



# Audit Completion Report

Police and Crime Commissioner for Northumbria  
Year ending 31 March 2019



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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

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Police and Crime Commissioner for Northumbria

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July 2019

Dear Police and Crime Commissioner for Northumbria

### **Audit Completion Report – Year ended 31 March 2019**

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 25 February 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0781 375 2053.

Yours faithfully

Signed: {{\_es\_:signer1:signature }}

Cameron Waddell  
Mazars LLP

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We are registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861.  
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# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Police and Crime Commissioner for Northumbria (the PCC) for the year ended 31 March 2019, and forms the basis for discussion at the meeting on 31 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the PCC's] arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls (relevant to single entity and group accounts)
- Defined benefit liability valuation (relevant to group accounts only)
- Valuations of buildings (relevant to single entity and group accounts)

## Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

### Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

### Value for Money conclusion

We anticipate concluding that the PCC had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

### Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 13 September 2019. We anticipate reporting that the WGA submission is consistent with the audited financial statements

### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the PCC and to consider any objection made to the accounts.

# 1. EXECUTIVE SUMMARY

## Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2019. At the time of preparing this report the following matters remain outstanding.

Audit area	Status	Description of outstanding matters
Pensions (incl Using the work of an expert)	●	Work on going in relation to pensions valuations
Audit closure procedures	●	Includes internal consistency checks, agreeing amendments and post balance sheet events.
Whole of Government Accounts	●	Work to be completed.
Group Accounts	●	Work to be completed

### Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the PCC with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

## Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in February 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

We set materiality at the planning stage of the audit at £5.831 million for the PCC, £8.639 million for the Group, using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £5.854 million for the PCC, £8.632 million for the Group, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the PCC, at £0.176 million for the PCC, £0.259 million for the Group based on 3% of overall materiality.

## Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the PCC in a follow-up letter.

## 2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 7 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year; and
- any significant difficulties we experienced during the audit.

### Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the PCC's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk	Description of the risk
Management override of controls (relevant to single entity and group accounts)	Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.
<b>How we addressed this risk</b>	
We addressed this risk through performing audit work over:	
<ul style="list-style-type: none"><li>• Accounting estimates impacting on amounts included in the financial statements;</li><li>• Consideration of identified significant transactions outside the normal course of business; and</li><li>• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</li></ul>	
<b>Audit conclusion</b>	
Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.	



## 2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Defined benefit liability valuation (relevant to group accounts only)	<p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>
	<p><b>How we addressed this risk</b></p> <p>We discussed with key contacts significant changes to the pensions estimates prior to the preparation of the final accounts. In addition to our standard programme of work in this area, we:</p> <ul style="list-style-type: none"><li>evaluated the management controls you had in place to assess the reasonableness of the figures provided by the actuaries; and</li><li>considered the reasonableness of the actuaries outputs, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office.</li></ul>
	<p><b>Audit conclusion</b></p> <p>Work is ongoing in this area</p>

Significant risk	Description of the risk
Valuations of buildings (relevant to single entity and group accounts)	<p>The financial statements contained material entries on the Balance Sheet as well as material disclosure notes in relation to the PCC's holding of buildings.</p> <p>Although the PCC employs an internal valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of buildings due to the significant judgements and number of variables involved in providing revaluations. We therefore identified the revaluation of buildings to be an area of increased risk of material misstatement.</p>
	<p><b>How we addressed this risk</b></p> <p>We considered the PCC's arrangements for ensuring that buildings values were reasonable and engaged our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the PCC's valuer. We also assessed the competence, skills and experience of the valuer.</p> <p>Where necessary we performed further audit procedures on individual assets to ensure that the basis and level of valuation is appropriate.</p>
	<p><b>Audit conclusion</b></p> <p>Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention</p>

## 2. SIGNIFICANT FINDINGS (CONTINUED)

<b>Management judgement</b>	<b>Description of the management judgement</b>
<b>Year end leave</b>	Accounting standards required that an estimate be made of the value of accumulated absences awarded but not taken as at 31 March 2019. We expect that, as in previous years, this will be a material estimate.
<b>Accrual (relevant to group accounts only)</b>	As this is an area of significant management judgement we were required to regard this as an enhanced risk.
	<b>How our audit addressed this area of management judgement</b>
	We evaluated the arrangements you had in place to produce the year end leave accrual estimate.
	<b>Audit conclusion</b>
	Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.



## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Qualitative aspects of the PCC’s accounting practices

We have reviewed the PCC’s accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the PCC’s circumstances.

Draft accounts were received from the PCC on 31 May 2019 and were of a good quality.

### Significant matters discussed with management

There have been significant issues this year relating to accounting for pensions. These issues are not specific to the Police and Crime Commissioner (PCC), but are national issues impacting on all local government and related bodies, including police and fire. There have been three issues, but the most significant issue has been the impact of what is known as the McCloud judgement.

The nature and impact of the McCloud judgement was included as a Contingent Liability in the Group notes within the PCC’s draft financial statements, based on best available national advice at the time. It relates to claims of discrimination in respect of protections offered to some, but not all pension scheme members as part of reforms to public sector pensions. In December 2018, the Court of Appeal ruled in a test case that this did amount to unlawful discrimination. At the time the PCC was producing draft financial statements, the Government intended to appeal to the Supreme Court and the outcome was uncertain.

During the audit period, the Government has not been granted leave to appeal, meaning that some form of restitution across all public sector pension schemes seems more certain, requiring the estimated impact of this to be reflected in the pension disclosures in the financial statements, subject to materiality considerations. This issue impacts on both the Police Pension Scheme and the Local Government Pension Scheme (LGPS) and thus on the Group accounts produced by the PCC.

The other two issues have been:

- Guaranteed Minimum Pension (GMP) indexation and equalisation, which relate to the move to a single-tier new State Pension and equalisation of the GMP benefits between males and females, which has been accounted for to varying degrees by each actuary. Again this issue impacts on both schemes and consequently on the Group accounts; and
- Asset values, which relates to whether the estimation of assets by the actuary using asset values at the end of December 2018/end of January 2019 was accurate, given higher than expected returns in the final quarter of 2018/19. This issue relates to the LGPS only; again this impacts upon the Group accounts.

For each of these issues, our approach has been to suggest that the Chief Constable engages with the actuary of each scheme, to assess the potential impact of these issues, to see whether the impact is material, and if so, to make amendments to the single entity financial statements of the Chief Constable. These amendments would then feed through to the Group accounts produced by the PCC.

None of these issues impact on the Group accounts in terms of a bottom-line impact on the General Fund balance, although in practice, both McCloud and GMP will place upward pressure on employers’ pension contributions reflecting an increased pension liability to recover over the life of the scheme.

### Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2018/19 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.



### 3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

**Our findings and recommendations are set out below**

We have not identified any significant deficiencies as a result of our work this year.

**Follow up of previous internal control points**

We did not raise any internal control points in 2017/18.



# 4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £0.176 million for the PCC and £0.259 million for the Group.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

## Unadjusted misstatements 2018/19 - None identified as at 10 July 2019

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Cr:  Insert explanation				
2	Dr: Cr:  Insert explanation				
3	Dr: Cr:  Insert explanation				
4	Dr: Cr:  Insert explanation				
Total unadjusted misstatements					

# 4. SUMMARY OF MISSTATEMENTS (CONTINUED)

## Unadjusted misstatements 2018/19 - None identified as at 10 July 2019

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Cr:  Insert explanation				
2	Dr: Cr:  Insert explanation				
3	Dr: Cr:  Insert explanation				
4	Dr: Cr:  Insert explanation				

## Disclosure amendments

A number of disclosure amendments were identified and amended during the course of our audit. The main issues are reported below -

- Creditors (Note 20) – The creditor in respect of the Chief Constable (£8.746 million) was missing from the Note. However, the correct total was disclosed in the Balance Sheet
- Analysis of transfers To/From reserves (Note 9c) – The net movement on the deferred capital receipts reserve has been amended to disclose both the transfer to and transfer from the reserve.
- Financial Instruments (Note 22) - The Financial Instrument Balances table was amended to reflect the revised classification of financial assets and liabilities under the new accounting standard (IFRS9).
- Group Expenditure and Funding Analysis (EFA) (Group Note 2b) – The Note to the EFA, Segmental Income has been amended to disclose the segmental income figures for 2018/19.

# 5. VALUE FOR MONEY CONCLUSION

## Our approach to Value for Money

We are required to form a conclusion as to whether the PCC has made proper arrangements for securing economy, efficiency and effectiveness in his use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, ‘in all significant respects, the PCC had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.’ To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

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

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<ul style="list-style-type: none"><li>• A refreshed Governance Framework, covering both the PCC and Chief Constable was approved in October 2018 and is available via the respective websites.</li><li>• The Police and Crime Panel (hosted by Gateshead Council and independent of both the PCC and Chief Constable) meet 6 times per year and hold the PCC to account.</li><li>• The Police and Crime Plan covering the period 2017 to 2021 is in place. The purpose, vision, values, priorities and strategic objectives of the PCC were developed in consultation with the Chief Constable. In turn, the Chief Constable produces the Policing Plan from the Police and Crime Plan, for which he is responsible,</li><li>• The PCC and the Chief of Staff scrutinise progress, along with performance, at a monthly scrutiny meeting with the Chief Constable and his team.</li><li>• An experienced PCC and Chief Constable management team was in place for the whole of the financial year.</li></ul>	Yes

# 5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Informed decision making (continued)	<ul style="list-style-type: none"><li>• An updated Medium Term Financial Strategy (MTFS), covering the period 2019/20 to 2022/23, and including the 2019/20 budget was approved in February 2019. The MTFS is clearly linked to the Police and Crime Plan.</li><li>• Alongside the annual budget and MTFS is the comprehensive workforce strategy that includes the recruitment, training and development of officers and police staff whilst continuing to manage necessary change through the prudent use of reserves.</li><li>• Annual Governance Statements are prepared, reviewed and challenged by JIAC before being included in the financial statements.</li><li>• Up to date risk registers and risk management arrangements are in place and regularly reported to relevant committees.</li></ul>	Yes



## 5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<ul style="list-style-type: none"> <li>Both the PCC and Chief Constable PCC have a history of meeting financial targets with no previous budget deficits.</li> <li>An updated Medium Term Financial Strategy (MTFS), covering the period 2019/20 to 2022/23, and including the 2019/20 budget was approved in February 2019. The MTFS is clearly linked to the Police and Crime Plan. The level of general fund balances is approved annually as part of the approval of the MTFS.</li> <li>The Capital Programme, included in the 2019/20 to 2022/23 approved MTFS, sets out the Police's investment priorities. Capital schemes are appraised and prioritised to ensure they reflect key investment requirements.</li> <li>Up to date asset registers are in place.</li> <li>A Workforce Strategy is in place that includes recruitment, training and development of officers and police staff.</li> </ul>	Yes
Working with partners and other third parties	<ul style="list-style-type: none"> <li>The Force has written procedures for procuring products and services, which are within its Code of Corporate Governance.</li> <li>Both the PCC and Chief Constable are aware of the importance of collaboration. This is evidenced in the Collaboration and Partnership Strategy, updated May 2016.</li> <li>Collaboration agreements to which the PCC and Chief Constable are parties to are published on the PCC's website.</li> <li>Areas of collaboration with other police forces and public organisations include: <ul style="list-style-type: none"> <li>Co-locating with partners wherever possible, including fire and rescue services, councils and local community groups;</li> <li>Continuation of the 7 force Section 22A collaboration agreement. The agreement provides an overarching framework for areas of collaboration in the region. Currently the agreement covers the following capabilities across the 7 forces: Disaster Recovery Identification and CBRN (Chemical, Biological, Radiological and Nuclear incidents; and</li> <li>A collaborative working agreement between the legal teams of Northumbria Police and North Tyneside Council in order to provide advice, support and resilience to one another.</li> </ul> </li> </ul>	Yes

# 5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Working with partners and other third parties	○ A number of collaboration arrangements in place with Durham Constabulary including kennel services, fingerprint enhancement services, public order training and forensic services.	Yes
	○ Participation in National Procurement Frameworks which are delivering significant savings on an on-going basis, particularly in areas such as vehicle purchase, ICT contracts and uniform.	
	○ The North East Regional Special Operations Unit (NERSOU) collaboration between Northumbria, Durham and Cleveland forces.	

## Significant Value for Money risks

The NAO’s guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the PCC being inadequate. In our Audit Strategy Memorandum, we reported that we had not identified any significant Value for Money risks.

## Overall assessment (‘reality check’)

Having gathered evidence in each area we have conducted a final ‘reality check’, which included consideration of our cumulative knowledge of the PCC and, in particular:

- reports by statutory inspectorates, other regulators and external advisors;
- achievement of performance and other targets; and
- Performance against budgets and other financial targets.

We do this to identify anything that would make us reconsider our conclusion.

# 5. VALUE FOR MONEY CONCLUSION

## Significant Value for Money risks

The NAO’s guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the PCC being inadequate. In our Audit Strategy Memorandum, we reported that we had not identified any significant Value for Money risks.

## Overall assessment (‘reality check’)

Having gathered evidence in each area we have conducted a final ‘reality check’, which included consideration of our cumulative knowledge of the PCC. We do this to identify anything that would make us reconsider our conclusion.

Evidence	Auditor assessment
Outputs by statutory inspectorates or other regulators	<p>We considered reports issued by Her Majesty’s Inspectorate of Constabulary and Fire &amp; Rescue Services (HMICFRS) and other inspectorates during the year. All HMICFRS inspection reports and other external inspection reports are considered by the Executive Team. This included a review of the latest PEEL Effectiveness report, carried out in 2017, which judged Northumbria Police to be ‘Good’ at the way it effectively, efficiently and legitimately keep people safe and reduce crime. An updated PEEL assessment will be carried out later in 2019.</p> <p>Our review did not identify anything which might impact on our conclusion.</p>
Achievement of performance and other targets	<p>Performance is good overall, evidenced by the 2018/19 Police and Crime Plan Annual Performance Report, which is in line with our knowledge.</p> <p>Work continues to achieve continuous improvements in performance line with the requirements of the Policing Plan Priorities.</p>
Performance against budgets and other financial targets	<p>Both the PCC and Chief Constable have a strong track record of achieving financial targets.</p>

## Our overall Value for Money conclusion

Having completed our assessment of arrangements, and our ‘reality check’, we have concluded that our initial risk assessment remains appropriate and we remain confident in our conclusion that the PCC has adequate arrangements in place for each criterion.

We intend to issue an unqualified Value for Money conclusion as set out in Appendix B.

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

Mr Cameron Waddell  
Partner  
Mazars LLP  
Salvus House  
Aykley Heads  
Durham DH1 5TS

Date: X July 2019

**PCC and Group - audit for year ended 31 March 2019**

This representation letter is provided in connection with your audit of the financial statements of PCC and Group for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code).

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

**My responsibility for the statement of accounts and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

**My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from me for the purpose of the audit; and
- unrestricted access to individuals within PCC and Group you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Treasurer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

**Accounting records**

I confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Authority and Committee meetings, have been made available to you.

**Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider them appropriate for the year.

**Accounting estimates, including those measured at fair value**

I confirm that any significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

**Contingencies**

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### (CONTINUED)

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against PCC and Group have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code.

**Laws and regulations**

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

PCC and Group has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

**Fraud and error**

I acknowledge my responsibility as Treasurer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting PCC and Group involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting PCC and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

**Related party transactions**

I confirm that all related party relationships, transactions and balances (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of PCC and Group's related parties and all related party relationships and transactions of which I am aware.

**Impairment review**

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

**Charges on assets**

All PCC and Group's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

**Future commitments**

We have no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

**Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### (CONTINUED)

**Going concern**

To the best of my knowledge there is nothing to indicate that PCC and Group will cease to continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

**Unadjusted misstatements**

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours sincerely

Treasurer

Date.....

# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Independent auditor's report to the PCC and Group

#### Report on the financial statements

#### Opinion

We have audited the financial statements of PCC and Group for the year ended 31 March 2019, which comprise the PCC and Group Movement in Reserves Statement, the PCC and Group Comprehensive Income and Expenditure Statement, the PCC and Group Balance Sheet, the PCC and Group Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

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

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of PCC and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

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

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

#### Other information

The Treasurer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.





# APPENDIX B

## DRAFT AUDITOR’S REPORT (CONTINUED)

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

We have nothing to report in this regard.

**Responsibilities of the Treasurer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Treasurer is also responsible for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Treasurer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless PCC and Group is informed of the intention for dissolution without transfer of services or function to another entity. The Treasurer is responsible for assessing each year whether or not it is appropriate for PCC and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

**Auditor’s responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Authority’s website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor’s report.

**Matters on which we are required to report by exception under the Code of Audit Practice**

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

# APPENDIX B

## DRAFT AUDITOR’S REPORT (CONTINUED)

### Conclusion on PCC and Group’s arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, PCC and Group has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

#### Basis for conclusion

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

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

#### Responsibilities of PCC and Group

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

#### Auditor’s responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that PCC and Group has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of PCC and Group’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### Use of the audit report

This report is made solely to the members of PCC and Group, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of PCC and Group those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of PCC and Group, as a body, for our audit work, for this report, or for the opinions we have formed.

# APPENDIX B

## DRAFT AUDITOR’S REPORT (CONTINUED)

**Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the PCC and Group’s Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the PCC and Group’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

Cameron Waddell  
Partner  
For and on behalf of Mazars LLP  
Salvus House  
Aykley Heads  
Durham DH1 5TS

x July 2019

# APPENDIX C

## INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

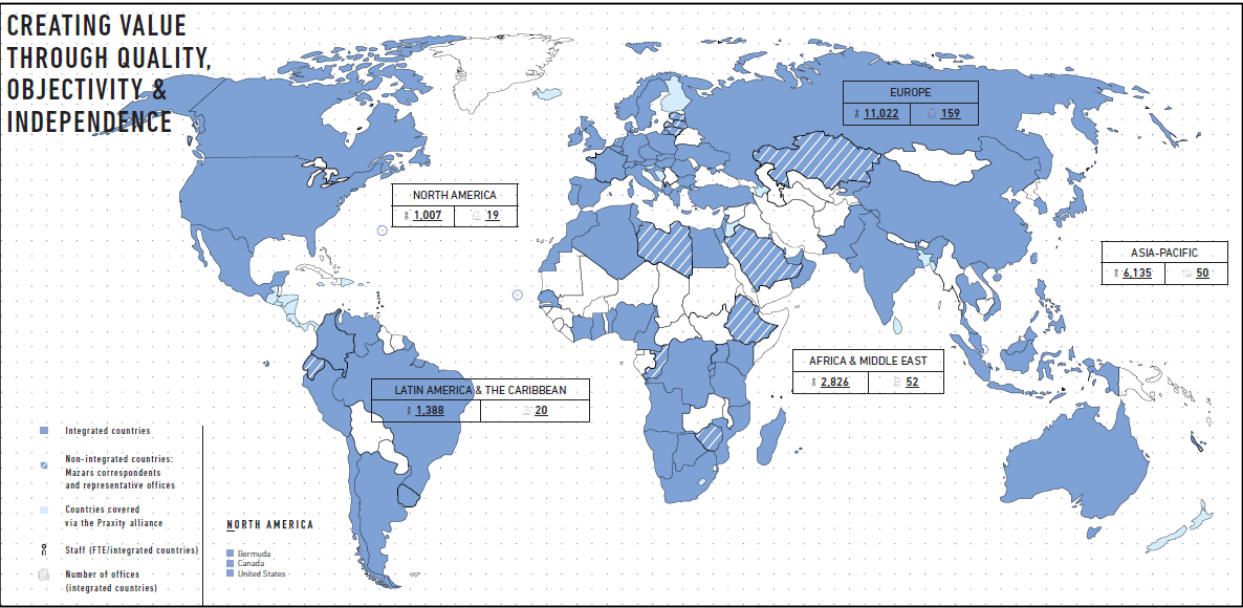
We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

# MAZARS AT A GLANCE

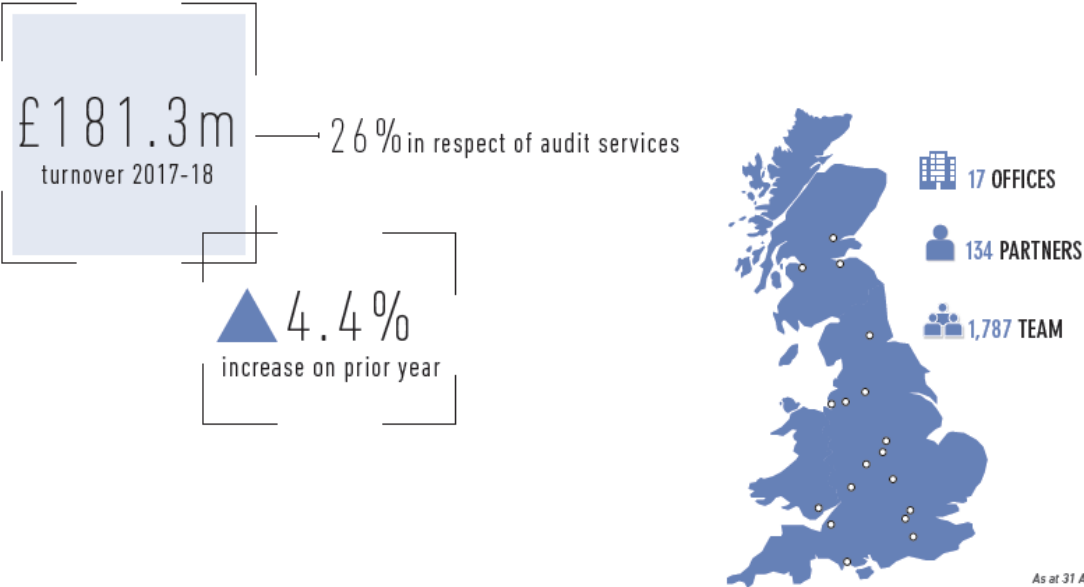
## Mazars LLP

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- Over 86 countries and territories
- Over 300 locations
- Over 20,000 professionals
- International and integrated partnership with global methodologies, strategy and global brand

## Mazars Internationally



## Mazars in the UK



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