equipment (PPE) is not materially different to the current value or fair value at the Balance Sheet date.

The valuation for land and buildings included in PPE is a management estimate based on existing use valuation (EUV). Management uses external valuation data to assess whether there has been a material change in the value of classes of assets and periodically (minimum of every five years) employs an internal expert (valuer) to undertake a full valuation.

#### Discussion

The PCC used their internal valuer to value eight land and buildings assets during the year, consisting of two assets valued in line with the rolling revaluation policy and six high value assets valued every year. Two further assets which were new additions valued for the first time in 2019/20 were valued by the external valuer used by the PCC for Bedfordshire, due to the joint ownership of these assets. In total, assets to the value of £35.380m have been assessed during the year. The assets which have not been reviewed have a total net book value of £7.532m. It is the valuer's judgement that any movement on these assets since their last valuation will not be material. We have reviewed the anticipated movement on these assets and concluded the likelihood of there being a material movement in the remaining unassessed assets to be low.

We assessed the valuer's competence, independence and objectivity and determined we could rely on the management expert.

We reviewed the valuations provided and the valuation methodology applied and, in all cases, confirmed that the basis of valuation for assets valued in year is appropriate based on Code requirements for all assets. All assets were valued using EUV methodology. Assets with specialised facilities are usually valued using depreciated replacement cost (DRC). Some of the police stations valued include custody and other facilities which we consider to be specialised facilities. It was determined that the specialised element of each asset represented a minority of the total usage of the asset, and therefore it was deemed appropriate to use EUV methodology based on the majority of the asset's usage.

The predecessor auditor raised an unadjusted misstatement in the 2017/18 audit regarding the transactions posted to the financial statements in respect of the valuation adjustments to be recognised for one specific asset. It was confirmed that the value of this asset within the financial statements was overstated by £198,000. This asset was subject to a desktop valuation in the 2018/19 year with a valuation increase of £141,000 calculated. This valuation increase was not applied in the financial statements, and therefore partially offsets the overstatement from 2017/18. No valuation has been undertaken on this asset in 2019/20. Our estimate is that if a valuation had taken place, it would have increased in value by £6,000. This asset is therefore estimated to be overstated by £51,000 as at 31 March 2020, which is trivial to our audit.

The valuer is expected to include a material uncertainty statement in their final valuation report in respect of the year-end valuations. This will need to be referenced in the PCC's financial statements and will require BDO to consult with our internal valuation experts with regards to the potential implications on our audit opinion.

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# VALUATION OF PENSION LIABILITY

The valuation of the pension liability is a significant risk as it involves a high degree of estimation uncertainty

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

## Risk description

The valuation of the defined benefit obligation is a complex calculation involving a number of significant judgements and assumptions. The actuarial estimate of the pension fund liability uses information on current, deferred and retired member data and applies various actuarial assumptions over pension increases, salary increases, mortality, commutation take up and discount rates to calculate the net present value of the liability.

There is a risk that the membership data and cash flows provided to the actuary at year end may not be accurate, and that the actuary uses inappropriate assumptions to value the liability. Relatively small adjustments to assumptions used can have a material impact on the PCC and Chief Constable's share of the scheme liability.

## Work performed

We carried out the following planned audit procedures:

- Agreed the disclosures to the information provided by the pension fund actuary;
- Reviewed the competence of the management expert (actuary);
- Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data;
- Reviewed the controls in place for providing accurate membership data to the actuary;

- Contacted the pension fund auditor for the Local Government pension scheme and the pension fund administrator for the Police pension schemes, and requested confirmation of the controls in place for providing accurate membership data to the actuary and testing of that data; and
- Checked that any significant changes in membership data have been communicated to the actuary.

## Results

Our work in this area is ongoing at the time of writing. We will provide a verbal update to the Joint Audit Committee.

The assurances from the auditor of Cambridgeshire Pension Fund have not been received at the time of writing. We are anticipating receipt of these assurances in October 2020.

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# RELATED PARTY TRANSACTIONS

**There is a risk that related party disclosures are not complete and accurate.**

## Risk description

Whilst management are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment of fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management and the Audit Committee.

There is a risk that related party disclosures are not complete or accurate.

## Work performed

We carried out the following planned audit procedures:

- Searched the senior management on Companies House in order to identify any related parties not included in the Statement of Accounts.
- For any additional related parties identified, searched in the ledger to identify transactions.
- For related parties already identified, checked to ensure that the relationship and figures disclosed match those included in the ledger.

## Results

We identified that one related party transaction was disclosed at the incorrect amount in the draft financial statements. An amendment has been made for this.

We also noted that some of the related party declarations had not been completed. A recommendation has been raised on page 38.

No other issues have been identified.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
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# GOING CONCERN

**We are required to highlight any judgements about events or conditions that may cast significant doubt over the entity's ability to continue as a going concern**

## Management's assessment of going concern

Management has performed a going concern assessment. The conclusion of which is: "Based on all the factors outlined and reviewed, our assessment is that the Constabulary continues to be a going concern. The controlled environment we work in alongside the strong financial management record in force mitigates the increased uncertainty which we now face."

## Judgements noted

The medium term financial strategy (MTFS) is used as the basis for the going concern assessment. The Key judgements in the MTFS are:

- Grant income: grant income will increase by £3,117k in 2020/21 and then remain at 2020/21 levels for the duration of the MTFS period.
- Council tax precept increase: the draft government financial settlement allows the PCC to increase their precept by up to £10 per band D property. The MTFS factors in the PCC implementing £9.99 of this possible increase, thus increasing the council tax per band D property from £222.66 to £232.65, an increase of 4.5%. The MTFS then assumes a further increase of 2% per annum in the value of the precept per band D property and a further 1% increase per annum in the council tax base (being the number of properties).
- Pay award: there is assumed to be an increase of 2.0% in 2019/20 through to 2022/23, which is consistent with the current employer's offer in place covering 2018/19 and 2020/21, and an assumption that the high pay inflation will become the norm in future years.

- Inflation: general inflation will be 2% per annum for Cambridgeshire functions and 1% for BCH functions.

## Summary of support measures taken into account

The PCC and Chief Constable are fully supported by Central Government through grant funding.

## Material uncertainty

No material uncertainty with respect to going concern has been noted.

## Discussion and conclusion

The Group made a deficit on the provision of services of £64.652m in 2019/20. This includes non-cash expenditure in respect of the pension funds. The outturn achieved allowed the PCC to transfer £61,000 into reserves. Our testing approach is to review forecast profit and loss and cash flows for the next 12 months, and discuss going concern and service continuity with management.

The 2020/21 budget initially showed a reserve contribution requirement of £1.466m. This has subsequently been revised to remove this requirement. The cash flow statement for 2020/21 shows that the PCC will run out of cash before 31 March 2021. This is due to the requirements of the capital programme, which will be funded by taking out additional borrowing. We therefore agree with management's assessment that there are no material uncertainties over going concern.

# GOING CONCERN CONTINUED

**We are required to highlight any judgements about events or conditions that may cast significant doubt over the entity's ability to continue as a going concern**

The PCC and Chief Constable was not initially receiving any specific additional funding in response to coronavirus, or getting the costs incurred reimbursed. There is however an expectation that some of the costs will be reimbursed. The Police Uplift programme grant has been brought forward in order to ease any potential cash flow issues. This grant was due to be paid in 4 equal instalments across the course of 2020/21. Following the coronavirus outbreak, half of this grant has been paid in advance at the start of the year. In addition, the pensions grant, has been paid two months in advance of when originally planned. These changes will therefore help with short term cash flow issues only, and will not help with the budgeted finances for 2020/21, which will be impacted by any additional expenditure incurred.

The Chief Constable has prepared an analysis of the additional costs and the cost savings incurred as a direct consequence of coronavirus for each of the months of April and May 2020. This shows additional costs incurred of £256,000 and £239,000 respectively, whilst cost savings directly applicable to coronavirus were £57,000 and £61,000 respectively. There is therefore net additional expenditure of £199,000 in April 2020 and £178,000 in May 2020, giving a total additional expenditure of £377,000 over the two month period. If extrapolated for the year, total additional costs not included in the budget would be £2.262m. A lot of this cost was initial one off costs, in order to set up a new way of working, and it won't all be recurring monthly costs, although some expenses such as additional cleaning are expected to be recurring going forward. The additional costs are therefore expected to decrease as each month passes by, and therefore the total impact for the year is expected to be less than £2m.

In addition to the extra costs incurred, the PCC and Chief Constable has identified two further risks arising as a result of the pandemic, which are as follows:

- The increase of government borrowing and the potential implications to future funding settlements although recent developments suggest a Comprehensive Spending Review will be undertaken, which may help to mitigate ; and
- The impact on Council Tax collection funds going into 2021/22.

The PCC receives collection fund income from the District councils on an annual basis in April of each year. It was confirmed that the payments were received as expected in April 2020. Therefore, if the pandemic has an impact on the ability of council tax payers to pay their council tax, leading to an overall reduction in council tax collection rates, this will not impact cash flows until April 2021. It should also be noted that if an individual is unable to pay their council tax, council tax benefit is available for them to pay a lower Council Tax amount, and therefore the customer's inability to pay should not therefore significantly reduce the income receivable by the PCC. The PCC's income would however be reduced if the District councils are lacking cash and are unable to pay the PCC what they owe them.

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# GOING CONCERN CONTINUED

**We are required to highlight any judgements about events or conditions that may cast significant doubt over the entity's ability to continue as a going concern**

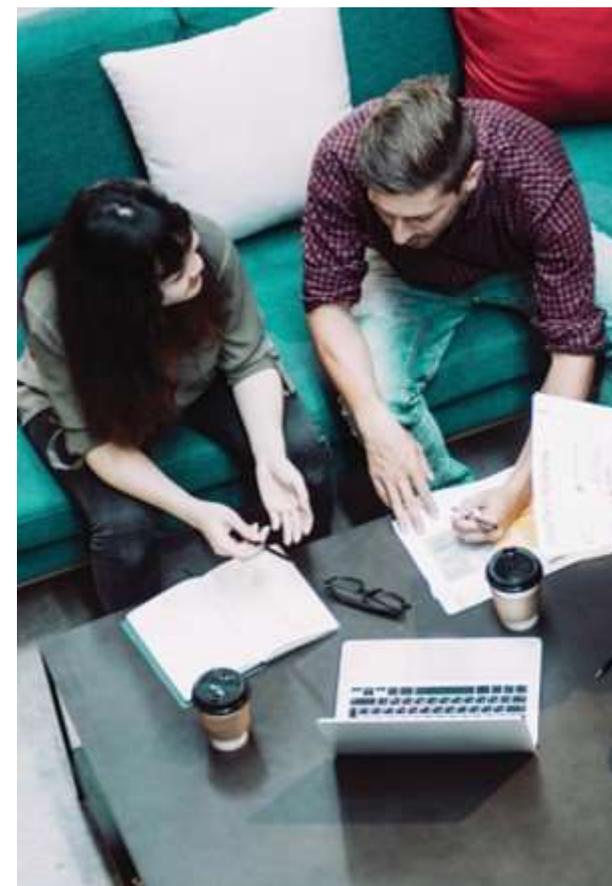
In order to address the risks identified, the PCC and Chief Constable has put the following mitigating actions in place:

- Working with all public sector bodies in Cambridgeshire to brief MPs to feed the impacts into government;
- Due diligence on significant business cases for investment until there is more clarity on the funding environment e.g. 7 Force ICT Convergence;
- Financial planning for 2021/22 and 4 year Medium Tern Financial Plan underway;
- Change programme to enhance budget accountability within the organisation.

The financial implications of the pandemic are likely to be dependent on securing additional funding from central government.

If no additional funding is secured, then the estimated impact for 2020/21 of a £2.262m net increase in expenditure is likely to result in increased usage of earmarked reserves. The PCC has £9.1m in earmarked reserves as at 31/03/2020, including £1.9m in the budget assistance reserve. The reserves are therefore considered to be adequate to be able to absorb this additional cost for 1 year, and it is understood that additional cost savings could be identified if required to ensure that there is no continued use of reserves. The PCC and Chief Constable has a good recent track record of over-delivery against cost savings, and therefore delivery of an additional £2m, although challenging, is believed to be possible.

We have concluded that it is appropriate that the financial statements are prepared on a going concern basis given that there is no anticipated cessation of service provision.



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# MATTERS REQUIRING ADDITIONAL CONSIDERATION

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## Fraud

Whilst the officers have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Progress Report on 29 April 2020.

## Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.

We did not identify and significant matters in connection with related parties.

## Laws and regulations

We have made enquiries of management regarding compliance with laws and regulations and reviewed correspondence with the relevant authorities.

Our testing to date has not identified any non-compliance with laws and regulations that could have a material impact on the financial statements.

# UNADJUSTED AUDIT DIFFERENCES: SUMMARY

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**We are required to bring to your attention unadjusted differences and we request that you correct them.**

There are six unadjusted audit differences identified by our audit work which would decrease the deficit on the provision of services for the year of £64.652m by £353,000 and would decrease net liabilities by £67,000.

There would be no impact on the general fund balance.

You consider the differences to be immaterial in the context of the financial statements as a whole.

# UNADJUSTED AUDIT DIFFERENCES: DETAIL

## Details for the current year

	Income and expenditure			Balance Sheet	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
<b>Unadjusted audit differences</b>					
Deficit on the provision of services for the year before adjustments	64,652				
Adjustment 1: Recognition of capital grant for purchase of Enterprise House in 2019/20, when it should have been recognised in 2018/19 (factual)					
DR Capital grants and contributions	140	140			
CR General fund					140
Adjustment 2: Adjustment to property, plant and equipment valuation as a result of incorrect floor areas being used (judgemental)					
DR Revaluation reserve				154	
CR Property, Plant and Equipment					154
Adjustment 3: Impact of property, plant and equipment assets incorrectly written off in prior years (factual)					
DR Cost of services expenditure	78	78			
CR General fund					78
Adjustment 4: Reclassification of debtor element of Home Office grant creditor (factual)					
DR Debtors				165	
CR Creditors					165

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# UNADJUSTED AUDIT DIFFERENCES: DETAIL

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	Income and expenditure			Balance Sheet	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
<b>Unadjusted audit differences</b>					
Adjustment 5: impact of prior year movement on insurance provision being recognised in current year (factual)	64,652				
DR General fund				571	
CR Insurance expense	(571)		571		

# UNADJUSTED AUDIT DIFFERENCES: DETAIL 1

## Current year impact of prior year unadjusted audit differences

	Income and expenditure			Balance Sheet	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
<b>Unadjusted audit differences</b>					
Adjustment 5: Net impact of assets revalued during the prior year, but not adjusted for in financial statement - a valuation adjustment for one of the three assets was posted in 2019/20 (judgemental)					
DR Surplus on revaluation of property, plant and equipment		171			
DR Property, plant and equipment				87	
CR Revaluation reserve					258
<b>Total unadjusted audit differences</b>	<b>(353)</b>	<b>389</b>	<b>571</b>	<b>977</b>	<b>795</b>
Deficit on the provision of services for the year if above issues adjusted	64,299				

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# ADJUSTED AUDIT DIFFERENCES: SUMMARY

## Summary for the current year



There were six audit adjustments made by management, of which five were identified by our audit work. This decreased the draft deficit on the provision of services of £64.652m by £410,000 and decreased draft net liabilities by £357,000.

There was no impact on the general fund balance.

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# ADJUSTED AUDIT DIFFERENCES: DETAIL

## Details for the current year

	Income and expenditure			Balance Sheet	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
<b>Adjusted audit differences</b>					
Deficit on the provision of services for the year before adjustments	64,652				
Adjustment 1: Overstatement of prepayments and creditors relating to invoices received pre year-end, but relating to post year-end (factual)					
DR Creditors				784	
CR Prepayments					784
Adjustment 2: Recognition of third party fund bank accounts excluded from draft financial statements (factual)					
DR Cash and cash equivalents				215	
CR Other creditors					215
Adjustment 3: Amendments to collection fund disclosures arising as a result of the late receipt of information from the District councils (factual)					
DR Debtors				1,461	
CR Creditors					999
CR Collection fund adjustment account	(462)		462		

# ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Income and expenditure			Balance Sheet	
	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
<b>Adjusted audit differences</b>					
Adjustment 4: Adjustment for valuation movement incorrectly posted on Enterprise House (factual)					
DR Revaluation reserve				52	
DR Loss in impairment	52	52			
CR Property, plant and equipment					104
Adjustment 5: Adjustment for incorrect capitalisation value of Enterprise House (factual)					
DR Property, plant and equipment - movement on valuation				6	
CR Property, plant and equipment - additions					6
DR Capital grants and contributions	6	6			
CR Depreciation and impairment charges	(6)		6		
Adjustment 6: Correction to unapplied grant reserve - this was identified by management (factual)					
DR Capital adjustment account				93	
CR Capital grants unapplied					93
<b>Total Adjusted audit differences</b>	<b>(410)</b>	<b>58</b>	<b>6</b>	<b>2,611</b>	<b>2,663</b>
Adjusted deficit on the provision of services for the year	64,242				

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We comment below on other reporting required to be considered in arriving at the final content of our audit report:

Matter	Comment
<p>We are required to report on whether the financial and non-financial information in the Narrative Report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit.</p>	<p>Our work to determine whether the other information in the Narrative Report is consistent with the financial statements and our knowledge is ongoing at the time of writing. We will provide a verbal update to the Joint Audit Committee.</p>
<p>We are required to report by exception if the Annual Governance Statement is inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the PCC and Chief Constable’s review of effectiveness and our knowledge of the PCC and Chief Constable.</p>	<p>We have no matters to report in relation to the consistency of the Annual Governance Statement with the financial statements and our knowledge.</p>

# WHOLE OF GOVERNMENT ACCOUNTS

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Matter	Comment
Auditors are required to review Whole of Government Accounts (WGA) information prepared by component bodies that are over the prescribed threshold of £500 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure. The PCC and Chief Constable fall below the threshold for review and there is no requirement for further work other than to submit the section on the WGA Assurance Statement to the WGA audit team with the total values for assets, liabilities, income and expenditure.	<p>Local authorities are required to submit the unaudited DCT to HM Treasury and auditors by 30 September 2020. The PCC and Chief Constable are expecting to meet this deadline.</p> <p>We are planning to submit the relevant section of the assurance statement to the National Audit Office by the required deadline of 4 December 2020.</p>

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We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money) and report to you on an 'except for' basis. This is based on the following reporting 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.*

There are three sub criteria that we consider as part of our overall risk assessment:

- Sustainable resource deployment
- Informed decision making
- Working with partners and other third parties.

As identified in our Audit Planning Report we assessed the following matters as being the most significant risks regarding use of resources.

Audit Risk	Criterion	Risk Rating	Issues identified that impact on conclusion
Sustainable finances	Sustainable resource deployment	Significant	No
Health and safety	Informed decision making	Normal	No

# SUSTAINABLE FINANCES

**The PCC and Chief Constable will need to deliver its savings and achieve income targets to maintain financial sustainability in the medium term and there is a risk that these projections will not be met.**

Significant risk	
Normal risk	
Sustainable resource deployment	
Informed decision making	
Working with partners and other third parties	
Significant control findings to be reported	

## Risk description (as per Audit Planning Report)

The PCC and Chief Constable has utilised useable reserves in order to balance the budget in each of the last two financial years and was initially budgeting a further utilisation of £1.5 million for the 2019/20 year.

At month 7 the PCC and Chief Constable reported year-to-date expenditure of £88.5 million, which represents a favourable variance to plan of £1.7 million, and is forecasting that by the year end expenditure will be £147.0 million which, if delivered, will represent a favourable variance to plan of £1.0 million.

If the forecast is achieved, this still represents a net decrease in useable reserves for the 2019/20 year. It has also been noted that one of the key savings achieved has been in respect of payroll costs arising due to the PCC and Chief Constable having less employees than budgeted in some areas.

The latest version of the medium term financial strategy shows budget gaps of £4.1 million, £4.5 million and £4.9 million for the years 2020/21, 2021/22 and 2022/23 respectively. The current level of useable reserves is not sufficient to sustain these budget gaps in the medium term, and the PCC and Chief Constable will be required to either find savings or obtain borrowings. We therefore consider there to be a risk over financial sustainability in the medium term.

## Work performed

We carried out the following planned audit procedures:

- Reviewed the PCC and Chief Constable's in year budget monitoring processes, and the completeness and accuracy of management information reported for decision making purposes.

- Reviewed the PCC and Chief Constable's medium term financial plan and annual budgets, including the reasonableness of the underlying assumptions made by management and the consideration of risks to sustainable finances.
- Reviewed progress against the PCC and Chief Constable's savings targets and arrangements to ensure that future targets are realistic and achievable, including how the PCC and Chief Constable work with collaboration partners and other third parties to develop required savings schemes.

## Results

The delivery of savings is monitored as part of the regular finance monitoring that the PCC and Chief Constable undertakes on a monthly basis. For 2019/20 the total savings identified per the medium term financial strategy (MTFS) were £3.522m. The PCC and Chief Constable has underspent against the budget for the year by £1.949m, demonstrating that the savings achieved in year were greater than those budgeted. Prior to savings, there was budget gap for 2019/20 of £5.068m, and anticipated use of usable reserves of £1.547m to balance the budget. The actual position for 2019/20 shows the PCC and Chief Constable did not need to utilise any reserves to balance the budget and was able to increase useable reserves arising from revenue activities by £61,000. For 2020/21 the total savings identified per the MTFS are £2.690m, which is lower than the initial budget gap identified of £4.156m. The PCC and Chief Constable therefore anticipate utilising £1.466m of usable reserves to balance the budget.

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# SUSTAINABLE FINANCES CONTINUED

**The PCC and Chief Constable will need to deliver its savings and achieve income targets to maintain financial sustainability in the medium term and there is a risk that these projections will not be met.**

Significant risk	
Normal risk	
Sustainable resource deployment	
Informed decision making	
Working with partners and other third parties	
Significant control findings to be reported	

Review of the MTFs and future savings plans have identified that work has been undertaken to address the three year budget gap. A number of savings have been identified for 2021/22 to 2023/24, which will reduce the overall budget gap. If all identified savings are delivered, the PCC will be able to increase usable reserves by £18,000 in 2021/22 and £42,000 in 2022/23. The identified savings will therefore allow them to balance the budget from 2021/22.

Going into 2018/19, the PCC had an annual budget gap of £6.367m. Over the 4 year period to 2021/22, they aimed to eliminate this budget gap. After two of these four years, they have successfully delivered an outturn which did not require the utilisation of any useable reserves. Further savings are still expected to be required to maintain this position, which have been identified in full. The PCC and Chief Constable was able to deliver the savings that it planned in 2019/20 and more suggesting that it will be possible to deliver all identified savings going forward and continue to balance the budget.

The PCC has decreased its General Fund reserves by £11.3m over the last 4 years. In the first year of this period up to 31/03/2017, General Fund reserves increased to £29.7m, with a decrease of £12.7m in the 3 years to 31/03/2020. A new loan for £10m was taken out in 2017/18 to fund future capital commitments. Some of these capital commitments have not yet been incurred, with the unspent element of this £10m inflating the reserve balance as at 31/03/2020. Per the MTFs, £1.466m of useable reserves is required to balance the budget in 2019/20. The PCC plans to utilise £1.737m of usable reserves in total in 2019/20 to include the capital requirements. This will leave an expected remaining useable reserves balance of £15.3m as at 31/03/2021.

Future utilisation of usable reserves is then planned at £93,000 for 2021/22, £93,000 for 2022/23 and £93,000 for 2023/24, with usable reserves expected to stabilise at £15m towards the end of this period.

Total utilisation of reserves over the MTFs period to 2023/24 is budgeted at £2.016m. £1.466m of this amount is required to balance the budget. The remaining £550,000 is the utilisation of a £10m loan taken out in 2017/18. This loan is anticipated to be fully spent by 2020/21. The PCC has a clear policy in place that no further usable reserves will be utilised for capital purposes, and all future capital expenditure will be funded via borrowing. Therefore, once this loan has been fully utilised and if the budget gap is fully closed by 2021/22 as planned, then the useable reserves balance will remain at £15m from thereon. This is a level of reserves which the PCC deems to be acceptable. The impact of coronavirus as detailed on pages 18 to 20 could however lead to an additional £2m utilisation of usable reserves in 2020/21 if additional funding is not obtained. This would increase the savings targets going forward, which although achievable, would become more challenging.

There are clear plans in place to stabilise the reserves balance within the next 4 years. However, we have noted that whilst savings schemes have been identified, and the level of savings achieved in 2019/20 is greater than the savings target, the monitoring process in respect of individual savings target could be improved, as it is unclear if individual targets have been met, and therefore whether there is further potential for savings in these areas.

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# HEALTH AND SAFETY

## Internal audit issued a “no assurance” opinion on health and safety.

Significant risk
Normal risk
Sustainable resource deployment
Informed decision making
Working with partners and other third parties
Significant control findings to be reported

### Risk description

Internal audit have issued a “no assurance” opinion in respect of health and safety, with their conclusion being:

*“Our review found significant weaknesses in the design of the control framework. Whilst we appreciate that there are resource constraints in relation to the number of health and safety advisors currently in post, improvements are required in key areas such as the delivery of health and safety audits, formalisation of training and risk assessment arrangements and consistency in the level of detail and challenge of performance information throughout the governance structure. Without this, there is a greater chance of issues materialising which may lead to avoidable injury and harm.”*

### Work performed

We carried out the following planned audit procedures:

- Reviewed the latest reports from internal audit to determine the progress made in this respect
- Reviewed the impact of this issue on the financial statements
- Reviewed the possibility of any potential legal issues or contingent liabilities which could arise from this issue

### Results

In response to the “no assurance” opinion previously raised, Internal Audit have performed a follow-up audit to assess the progress made. The status of this follow-up was presented to the Joint Audit Committee on 29 April 2020. The executive summary of this being as follows:

*“As part of the internal audit plan for 2019/20 we have added a review to follow up progress made to implement the previously agreed management actions from our Health and Safety audit (report reference 1.19/20), where we identified management could not take assurance that the controls relied upon to manage the area were suitably designed, consistently applied or effective.*

*The 12 management actions considered in this follow up review comprised of one high, six medium and five low priority actions. The focus of this review was to provide assurance that all actions previously made have either been adequately implemented, or where these were not yet due progress had been made in their implementation in line with the agreed timelines.*

### Conclusion

*Taking account of the issues identified in the remainder of the report in our opinion the organisations have demonstrated progress in implementing the agreed management actions to date, further work is in progress to complete the implementation of the outstanding actions where due dates have not yet been reached.*

# HEALTH AND SAFETY CONTINUED

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## Internal audit issued a “no assurance” opinion on health and safety.

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Significant control findings to be reported

We identified the following:

- Five actions were scheduled for completion in October and December 2019, these being two medium and three low priority actions we confirmed each of these had been fully implemented.
- Seven actions were due for completion in April and June 2020, one high, four medium and two low priorities. Although the completion dates had not yet been reached, we confirmed:
  - One medium and one low action had been completed;
  - One high and two medium actions were in progress;
  - One medium and one low priority action; no progress had yet been made as these were dependent on the completion of one of the actions currently in progress.

We have agreed one revised management action where a refinement to the original action was required; this is detailed in section 2 of this report.”

Based on the above, we can conclude that management have to date implemented all required actions in line with the agreed timetable set. From reviewing the outstanding recommendations, we can also see that progress has been made in respect of these and therefore have an expectation that they will all be implemented by their due date. No points of concern from a use of resources perspective have therefore been noted from the progress reports submitted.

The potential outcomes arising from not implementing the action plan are health and safety incidents occurring which could result in severe harm or death to the PCC and Chief Constable’s employees. The potential impact on the accounts consist of:

- Additional costs for legal fees and other associated expenditure if a health and safety incident were to occur
- Recognition of a provision or a contingent liability for costs to be incurred as a result of such incidents
- An increase in expenditure for insurance premiums if such incidents are recurring

The above are potential impacts only. The health and safety position has been improved significantly and therefore we do not consider any of the above to be factors which needed to be considered in the preparation of the 2019/20 financial statements.

As detailed above, the PCC and Chief Constable is progressing well in actioning the recommendations raised. As such, there is no expectation for legal issues or contingent liabilities arising from this issue.

# SIGNIFICANT DEFICIENCIES

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We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Joint Audit Committee.

As the purpose of the audit is for us to express an opinion on the Group’s financial statements and use of resources, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

Our audit has not identified any significant deficiencies in internal control.



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Area	Observation & implication	Recommendation	Management response
iTrent new starter forms	<p>The process for requesting access rights for iTrent should be for an individual's line manager to complete a new starter access request form, which will then be processed by a system administrator. We identified one instance where a new starter was set up without this process being followed.</p> <p>This creates a risk that inappropriate access rights which could be used to amend payroll parameters could be provided to an individual within the PCC or Chief Constable.</p>	The appropriate new starter request forms are filled out for all new access rights granted.	[xx]
Checking of user access rights in iTrent	<p>It was identified that monthly checks are performed over the user access rights on iTrent, but this is a visual check only and the individuals involved do not document anything to evidence that this check has been performed.</p> <p>If the check is not documented, then there is a risk that if it wasn't performed on a particular month, then this may not be noticed.</p>	The check is documented each month to evidence that it has been performed.	[xx]
Useful economic lives	<p>A review of the fixed asset register identified a number of assets which were still actively in use, but had exceeded their useful economic life (UEL).</p> <p>The UELs are potentially too low resulting in the depreciation charge in the financial statements being overstated.</p>	A review of UELs is undertaken to confirm that they are all appropriate.	[xx]

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Area	Observation & implication	Recommendation	Management response
Related party declarations	<p>Related party declarations were not obtained for all individuals who were required to complete them. None of the leavers during the year had filled one out, and some officers still in post at year-end had also failed to do so. It was noted that work is ongoing to obtain the missing declarations prior to sign off.</p> <p>There is the potential for related parties to go undisclosed in the financial statements if individuals do not complete the returns.</p>	The PCC and Chief Constable ensures that all declarations are completed, and incorporates the completion of a declaration into the leavers process for when an individual leaves the PCC or Chief Constable.	[xx]

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Area	Issue and impact	Original recommendation	Progress	Management response
Employment contracts	<p>Employment contracts could not be located for individuals included in the Senior Officers Remuneration note.</p> <p>The contract which confirms the starting salary and terms or conditions of employment for an individual in a high profile role, is an important document which protects both the employer, and the employee if ever a dispute arose. It also confirms the employee is a valid employee.</p> <p>If there was ever a dispute over pay or performance the employer would not have evidence or supporting documentation to back up their claims against the employee.</p>	Ensure that easily obtainable signed contracts are in place for all employees.	We were again unable to locate employment contracts for individuals included in the Senior Officers Remuneration note.	[xx]

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### Opinion on financial statements

We anticipate issuing an unmodified opinion on the Group, PCC and Chief Constable financial statements.

An emphasis of matter is anticipated to be raised in respect of the valuation of land and buildings due to a material uncertainty expected to be included in the final valuation report by the PCC’s valuer.

### Conclusion on use of resources

We are proposing to issue an unqualified use of resources conclusion.

### Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the Group’s ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

There are no material uncertainties in relation to going concern disclosed in the financial statements of which we are aware that we need to draw attention to in our report.

### Other information

We have not identified any material misstatements that would need to be referred to in our report.

### Annual Governance Statement

We have no matters to report in relation to the Annual Governance Statement as it is not inconsistent or misleading with other information we are aware of.

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**Under ISAs (UK) and the FRC’s Ethical Standard we are required, as auditors, to confirm our independence.**

Under ISAs (UK) and the FRC’s Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2020.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Planning Report.

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC’s Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Group.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

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<b>Fees summary</b>	<b>2019/20</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>Actual</b>	<b>Planned</b>	<b>Actual</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Audit fee</b>			
• Code audit fee: Police and Crime Commissioner Cambridgeshire and Peterborough	23,360	23,360	23,360
• Code audit fee: The Chief Constable of Cambridgeshire Constabulary	11,550	11,550	11,550
<b>Non-audit assurance services</b>	-	-	-
<b>Total fees</b>	<b>34,910</b>	<b>34,910</b>	<b>34,910</b>

## Amendments to the proposed fees

If we need to propose any amendments to the fees during the course of the audit, where our assessment of risk and complexity are significantly different from those reflected in the proposed fee or where we are required to carry out work in exercising our additional powers and duties, we will first discuss this with the PCC and Chief Constable. Where this requires a variation to the scale fee set by PSAA we will seek approval from Public Sector Audit Appointments Limited (PSAA). If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Joint Audit Committee.

The 2019/20 planned Code fee is the PSAA-published level. The Scale is largely based on the historical position from 2012/13 and so, it does not reflect any of the changes in audit scope and depth linked to current audit requirements for property, plant and equipment or pensions liability valuation work. Discussions on the fee impact will be held initially with officers in the context of detailed operational planning and interim audit scope so as to best mitigate increases.



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# OUR RESPONSIBILITIES

## Responsibilities and reporting

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### Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your consolidated Group, PCC and Chief Constable financial statements. We report our opinion on the financial statements to the members of the PCC and Chief Constable.

We read and consider the ‘other information’ contained in the Statement of Accounts such as the Narrative Report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

We report where we consider that the Group had not put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We review the Whole of Government Accounts Data Collection Tool provided to HM Treasury and express an opinion on whether it is consistent with the audited financial statements.

### What we don’t report

Our audit is not designed to identify all matters that may be relevant to the Joint Audit Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



# ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

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	Issue	Comments
1	Significant difficulties encountered during the audit.	No exceptions to note.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.

# COMMUNICATION WITH YOU

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### Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to the PCC and Chief Constable as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Joint Audit Committee.

### Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date (to be communicated)	To whom
Audit Planning Report	January 2020	Joint Audit Committee
Audit Progress report	April 2020	Joint Audit Committee
Draft Audit Completion report	July 2020	Joint Audit Committee
Final Audit Completion report	October 2020	Joint Audit Committee
Annual Audit Letter	January 2021	Joint Audit Committee

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Our audit work in respect of the financial statements and use of resources for the year ended 31 March 2020 is in progress as at the date of writing.

The following matters are outstanding at the date of this report and could impact our audit opinion. Our expectation is that the majority of this work will have been completed by the time of the Joint Audit Committee at which this report is being considered, where we will provide a verbal update on current status:

- Clearance of outstanding requests currently with management
- Completion of audit testing in respect of:
  - Property, plant and equipment
  - Creditors - 1 outstanding sample
  - Pensions (including assurance letter)
  - CIES NCOS income - 1 outstanding sample
  - Payroll - awaiting payroll reconciliation from client
  - Contingencies and commitments
  - Minute review
  - Narrative report
- Final Manager and Partner review and clearance of review points within our file
- Final review and approval by you of the Statement of Accounts
- Completion procedures:
  - Checks on approved Statement of Accounts
  - Subsequent events review up to the date of signing
  - Management letter of representation, as attached on pages 54 to 59 to be approved and signed

# LATEST REGULATORY DEVELOPMENTS

## Future of Audit, Regulation and Market Competition

A number of corporate governance, financial reporting and audit failures since the ‘financial crises’ have led to auditing being the focus of the BEIS Select Committee and the commissioning of three separate, but related, independent reviews scrutinising audit, auditors and the corporate and audit regulatory environment. Although these independent reviews started at various times since 2018, none have yet fully concluded upon and further consultations on precisely what the implementation will look like is expected to take place during 2020. However, that is not to say that changes have not already begun: There are already a number of changes being made by the market participants themselves such as increased operational separation of audit from consulting and voluntary restriction of non-audit services. There have also been a number of changes arise through regulation such as the further restriction on non-audit services introduced with the new ethical standard in December 2019. Other expected changes will be implemented via a suite of consultations expected in 2020. Detailed below is a summary of the current reports issued and their status with a summary of the contents.

Initiative	Timeline 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Status
<b>BEIS Select Committee</b>	‘Carillion’ report issued 5/2018	‘Future of audit’ report issued 24/4/2019	Government response issued 7/6/2019			It is a priority area for the Committee which has a watching brief
<b>Competition and Markets Authority (CMA) Report ‘Statutory Audit Services Market Study’</b>	Launch of Market study 9/10/2018	Responses to consultation 21/1/2019	Report and recommendations published 18/4/2019	First BEIS consultation on implementation ended 13/9/2019		Further consultations expected in 2020
<b>‘Report of the Independent Review in to the quality and Effectiveness of Audit’ - Sir Donald Brydon</b>		Team appointed to undertake review 2/2019	Consultation ended 7/6/2019		Brydon report issued 9/12/2019	Further consultations expected in 2020
<b>‘Independent Review of the FRC’ by Sir John Kingman</b>	Kingman Report published - 83 recommendations 18/12/2018	Secretary of State announces plans for a new regulator (ARGA) 11/3/2019	48 recommendations to be implemented by FRC BEIS first implementation consultation ended 11/6/2019			Further consultations expected in 2020

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Report	Topic	Key points
<b>'Independent Review of the FRC' by Sir John Kingman</b>	December 2018 - Future of regulation and the FRC - requested by the Secretary of State	<ul style="list-style-type: none"> <li>Highlighted deficiencies in FRC and its operating effectiveness</li> <li>New regulator to replace FRC 'Audit, Reporting and Governance Authority'</li> <li>Reconsideration of which entities are classed as 'public interest'</li> </ul> <p>A number of changes require legislation changes but the FRC is working on implementation where possible.</p>
<b>Related BEIS consultation</b>	BEIS consultation - independent review of the FRC - March 2019 - Recommends adopting a significant number of the Kingman proposals without further consultation - ended June 2019	<p>The proposals being classed as:</p> <ul style="list-style-type: none"> <li>FRC and BEIS will implement as soon as possible</li> <li>Can be implemented once considered, in advance of legislation</li> <li>Primary legislation required</li> </ul> <p>Further consultations are expected and will form part of the 2020 suite of consultations undertaken.</p>
<b>Competition and Markets Authority (CMA) Report 'Statutory Audit Services Market Study'</b>	April 2019 - Future of market competition	<p>Report 18 April 2019 - suggestions include</p> <ul style="list-style-type: none"> <li>Increased accountability of Joint Audit Committees including a focus on how they select auditors and their consideration of audit quality</li> <li>Mandatory joint audits for largest companies including one member not from the big 4 and peer reviews</li> <li>An operational split between the audit and non audit practices of the big 4</li> <li>A 5 year review of progress by the new regulator</li> </ul> <p>Further consultations are expected and will form part of the 2020 suite of consultations undertaken.</p>

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Report	Topic	Key points
<b>BEIS (Business, Energy and Industrial Strategy Committee) Report 'The Future of Audit' - 24 April</b>	Consideration of 2 reports - CMA and Kingman - to ensure they will lead to coherent framework	<p>This report considers the CMA and Kingman reports and supports their recommendations and encourages implementation. In particular:</p> <ul style="list-style-type: none"> <li>• Implement Kingman recommendations as soon as possible</li> <li>• Endorsement of CMAs suggestion to split firms operations between audit and non-audit</li> <li>• Segmented market cap and joint audits for FTSE 100</li> <li>• Detecting fraud a priority</li> <li>• Tightening of dividend regime</li> <li>• Make audit more forward looking</li> <li>• Welcomes introduction of ARGAs - deal with failures more quickly and more stringently</li> </ul> <p>Published June 2019.</p>

# LATEST REGULATORY DEVELOPMENTS 4

## Brydon

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In December 2019 Sir Donald Brydon published his “Report of the Independent Review in to the quality and Effectiveness of Audit” . This report proposes a fundamental changes to the audit profession, the scope of audit and how the Joint Audit Committee interacts with auditors and shareholders. The report introduces over 100 actions in a number of areas including:

- Audit Purpose, Audit Profession and Auditor reporting;
- Directors’ Reporting;
- Role of Shareholders;
- Other stakeholders;
- Internal Controls;
- Fraud;
- Transparency;
- Technology;
- Auditor Liability;
- Audit and Risk Committees;
- KPIs and APMs (Alternative Performance Measures); and
- ARGA - the new regulator.

### Key considerations for Audit Firms

- A new definition of audit: “ The purpose of an audit is to help establish and maintain deserved confidence in a company, in its directors and in the information for which they have responsibility to report, including the financial statements.”
- Recognition of other stakeholders alongside the company’s shareholders;
- Creation of a standalone audit profession as opposed to an extension of the accounting profession;
- Introduce the need for ‘professional suspicion’ alongside ‘professional scepticism’;

- Replace ‘true and fair’ with ‘present fairly, in all material respects’;
- Retain binary audit opinion but create continuity between reports, increase transparency further, have regard to other public information;
- Report specifically on the directors’ statement in relation to fraud; and
- Audit firms ensure a clear separation between the team which negotiates the audit fees, and the team which carries out the audit.

### Key considerations for Joint Audit Committees are as follows

- Recommendations for Directors to present to shareholders a three year audit and assurance policy dealing with auditors appointment, assurance budget and risks;
- Directors to present an annual Public Interest Statement and Resilience Statement (replacing the going concern and viability statements) in the annual report;
- Directors to present an annual statement on the actions they have taken to prevent fraud;
- CEO and CFO to provide an annual attestation to the board of directors as to the effectiveness of the company’s internal controls over financial reporting;
- Directors be required to disclose when any material failure of their internal controls has taken place;
- Any Alternative Performance Measures reported by a company, and any use of Key Performance Indicators to underpin executive remuneration, should be subject to audit; and
- Publication by the directors of a risk report in advance of the audit with shareholders to be given a formal opportunity to propose matters to be covered in the audit and also permitted to question the Joint Audit Committee Chair and the auditor.

# FRC ETHICAL STANDARD

## Issued in December 2019

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In December 2019 the FRC published the Revised Ethical Standard 2019 ('ES'), which is applicable from 15 March 2020. There are some transitional provisions for services and arrangements that are not currently prohibited under the existing Standard. The ES aims to further strengthen auditor independence and enhance confidence in the profession. The table below provides a high level summary of the key headlines.

Key headlines	Impact
<b>The objective, reasonable &amp; informed third party test</b>	Reinforcement that ethical principles take priority over rules. A need to take care where particular facts and circumstances are either not addressed directly by the rules or might appear to 'work around' the rules, or result in an outcome that is inconsistent with the general principles.
<b>Extra-territorial impact</b>	For group audits where the audited entity has overseas operations, the ES will require all BDO Member firms to be independent of the UK audited entity and its UK and overseas affiliates in accordance with the UK Ethical Standard, irrespective of if their audit work is relied upon.
<b>Contingent fees</b>	Non-audit services with contingent or success-based fee arrangements will be prohibited for audited entities.
<b>Secondments</b>	All secondments/loan staff to audited entities are prohibited with the exception of secondments to public sector entities.
<b>Recruitment and remuneration services</b>	Prohibition on providing remuneration services to audited entities such as advising on the quantum of the remuneration package or the measurement criteria for calculation of the package. In addition, the prohibition on providing recruitment services to an audited entity that would involve the firm taking responsibility for, or advising on the appointment of, any director or employee of the entity.
<b>Non-audit services to a public interest entity (PIE)</b>	Moving to a "white-list" of permitted non-audit services for PIEs. The white-list largely consists of services which are either audit-related or required by law and/or regulation. The provision of services not on the white-list are prohibited. The ES separates those permitted services which are exempt from the 70% fee cap and those services which are subject to the fee cap.
<b>Other entities of public interest ('OEPI')</b>	OEPI is a new term in the Ethical Standard. The FRC have imposed the 'white-list' applicable to PIE audited entities to also apply to OEPIs. OEPIs are entities which, according to the FRC, do not meet the definition of a PIE but nevertheless are of significant public interest to stakeholders. They include AIM listed entities which exceed the threshold to be an <i>SME listed entity</i> - generally those with a market cap of more than €200m; Lloyd's syndicates; Private sector pension schemes with more than 10,000 members and more than £1billion of assets; Entities that are subject to the governance requirements of The Companies (Miscellaneous Reporting) Regulations 2018 (SI/2018/860), excluding fund management entities which are included within a private equity or venture capital limited partnership fund structure. These would be entities which: <ul style="list-style-type: none"> <li>- Have more than 2000 employees; and / or</li> <li>- Have a turnover of more than £200 million and a balance sheet total of more than £2 billion.</li> </ul>

The FRC have noted that the rules applicable to OEPIs will apply from periods commencing on or after 15 December 2020.

# FRC PRACTICE AID FOR JOINT AUDIT COMMITTEES

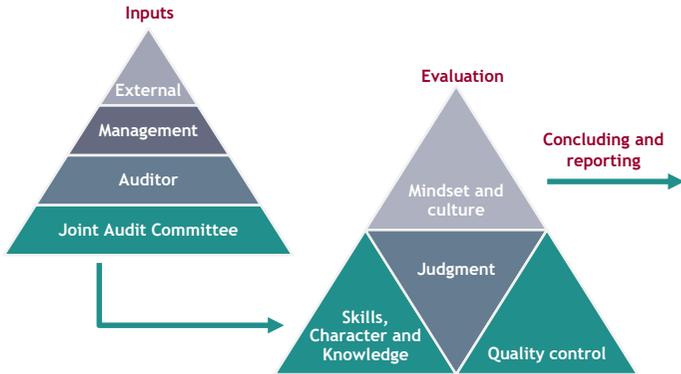
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The FRC issued an updated practice aid for Joint Audit Committees in December 2019 and a full copy can be found on the [FRC website](#). In their practice aid the FRC note: ‘The directors of a company (the Board as a whole) are responsible for ensuring its financial statements are prepared in accordance with the applicable financial reporting framework and for overseeing the company’s internal control framework. A high-quality audit provides investors and other stakeholders with a high level of assurance that the financial statements of an entity give a true and fair view and provide a reliable and trustworthy basis for taking decisions.’

The practice aid then discusses how the role of Joint Audit Committees in serving the interests of investors and other stakeholders is through their independent oversight of the annual corporate reporting process including the audit. The FRC highlight that the responsibility for appointing the external auditor, approving their remuneration and any non audit services work, ensuring their independence and challenging them over the quality of their work falls to the Joint Audit Committee and can play a key role in facilitating a high quality audit (see note below).

It gives guidance for Joint Audit Committees in the following areas:

- Audit tenders and the tender process including audit fee negotiations and auditor independence
- A model for use by Joint Audit Committees in making an overall assessment of an external auditor including inputs, evaluations and concluding:



- Transparency - reporting to the Board on how the Joint Audit Committee has discharged these responsibilities
- Some guidance on key areas of audit judgement

The provision of high quality audits are a key focus of FRC and the new Executive Director of Supervision, David Rule, sent a letter to all audit firms in November 2019 explaining the factors he would expect to see in place in order to facilitate the delivery of high quality audits. A copy of the letter can be found on the [FRC website](#).

# Letter of representation

[Client name and Letter headed paper]

BDO LLP  
55 Baker Street  
London  
W1U 7EU

Dear Sirs

### Financial statements of Police and Crime Commissioner Cambridgeshire and Peterborough for the year ended 31 March 2020

We confirm that the following representations given to you in connection with your audit of the Group and the PCC's financial statements for the year ended 31 March 2020 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the PCC and other Group entities.

The Chief Finance Officer has fulfilled his responsibilities for the preparation and presentation of the Group and the PCC financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Group and the PCC as of 31 March 2020 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the PCC, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the PCC's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the PCC have been made available to you for the purpose of your audit and all the transactions undertaken by the PCC have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

### Going concern

We have made an assessment of the Group and the PCC's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the Group and the PCC is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Group and the PCC's ability to continue as a going concern.

### Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the PCC's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

### Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

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## Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

## Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

## Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

There were no loans, transactions or arrangements between any Group entity and the PCC's members or their connected persons at any time in the year which were required to be disclosed.

## Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the consolidated Group and PCC financial statements.

## Accounting estimates

We confirm the following significant assumptions made in relation to accounting estimates (including fair value measurements) used in the preparation of the financial statements:

a) assumptions used by the actuary in the calculation of the pension fund liability

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) and Police schemes liabilities, as applied by the schemes' actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

	LGPS	Police schemes
Rate of increase in salaries	2.3%	4.0%
Rate of increase in pensions	1.8%	2.0%
Rate of discounting scheme liabilities	2.3%	2.3%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

b) assumptions used for land and buildings valuations.

We are satisfied that the useful economic lives of land and buildings, and their constituent components, used in the valuation of land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

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**Litigation and claims**

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

**Confirmation**

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each officer and member has taken all the steps that they ought to have taken as an officer or member of the PCC in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Matthew Warren  
 Chief Finance Officer  
 [date]

Ray Bisby  
 Acting Police and Crime Commissioner  
 [date]

# Letter of representation

[Client name and Letter headed paper]

BDO LLP  
55 Baker Street  
London  
W1U 7EU

Dear Sirs

## Financial statements of The Chief Constable of Cambridgeshire Constabulary for the year ended 31 March 2020

We confirm that the following representations given to you in connection with your audit of the Chief Constable’s financial statements for the year ended 31 March 2020 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Chief Constable.

The Chief Finance Officer has fulfilled his responsibilities for the preparation and presentation of the Chief Constable financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Chief Constable as of 31 March 2020 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Chief Constable, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Chief Constable’s financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Chief Constable have been made available to you for the purpose of your audit and all the transactions undertaken by the Chief Constable have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

### Going concern

We have made an assessment of the Chief Constable’s ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the Chief Constable is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Chief Constable’s ability to continue as a going concern.

### Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the Chief Constable’s business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

### Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

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## Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

## Misstatements

You have not advised us of any unadjusted misstatements in the financial statements or other information in the Annual Report.

## Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

There were no loans, transactions or arrangements between any Chief Constable members or their connected persons at any time in the year which were required to be disclosed.

## Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the Chief Constable financial statements.

## Accounting estimates

We confirm the following significant assumptions made in relation to accounting estimates (including fair value measurements) used in the preparation of the financial statements:

a) assumptions used by the actuary in the calculation of the pension fund liability

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) and Police schemes liabilities, as applied by the schemes' actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

	LGPS	Police schemes
Rate of increase in salaries	2.3%	4.0%
Rate of increase in pensions	1.8%	2.0%
Rate of discounting scheme liabilities	2.3%	2.3%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

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**Litigation and claims**

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

**Confirmation**

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each officer and member has taken all the steps that they ought to have taken as a officer or member of the Chief Constable in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Jon Lee  
 Chief Finance Officer  
 [date]

Nick Dean  
 Chief Constable  
 [date]

# AUDIT QUALITY

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### **BDO is totally committed to audit quality**

It is a standing item on the agenda of BDO’s Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream’s objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the FRC’s Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at [www.bdo.co.uk](http://www.bdo.co.uk)

FOR MORE INFORMATION:

Rachel Brittain

t: +44 (0)20 7893 2362  
m: +44 (0)7971 716 487  
e: rachel.brittain@bdo.co.uk

Matthew Weller

t: +44(0)1473 320804  
e: matthew.weller@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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