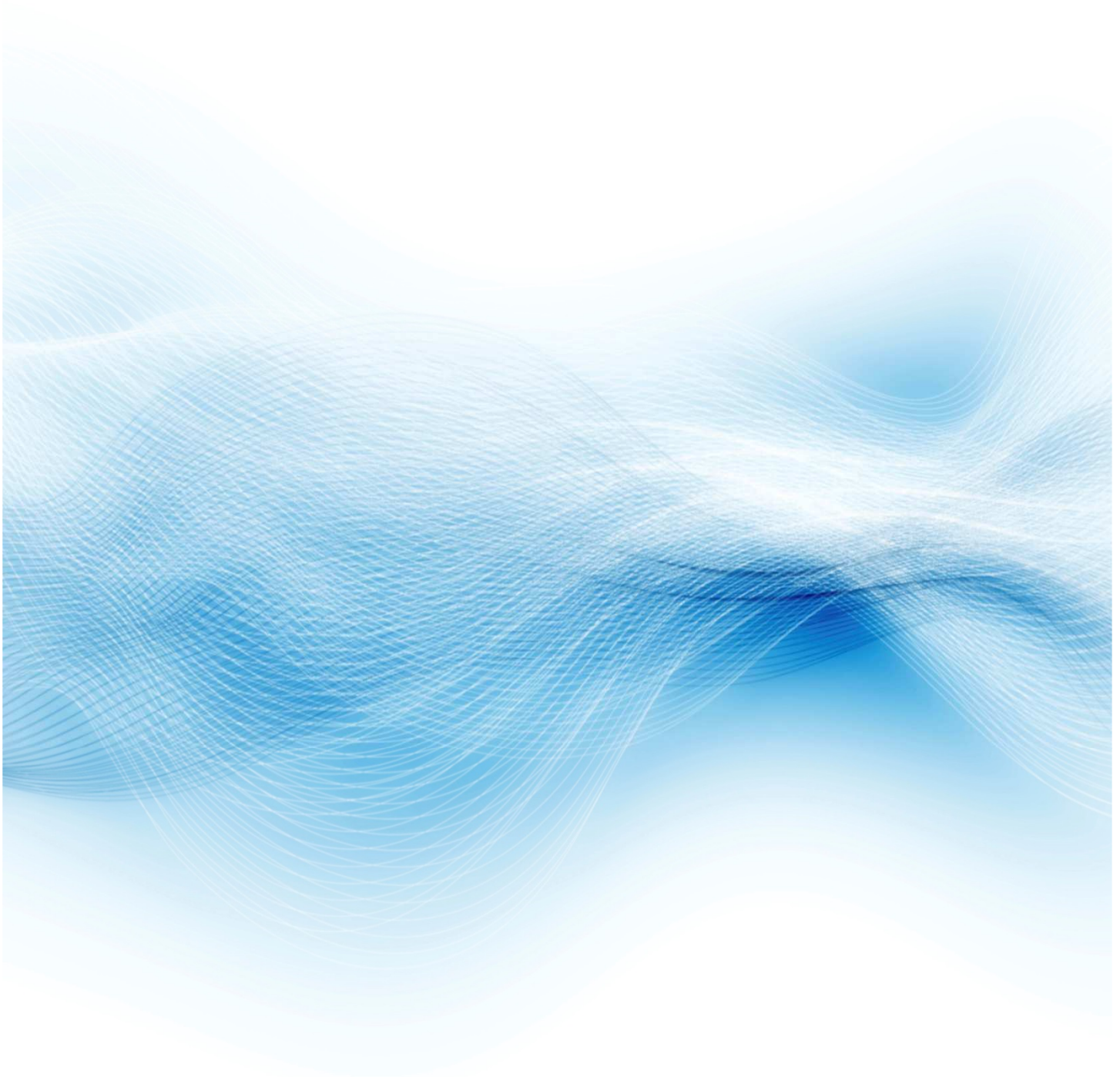




Audit Completion Report

Police and Crime Commissioner for Northumbria
Year ending 31 March 2020





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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.

Reports and letters prepared by appointed auditors and addressed to the Police and Crime Commissioner for Northumbria are prepared for the sole use of the Police and Crime Commissioner for Northumbria and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

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DH1 5TS

Police and Crime Commissioner for Northumbria
Victory House
Balliol Business Park
Newcastle upon Tyne
NE12 8EW

October 2020

Dear Police and Crime Commissioner for Northumbria

Audit Completion Report – Year ended 31 March 2020

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. 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 in February 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for the Police and Crime Commissioner for Northumbria (the PCC) was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. Despite the revised deadlines we acknowledge the difficulties encountered by your team during accounts preparation and audit, and 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 07813 752 053.

Yours faithfully

Signed: 
Cameron Waddell (Oct 25, 2020 18:53 GMT)

Cameron Waddell (Key Audit Partner)
Mazars LLP

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VAT number: 839 8356 73

1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of the Police and Crime Commissioner for Northumbria (the PCC) for the year ended 31 March 2020, and forms the basis for discussion at the Joint Independent Audit Committee meeting on 16 November 2020 and with the Police and Crime Commissioner on 25 November 2020.

The detailed scope of our work as your appointed auditor for 2019/20 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 control.
- Defined benefit liability valuation.
- Property, plant and equipment valuation.

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)

The NAO have not yet issued group instructions so the timing of our review of your WGA submission is to be confirmed. We will report the results in our Annual Audit Letter

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. Further details on the exercise of our wider powers are provided in section 2.

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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 2020. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Pensions	●	We are awaiting assurance from the Pension Fund auditor, and have a small number of audit procedures to complete in relation to the information from the Pension Fund auditor.
Audit closure procedures	●	Review and closure processes, including final consideration of post balance sheet events
Whole of Government Accounts (WGA)	●	We are awaiting group instructions from the National Audit Office. This may impact on the timing of issuing our audit certificate to formally conclude and close the audit.

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 2020. 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 £5.854 million for the PCC and £8.632 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 £6.280 million for the PCC and £9.380 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 £0.188 million for the PCC and £0.279 million for the Group, based on 3% of overall materiality.

Overview of our group audit approach

All components of the group were subject to full audit procedures by Mazars LLP.

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 8 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;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit; and
- modifications required to our audit report.

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

Management override of controls (relevant to single entity and group accounts)

Description of the risk

In all entities, 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, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. There is no indication of management override of controls.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Defined benefit liability valuation (relevant to group accounts only)	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
	How we addressed this risk <p>We addressed this risk by:</p> <ul style="list-style-type: none"> • Discussing with key contacts, any significant changes to the pension estimates; • Evaluated the management controls in place to assess the reasonableness of the figures provided by the actuaries; • Considered the reasonableness of each actuary's output, referring to an expert's report on all actuaries nationally. • We also sought assurances from the auditor of Tyne and Wear Pension Fund for the Local Government Pension Scheme (LGPS).
	Audit conclusion <p>Work is ongoing in this area.</p>

Significant risk	Description of the risk
Property, plant and equipment valuations (relevant to single entity and group accounts)	<p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the PCC's holdings 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>
	How we addressed this risk <p>We considered the PCC's arrangements for ensuring that building 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>
	Audit conclusion <p>Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention.</p>

2. SIGNIFICANT FINDINGS (CONTINUED)

Management judgement

Year end leave accrual (relevant to group accounts only)

Description of the management judgement

Accounting standard required that an estimate be made of the value of accumulated absences awarded but not taken as at 31 March 2020. We expect that, as in previous years, this will be a material estimate.

As this is a significant area of management judgement, we are required to regard this as an enhanced risk.

How our audit addressed this area of management judgement

We evaluated the arrangements you had in place to produce the year end leave accrual estimate.

Audit conclusion

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 28 August 2020 and were of a good quality.

Significant matters discussed with management

Once again, there have been significant issues this year relating to accounting for pensions. These issues are not specific to the PCC, but are national issues impacting on all local government, police and fire bodies, to varying degrees. There have been two issues raised this year with respect to pension accounting, these relate to the ongoing implications of the McCloud Judgement which was also an issue last year and a new case, the Goodwin case, and each are discussed separately below.

McCloud Judgement

The McCloud judgement relates to potential age discrimination arising from transitional protections offered to some existing members of public service pension schemes that were not made available to younger members. In July 2019, Treasury confirmed that the difference in treatment between older and younger members of public service pension schemes would need to be removed in order to remove the discrimination. For the financial year 2018/19 the Government Actuaries Department (GAD) and Aon provided revised actuarial reports which included an estimate of the impact of the case on the pension liability, for both the Police Pension Scheme and Local Government Pension Scheme (LGPS) respectively. At the time of making this estimate actuaries were required to estimate what the proposed remedy would be. In 2019/20 the respective actuarial reports made an adjustment to the initial estimates based on further information received.

In July 2020 Treasury initiated a consultation on the proposed remedy for public service pensions and MHCLG released a consultation into the proposed remedy for the LGPS, which set out the estimation basis for the impact of the judgement.

The difference between the original accounting entries and the entries required taking into account the consultation remedy were expected to be material in relation to the Police Pension Scheme. As such a revised IAS 19 Actuarial report was requested from GAD including the updated figures. The changes in this revised report were reflected in the draft financial statements before they were published and reviewed by audit meaning that no amendments are required to be reported.

Management enquired of Aon, the actuary of the LGPS, in relation to the expected outcome of this change on the LGPS. Aon Hewitt confirmed that the estimate made in the 2019/20 IAS 19 report included a methodology not dissimilar to that in the consultation and as such your actuary does not expect there to be a material difference in the LGPS meaning that a recalculation based on the consultation remedies was not deemed to be required by management.

Goodwin Case

A case was made against the Teachers Pensions Scheme in relation to sexual orientation discrimination. The discrimination occurs because there is a difference in survivor benefits payable depending upon whether the member was in a same-sex marriage or civil partnership or an opposite-sex marriage or civil partnership. The government concluded that changes are required to the Teachers' Pension Scheme to address the discrimination. The government believes that this difference in treatment will also need to be remedied in those other public service pension schemes, where the husband or male civil partner of a female scheme member is in similar circumstances.

We understand from your actuary GAD that the Goodwin case will not have an impact on the liabilities for the police pension scheme. In relation to the LGPS, your actuary Aon has confirmed that there will be an additional liability arising from the Goodwin judgement. Full information is not yet available to accurately calculate the impact, however, based on an estimation, your actuary has indicated that the LGPS impact is likely to be below materiality. We are awaiting confirmation from your actuary to be able to quantify the impact, however no adjustment to the financial statements is anticipated. As these issues relate to the refinement of an estimate rather than an error, they would not be reported as unadjusted misstatements.

2. SIGNIFICANT FINDINGS (CONTINUED)

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. Officers have been very helpful and responsive in addressing our audit queries, and we are grateful for the assistance provided.

Given the Government's COVID-19 instruction for the public to work from home if possible, our audit was completed remotely but this did not cause significant difficulties during the audit because:

- we used technology, such as video conferencing, to maintain regular communication with the finance team throughout the audit and to ensure the audit was completed to the required standards; and
- all working papers provided were electronic and of the usual high standard.

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 2019/20 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 work this year.

Follow up of previous internal control recommendations

We did not raise any internal control points in 2018/19

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 £0.188m for the PCC and £0.279m for the Group.

The first section 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 section outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2019/20

There are no material unadjusted misstatements.

Adjusted misstatements 2019/20

We have not identified any misstatements requiring adjustment.

Disclosure amendments

During the course of the audit, we identified a few minor presentational and disclosure issues. These were all relatively minor, and are to be adjusted for in the final version of the financial statements.

5. VALUE FOR MONEY CONCLUSION

Our approach to Value for Money

We are required to form a conclusion as to whether the PCC and Group has made proper arrangements for securing economy, efficiency and effectiveness in its 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 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.' 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	<p>Financial, performance and risk management have been reported through the financial year. The Group Joint Independent Audit Committee (JIAC) has met during the year. The purpose of this committee is to independently review and advice on the effectiveness of the Commissioner and Chief Constable's governance, risk management and controls frameworks, financial reporting and annual governance processes, internal and external audit, and treasury management.</p> <p>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.</p> <p>There is an Internal Audit function for the Commissioner and Chief Constable. Internal Audit reports are presented regularly to JIAC. This includes reporting of findings and tracking of recommendations to ensure they are implemented in a timely manner.</p> <p>An Annual Governance Statement for the Commissioner has been prepared and reviewed by Officers and challenged by JIAC.</p> <p>Financial performance has been reported throughout the financial year. No evidence of financial or performance data not being reliable and therefore impacting on the decision making of the Police and Crime Commissioner.</p> <p>The Medium Term Financial Strategy(MTFS) for the period 2020/21 to 2023/24 was approved by the Commissioner in March 2020, which includes the 2020/21 budget. The MTFS is clearly linked to the Police and Crime Plan.</p>	Yes

5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Informed decision making (continued)	<p>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.</p> <p>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.</p> <p>Up to date risk registers and risk management arrangements are in place and regularly reported to relevant committees</p>	Yes
Sustainable resource deployment	<p>Overall the group delivered a balanced position for the year ended 31 March 2020. The Commissioner's General Fund Reserve increased in the year to £12.126m</p> <p>The Medium Term Financial Strategy(MTFS) for the period 2020/21 to 2023/24 was approved by the Commissioner in March 2020, which includes the 2020/21 budget. The MTFS is clearly linked to the Police and Crime Plan, and also reflects the expected pressures the Commissioner will face. Risks remain around future funding formula settlement, as well as changing levels of demand. The impact of COVID-19 adds uncertainty to the financial outlook of the Group. The Chief Finance Officer and his staff are monitoring the impact of COVID-19 and the likely impact on future sources of funding. However it is recognised that this is difficult to predict given the continued measures and restrictions aimed at bringing the pandemic under control.</p> <p>The Force is reporting that it is on track to deliver the officers levels required under Operation Uplift, with an initial target of an additional 62 officers to be recruited by 2019/20 being met. This is part of an overall target of 185 additional officers by March 2021.</p> <p>The Capital Programme, included in the 2020/21 to 2023/24 approved MTFS, sets out the Police's investment priorities. Capital schemes are appraised and prioritised to ensure they reflect key investment requirements.</p>	Yes

5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Working with partners and other third parties	<p>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.</p> <p>The Commissioner and Chief Constable continue to work with partners. This includes working with other police bodies and public organisations. Areas of collaboration with these organisations include:</p> <ul style="list-style-type: none"> - Co-locating with partners wherever possible, including fire and rescue services, councils and local community groups; - The North East Regional Special Operations Unit (NERSOU) collaboration between Northumbria, Durham and Cleveland Forces; - 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 - 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. <p>Collaboration agreements to which the PCC and Chief Constable are parties to are published on the PCC's website</p> <p>The Medium Term Financial Strategy also includes assumptions regarding future collaboration.</p>	Yes

During March 2020, the significant impact of the COVID-19 pandemic began to have far reaching implications for us all, including an impact on the Commissioner. In particular, following the lockdown from 26 March 2020, the service needed to respond to the impact of the pandemic on its communities and also needed to adapt to new ways of working.

Our 2019/20 value for money conclusion is focused on the arrangements in place during the 2019/20 financial year. Given the timing of the major impact of the pandemic one week before the end of the financial year, the Commissioner and Chief Constable did not have time to review its arrangements for informed decision making, sustainable resource deployment or working with partners and other third parties during the financial year under review. Consequently, we did not identify an additional significant risk relating to the COVID-19 pandemic in our 2019/20 value for money conclusion work.

The Commissioner and Chief Constable's response to the pandemic will be a major focus of our 2020/21 audit. With this in mind, we have continued to liaise with officers and gain an understanding of the arrangements that have been put in place in the new financial year.

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2019/20 financial year.



APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

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

Date: XX November 2020

Dear Cameron

Police and Crime Commissioner for Northumbria and Group - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of the Police and Crime Commissioner for Northumbria (the PCC) and Group for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and applicable law.

I confirm that the following representations, to the best of my knowledge and belief, 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 ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the 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 that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all 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 Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Police and Crime Commissioner and Group's financial position, financial performance and cash flows.

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DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the PCC and Group in making accounting estimates, including those measured at current or 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.

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 the 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 the Code and applicable law.

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.

The 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 financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the 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 the 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, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

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

Charges on assets

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

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

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DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2019/20 in relation to the PCC and Group's PFI schemes that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, 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.

Going concern

I confirm that I have carried out an assessment of the potential impact of the COVID-19 Virus pandemic on the PCC and Group, including the impact of mitigation measures and uncertainties and I am satisfied that the going concern assumption remains appropriate and that no material uncertainty has been identified.

To the best of my knowledge there is nothing to indicate that the 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.

Yours faithfully

Treasurer:

Date:

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DRAFT AUDITOR'S REPORT

Independent auditor's report to the Police and Crime Commissioner for Northumbria

Report on the financial statements

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Northumbria (PCC) and Group for the year ended 31 March 2020, which comprise the PCC and Group Movement in Reserves Statements, the PCC and Group Comprehensive Income and Expenditure Statements, the PCC and Group Balance Sheets, the PCC and Group Cash Flow Statements, 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 2019/20.

In our opinion, the financial statements:
give a true and fair view of the financial position of the PCC and the Group as at 31st March 2020 and of the PCC's and the Group's 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 2019/20.

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 the 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, 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 the PCC's or the 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.

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, 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 2019/20, 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 2019/20 and prepare the financial statements on a going concern basis, unless the PCC 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 the PCC and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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DRAFT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at 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.

Conclusion on the 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 April 2020, we are satisfied that, in all significant respects, the 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 2020.

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 April 2020, as to whether the 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 the 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 2020.

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

Responsibilities of the PCC and Group

The 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 the 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 the 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 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 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 PCC and Group, as a body, for our audit work, for this report, or for the opinions we have formed.

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THE FOLLOWING SECTION WILL DEPEND ON WHETHER WE HAVE BEEN ABLE TO REPORT ON WGA BEFORE WE ISSUE OUR REPORT EITHER:

Certificate

We certify that we have completed the audit of the PCC and Group in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.]

OR

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.

[Signature]

Cameron Waddell
Partner
For and on behalf of Mazars LLP

Salvus House
Aykley Heads
Durham
DH1 5TS

November 2020

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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.

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