



Report to the Joint Audit Committee

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

Audit Progress Report: year ended 31 March 2021

IDEAS | PEOPLE | TRUST



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WELCOME

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We have pleasure in presenting our Audit Progress 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 to date of completing the planned audit approach for the year ended 31 March 2021, specific audit findings and areas requiring further discussion and/or the attention of the Joint Audit Committee. Throughout the audit, it is essential that we engage with the Joint Audit Committee on the progress to date of our audit of the financial statements and use of resources comprising: audit work on key risk areas performed to date, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls identified to date, 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 Council for the co-operation and assistance provided during the audit.

Rachel Brittain

15 October 2021



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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

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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 2021.

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

Our audit work on the financial statements remains in progress and subject to the successful resolution of outstanding matters, we anticipate issuing our opinion on the Group’s financial statements for the year ended 31 March 2021 in November 2021.

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

Based on testing completed to date, 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. This is subject to the completion of outstanding testing.

We have no exceptions to report at this stage in respect of the Group’s value for money arrangements.

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 2% of the pension fund liability. Specific materiality for income and expenditure and other balance sheet items was determined based on 2.25% of net cost of services expenditure. Our materiality for the PCC was determined based on 2% of gross assets.

Our materiality levels have not required reassessment since our audit planning report issued on 21 April 2021, 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.

Unadjusted audit differences

We identified audit adjustments that, if posted, would decrease the PCC deficit on the provision of services for the year by £608,000, and increase the Chief Constable deficit on the provision of services for the year by £15.582 million.

Material misstatements

We did not identify any material misstatements.

There were two immaterial audit differences identified by our audit work that we are expecting to be adjusted by management. The impact of these adjustments has not yet been quantified or agreed with management. We will provide a verbal update to the Joint Audit Committee.

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	34,620,000	1,731,000	3,500,000	175,000
Police and Crime Commissioner Cambridgeshire and Peterborough	-	-	2,200,000	106,000
The Chief Constable of Cambridgeshire Constabulary	34,600,000	1,730,000	3,300,000	165,000

OTHER MATTERS

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Financial reporting

- We have not identified any non-compliance to date 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.
- Our review of the Annual Governance Statement to determine if it is inconsistent or misleading compared to other information we are aware of is ongoing at the time of writing. We will provide a verbal update to the Joint Audit Committee.
- 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

- Confirmation on fraud, contingent liabilities and subsequent events.
- Draft letters of representation are included on pages 39 to 44. These are subject to change prior to completion of the audit.

Independence

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

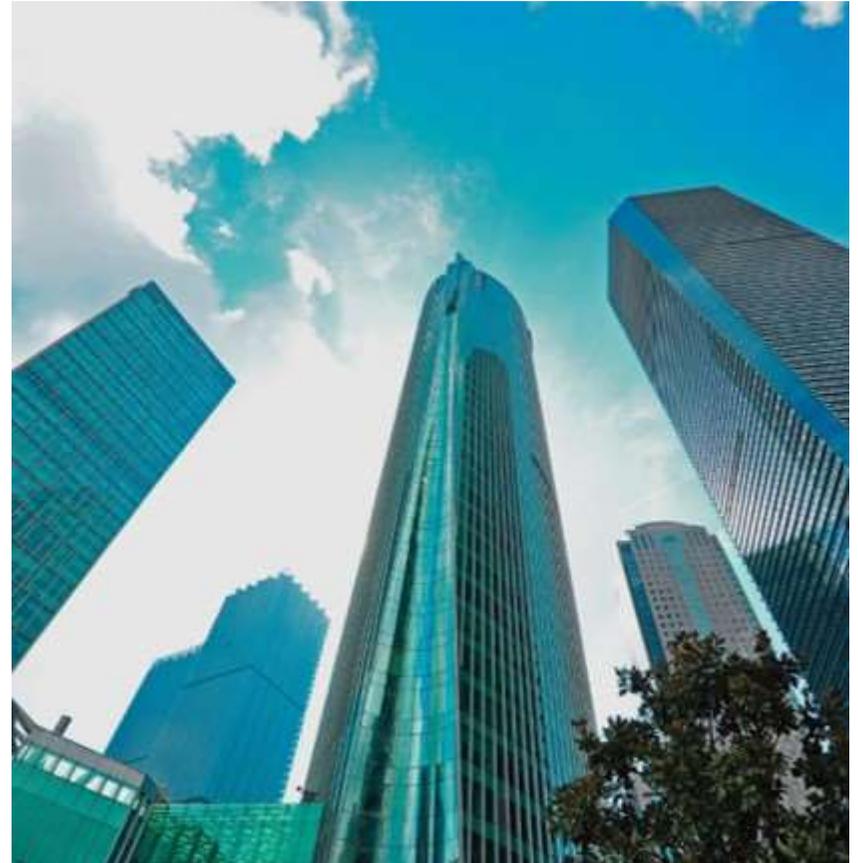


OUR METHODOLOGY

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 21 April 2021 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 to date	Control Findings to be reported identified to date	Discussion points / Letter of Representation
Management override of controls	Significant	Yes	No	No	No	Yes
Expenditure recognition	Significant	Yes	No	No	No	No
Valuation of non-current assets	Significant	Yes	Yes	No	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

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

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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

Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. We are required to consider this as a significant risk of material misstatement due to fraud.

Planned audit approach

Our audit procedures will include the following:

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

Results to date

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 (journals which fall outside of our expectations, and were selected for testing as part of our testing approach) posted during the year.

Ongoing work

Our review of the unusual journal entries identified remains ongoing at the time of writing. We will provide a verbal update to the Joint Audit Committee.

Our review to assess and corroborate significant management estimates and judgements remains ongoing at the time of writing. We will provide a verbal update to the Joint Audit Committee. This review is covering the following key areas:

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

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

EXPENDITURE RECOGNITION

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For public sector bodies the risk of fraud is relevant to expenditure recognition.

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Significant management judgement	
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Significant control findings to be reported	
Letter of representation point	

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.

For net-spending bodies in the public sector there is increased risk of fraud related to expenditure. For the Force, we consider the risk of fraud to be in respect of the cut-off of non-payroll expenditure at year-end.

Planned audit approach

We will confirm that expenditure is recognised in the correct accounting period by substantively testing a sample of expenditure items around year-end. A financial threshold will be set to determine the samples to be selected for this testing. A lower threshold will be used to account for the significant risk.

Results to date

Our audit work on expenditure cut off to date has not identified any issues. We have tested a sample of items, picked from the nominal ledger 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.

Ongoing work

We also selected a sample of expenditure items from the bank statements around year-end. The majority of this sample has been agreed to supporting documentation, and we confirmed that the expenditure has been recognised in the correct year, with accruals/creditors or prepayments recognised where necessary. Our testing over the final items in this sample remains ongoing at the time of writing. We will provide a verbal update to the Audit and Risk Assurance Committee.

We have not identified any indications of fraud in this area and have not identified any material misstatement as a result of error.

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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	
Letter of representation point	■

Risk description

Police and Crime Commissioners 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. Revisions to ISA (UK) 540 mean that we need to update our approach to the audit of accounting estimates.

Planned audit approach

Our audit procedures will include the following:

- Reviewing 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
- Confirming that the basis of valuation for assets valued in year is appropriate based on their usage
- Reviewing accuracy and completeness of information provided to the valuer, such as rental agreements and sizes
- Reviewing assumptions used by the valuer and movements against relevant indices for similar classes of assets
- Following up valuation movements that appear unusual
- Confirming that assets not specifically valued in the year have been assessed to ensure their reported values remain materially correct.

Results to date

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 PCC owns a percentage of a small number of assets which are used for collaboration activities, for which only the proportion of the valuation amount has been included in the PCC accounts in line with the percentage ownership. This is consistent with the accounting standard requirements for such assets.

Ongoing work

Our testing identified that the floor areas had been included in the valuation calculation incorrectly for a number of assets, the impact to date of which is an understatement of asset values of £195,000. Our work to assess the accuracy of the remaining floor areas (not included within the £195,000) is ongoing at the time of writing. An unadjusted audit difference has been raised for this on page 19, but is subject to change.

Our testing in respect of revaluations remains ongoing as at the date of writing. We will provide a verbal update to the Joint Audit Committee.

VALUATION OF NON-CURRENT ASSETS

Continued

Significant accounting estimates: £48.475m

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 three assets valued in line with the rolling revaluation policy and five high value assets valued every year. In total, assets to the value of £36.886m have been assessed during the year. The assets which have not been reviewed have a total net book value of £11.589m. 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.

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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. Revisions to ISA (UK) 540 mean that we need to update our approach to the audit of accounting estimates.

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 Force’s liability.

The risk is applicable to both the Local Government Pension Scheme (LGPS) and the Police Pension Scheme liability.

Planned audit approach

Our audit procedures will include the following:

- Agreeing the disclosures to the information provided by the pension fund actuary
- Assessing the competence of the management expert (actuary)
- Checking the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data

- Assessing the controls in place for providing accurate membership data to the actuary
- Contacting the pension fund auditor and requesting confirmation of the controls in place for providing accurate membership data to the actuary and testing of that data
- Checking that any significant changes in membership data have been communicated to the actuary.

Results to date

We have received assurances from the auditor of Cambridgeshire Pension Fund. This highlighted two misstatements in the financial statements. The pension fund asset was valued as at 31 December 2020. There was an estimated increase in the value of this asset, by the pension fund auditor, of £441,000 in the PCC and £2.649 million in the Chief Constable between 31 December 2020 and 31 March 2021. For the Chief Constable, the benefits paid figure in the IAS19 report was identified by the pension fund auditor to be overstated by £2.851 million. Unadjusted audit differences have been raised for the two amounts above on pages 19 and 21 respectively.

In addition, our review of the expected return on plan assets identified that the value disclosed was different to expectations by a trivial amount in the Chief Constable and £148,000 in the PCC. The PCC was unable to provide an explanation for this difference. An unadjusted misstatements has been raised in respect of this on page 19.

We confirmed that assumptions used by the pension fund actuary are reasonable and in line with expectations.

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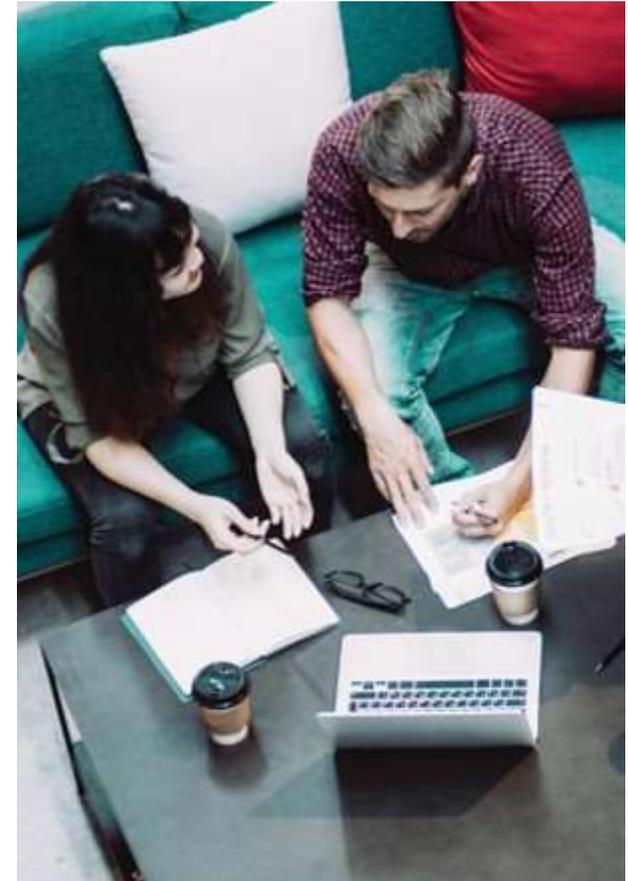
Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	■
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	■

Ongoing work

We agreed the disclosures to the information provided by the actuary. In the prior year, there was a movement between the fund liability values provided by the actuary and the year-end values included in the pension fund account as a result of the McCloud judgement, of £18.231 million in the Chief Constable and a trivial movement in the PCC. This was raised as an unadjusted misstatement in the prior year audit, and as a result, the opening balance in the current year is incorrect by the same amount. An unadjusted audit difference has been raised for this amount on page 22.

An in-year adjustment has been made in the current year to correct the position, and the cumulative position is therefore correct. The in-year adjustment was posted incorrectly and we expect management to correct this in the final financial statements.

Our testing of the pension fund liability remains ongoing as at the date of writing. We will provide a verbal update to the Joint Audit Committee.



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 Joint Audit Committee.

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

Planned audit approach

Our audit procedures will include the following:

- Searches of 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, searches in the ledger to identify transactions
- For related parties already identified, checks to ensure the relationship is correctly disclosed and that the figures disclosed match those included in the ledger.

Results

Our review of the controls to identify and disclose related party transactions did not identify any deficiencies in control.

Our review of the accuracy of related party transactions disclosed did not identify any issues.

We have not identified any indications of fraud in this area and have not identified any material misstatement as a result of error.

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Significant management judgement	
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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

Our review of the key judgements remains ongoing at the time of writing. We will provide a verbal update to the Joint Audit Committee.

Summary of support measures taken into account

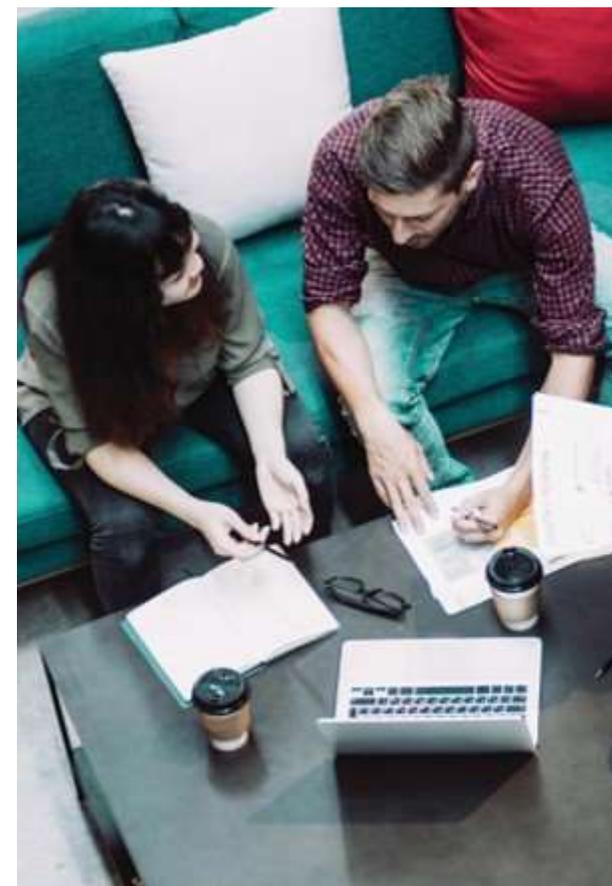
We are aware that the PCC and Chief Constable are fully supported by Central Government through grant funding.

Material uncertainty

We have not noted any material uncertainty to date with respect to going concern.

Discussion and conclusion

Our testing in respect of going concern remains ongoing at the time of writing. We will provide a verbal update to the Joint Audit Committee.



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Fraud

Whilst the senior 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 to date have not identified any fraud.

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

The most significant considerations for your organisation are employment and data protection legislation. Our enquiries of management and review of relevant correspondence in this respect remains ongoing as at the date of testing. We will provide a verbal update to the Joint Audit Committee.

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

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

Police and Crime Commissioner Cambridgeshire and Peterborough

There are four unadjusted audit differences identified by our audit work which would decrease the deficit on the provision of services for the year of £27.622 million by £608,000 and would decrease net liabilities by £488,000.

There would be no impact on the general fund balance.

The Chief Constable of Cambridgeshire Constabulary

There are three unadjusted audit differences identified by our audit work which would increase the deficit on the provision of services for the year of £25.215 million by £15.582 million and would decrease net liabilities by £2.649 million.

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: POLICE AND CRIME COMMISSIONER DETAIL

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	Income and expenditure			Balance Sheet	
	NET DR/(CR) £'000	DR £'000	CR £'000	DR £'000	CR £'000
Unadjusted audit differences					
Deficit on the provision of services for the year before adjustments	27,622				
Adjustment 1: Movement in value of pension fund asset between 31/12/2020 and 31/03/2021 (judgemental)					
DR Pension fund asset (net liability position)				441	
CR Re-measurement of the net defined benefit liability	(441)		441		
Adjustment 2: Adjustment to property, plant and equipment valuation as a result of incorrect floor areas being used (judgemental)					
DR Property, Plant and Equipment				195	
CR Revaluation reserve					195
Adjustment 3: Differences identified on expected return on plan assets calculation (judgemental)					
DR Pension reserve				148	
CR Pension fund asset (net liability position)					148

UNADJUSTED AUDIT DIFFERENCES: POLICE AND CRIME COMMISSIONER DETAIL

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
Unadjusted audit differences					
Adjustment 4: Movement in value of pension fund asset between 31/12/2019 and 31/03/2020 (judgemental)					
DR Pension reserve				167	
CR Re-measurement of the net defined benefit liability	(167)		167		
Total unadjusted audit differences	(608)	-	608	951	343
Deficit on the provision of services for the year if above issues adjusted	27,014				

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UNADJUSTED AUDIT DIFFERENCES: CHIEF CONSTABLE DETAIL

Details for the current year

	Income and expenditure			Balance Sheet	
	NET DR/(CR) £'000	DR £'000	CR £'000	DR £'000	CR £'000
Unadjusted audit differences					
Deficit on the provision of services for the year before adjustments	25,215				
Adjustment 1: Movement in value of pension fund asset between 31/12/2020 and 31/03/2021 (judgemental)					
DR Pension fund asset (net liability position)				2,649	
CR Re-measurement of the net defined benefit liability	(2,649)		2,649		
Adjustment 2: Overstatement of benefits paid (judgemental)					
DR Plan assets (net liability position)				2,851	
CR Plan liabilities					2,851

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UNADJUSTED AUDIT DIFFERENCES: CHIEF CONSTABLE DETAIL

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
Unadjusted audit differences					
Adjustment 3: Adjustment to pension liability arising from McCloud (judgemental)					
DR CIES	18,231	18,231			
CR General fund/Pension reserve					18,231
Total unadjusted audit differences	15,582	18,231	2,649	5,500	21,082
Deficit on the provision of services for the year if above issues adjusted	40,797				

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ADJUSTED AUDIT DIFFERENCES: SUMMARY

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There were two audit differences identified by our audit work that we are expecting to be adjusted by management. The impact of these adjustments has not yet been quantified or agreed with management. We will provide a verbal update to the Joint Audit Committee.

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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
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.	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.
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 Authority’s review of effectiveness and our knowledge of the Authority.	Our review of the consistency of the Annual Governance Statement 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.

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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 Council falls 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.	We are planning to submit the relevant section of the assurance statement to the National Audit Office by 30 November 2021.

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New Code of Audit Practice (“Code”)

The Comptroller & Auditor General has determined through a new Code and guidance that the key output from local audit work in respect of value for money (VFM) arrangements is a commentary as reported in the Auditor’s Annual Report, not a VFM arrangements ‘conclusion’ or ‘opinion’. There may be matters referred to in the auditor’s commentary that do not represent significant weaknesses in arrangements and where significant weaknesses are reported we are required to also report recommendations.

As auditors we need to gather sufficient evidence and document our evaluation of arrangements to enable us to draft our commentary under three reporting criteria. These criteria are:

- **Financial sustainability** - How the PCC and Chief Constable plan and manage their resources to ensure they can continue to deliver their services
- **Governance** - How the PCC and Chief Constable ensure that they make informed decisions and properly manage their risks
- **Improving economy, efficiency and effectiveness** (‘Improving 3Es’) - How the PCC and Chief Constable use information about their costs and performance to improve the way they manage and deliver their services.

Risk of Significant Weakness

We have not yet completed our work on the PCC and Chief Constable’s value for money arrangements. To comply with requirements of the Code of Audit Practice 2020/21 a letter has been issued to the Joint Audit Committee Chair stating this and the reason for the delay.

In line with Auditor Guidance Note 3 (AGN 03) *Auditors’ Work on Value for Money (VFM) Arrangements* issued by the Comptroller and Auditor General in April 2021, we will report a commentary on value for money arrangements in our Auditor’s Annual Report and include exception reporting in respect of any identified significant weaknesses in our audit certificate.

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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 the Council’s 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
Leavers in e-financials	<p>From a sample of 11 leavers tested from the e-financials system, we noted two instances where leavers were not deactivated in a timely manner. These leavers both left in 2019 but were not deactivated until 2020 and 2021 respectively.</p> <p>We have confirmed that neither leaver logged into the system after leaving. However, there is a risk that they could have committed fraudulent activity in the period in which they retained access.</p>	A review of the user access list should be undertaken on a regular basis to ensure that only appropriate personal retain access to the system.	[xx]

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Area	Issue and impact	Original recommendation	Progress	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.	No issues were identified with the new starters tested in the current year.	[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. No assurance can therefore be obtained that the procedure operated as expected.</p>	The check is documented each month to evidence that it has been performed.	Confirmed that this remains a visual check and there was no retained evidence of the check in 2020/21.	[xx]
Useful economic lives	<p>A review of the fixed asset register identified a number of plant and equipment and vehicles 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 by the finance team to confirm that they are all appropriate.	Our testing in respect of UELs remains ongoing as at the time of writing. We will provide a verbal update to the Joint Audit Committee.	[xx]

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Area	Issue and impact	Original recommendation	Progress	Management response
Related party declarations	<p>Related party declarations were not obtained for all individuals who were required to complete them. Additional resource was put into obtaining these, and there was only one leaver for which the PCC and Chief Constable were unable to obtain the declaration.</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.	Related party declarations were obtained for all individuals as required in the current year.	Not applicable
Floor areas used in valuation calculations	<p>The floor areas were identified to be input to the valuation calculation incorrectly for some of the assets valued in year.</p> <p>Due to the material nature of individual asset values, the incorrect inputting of one value could lead to the value of an asset being materially incorrect, although this was not the case here.</p>	All floor areas are checked against the floor plans as part of the valuation process	Differences have been noted on the floor areas used again in the current year. The valuations were however performed as at 1 April 2020, which was before this recommendation was raised.	[xx]
Evidence for land values	<p>The valuer did not retain the evidence obtained from their agents to support the land values used in the valuation calculations.</p> <p>The information retained consisted of a spread sheet detailing the evidence obtained. There is a possibility that values could have been input into this spread sheet incorrectly, and without retaining the source documentation, there is no way of checking for such issues. The split of valuations between land and buildings is a key judgement used to determine the depreciation charges, and if this is incorrect, then the depreciation charge will be incorrect.</p>	Supporting documentation evidencing all inputs in the valuation calculated is retained.	Our review of land values remains ongoing as at the time of writing. We will provide a verbal update to the Joint Audit Committee.	[xx]

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Area	Issue and impact	Original recommendation	Progress	Management response
Review of membership data	<p>A control is in place that the membership data submitted to the actuary is prepared by one officer and reviewed by another prior to being submitted to the actuary. No documentation is maintained to evidence that this control is taking place.</p> <p>If the control is not documented, then there is a risk that non-performance of the control could go undetected.</p>	Documented evidence of the reviews taking place is maintained going forward.	We have confirmed that this review was undertaken in the current year.	Not applicable
Management review of valuation of the net pension liability.	<p>Management engage an actuary to value the net pension liability, which is a significant accounting estimate.</p> <p>Management have not evidenced that they undertaken a review of the outcome of the above engagement to ensure that it is consistent with their expectations.</p>	<p>As part of the accounts preparation process, identify significant accounting estimates and set high level expectations regarding movements in the associated assets and liabilities.</p> <p>Compare expectations to outputs generated by management's expert. Challenge the expert where outputs are inconsistent with management's expectation, and document this process.</p>	The force did not retain any evidence to document this control, and we could not therefore confirm it was operational in the current year.	[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.	Documentation was successfully obtained for all senior officers in the current year. It should however be noted that the officers for which we were unable to obtain contracts in the prior year audit left the force in 2019/20, and contracts were not therefore requested for these individuals in the current year audit.	[xx]

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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.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC’s Ethical Standard 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.

FEES

Fees summary

	2020/21	2019/20
Police and Crime Commissioner Cambridgeshire and Peterborough	£23,360 ²	£23,360
The Chief Constable of Cambridgeshire Constabulary	£11,550 ²	£11,550
Additional audit fee: recurring	£16,414 ¹	£16,414 ¹
Additional audit fee: non-recurring	-	£7,834 ¹
Total audit fees	TBC	£59,158
Fees for non-audit services	-	-
Total non-audit services fees	-	-
Total fees	TBC	£59,158

Fee variances

¹Recurring increase to Scale Fee

The Public Sector Audit Appointments Limited (PSAA) scale fee is largely based on the historical position 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. An additional fee has been proposed for 2019/20 to cover the costs associated with increased regulatory requirements. A further additional fee has also been proposed for one off overrun events in 2019/20, which has been agreed with management. This fee is a proposal and is currently being agreed with PSAA.

²Use of resources fee variance

The audit fee is based on audit scope under the Code of Audit Practice. A new Code is effective for periods commencing 1 April 2020, which significantly increases the work of auditors for reporting on a body's use of resources. We will propose a fee variation in respect of this once additional procedures have been fully scoped.



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OUR RESPONSIBILITIES

Responsibilities and reporting

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

	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

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	April 2021	Joint Audit Committee
Audit Progress report	October 2021	Joint Audit Committee
Audit Completion report	November 2021	To be circulated by e-mail
Auditor’s Annual Report	January 2022	Joint Audit Committee

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 2021

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 2021 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.

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
Rate of increase in salaries	3.3%
Rate of increase in pensions	2.8%
Rate of discounting scheme liabilities	2.1%

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.

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]

Darryl Preston
Police and Crime Commissioner

[date]

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 2021

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 2021 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	3.3%	4.2%
Rate of increase in pensions	2.8%	2.4%
Rate of discounting scheme liabilities	2.1%	2.0%

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

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



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



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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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