

# The Joint Audit Findings

## Police and Crime Commissioner for Cheshire and Chief Constable for Cheshire

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Year ended 31 March 2019

July 2019



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Headlines

This table summarises the key findings and other matters arising from the statutory audits of the Police and Crime Commissioner for Cheshire ('the PCC') and Chief Constable for Cheshire and the preparation of the PCC and Chief Constable's financial statements for the year ended 31 March 2019 for those charged with governance.

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|                                     |   |  |
|-------------------------------------|---|--|
| <b>Financial Statements</b>         | <p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the entity's (and where relevant, the group's) financial statements:</p> <ul style="list-style-type: none"><li>• give a true and fair view of the financial position of the entity and the entity's income and expenditure for the year; and</li><li>• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li></ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> | <p>Our audit work was completed on site during June and July. Our findings are summarised on pages 4 to 13. We have identified one adjustments to the financial statements that have resulted in no change to the Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C.</p> <p>Our work is substantially complete with the exception of finalising our review of the work of the actuaries. Based on what we have seen, there are no matters of which we are aware that would require modification of our audit opinions or material changes to the PCCs financial statements (including the group financial statements which consolidate the financial activities of the Chief Constable) or the Chief Constable's financial statements. We will confirm this at the Audit Advisory Committee on 25 July. Other procedural matters to complete are;</p> <ul style="list-style-type: none"><li>- receipt of management representation letters (see appendices E and F); and</li><li>- review of the final sets of financial statements.</li></ul> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisations and the financial statements we have audited. Our anticipated audit report opinions will be unmodified.</p> |
| <b>Value for Money arrangements</b> | <p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, both entities have made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>   | <p>We have completed our risk based reviews of the PCC's and Chief Constable's value for money arrangements. We have concluded that both the PCC and the Chief Constable have proper arrangements to secure economy, efficiency and effectiveness in the use of resources</p> <p>We therefore anticipate issuing unqualified value for money conclusions, as detailed in Appendices C and D. Our findings are summarised on pages 14 and 15.</p>   |
| <b>Statutory duties</b>             | <p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"><li>• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li><li>• To certify the closure of the audits.</li></ul>  | <p>We have not exercised any of our additional statutory powers or duties for either entity.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audits when we give our audit opinion</p>   |

## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

# Summary

## Overview of the scope of our audit

This Joint Audit Findings Report presents the observations arising from the audits that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audits, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the PCC and Chief Constable's business and is risk based, and in particular included:

- An evaluation of the PCC and Chief Constable's internal controls environment, including its IT systems and controls;

- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of total group assets and revenues to assess the significance of the component and to determine the planned audit response.
- Controls testing of the system for capturing, recording and reporting expenditure on goods and services; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our audit plan, as communicated to you on 29 March 2019, except for additional testing of the assumptions used by the actuary following the decision in the McCloud case, and review of subsequent adjustments to the draft financial statements that followed from this case (see page 9).

## Conclusion

We have substantially completed our audits of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Advisory Committee meeting on 25 July 2019, as detailed in Appendix C and D These outstanding items include:

- receipt of management representation letter; and
- review of the final set of financial statements.

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remain the same as reported in our audit plan.

|   | Amount £ 000s | Qualitative factors considered   |
|---|---------------|--|
| Materiality for the financial statements          | 4,000         | Gross revenue expenditure reflects our assessment of risk. We use the lowest measure as the overall financial statements materiality measure. Planning materiality was based on approximately 2% of group gross expenditure in the previous year. Applying that same percentage to the current year figures did not result a significant change. |
| Performance materiality                           | 3,000         | Reflects 75% of financial statement materiality (standard benchmark based on risk assessed knowledge of potential for errors arising)  |
| Trivial matters                                   | 200           | Reflects 5% of financial statements materiality.   |
| Materiality for senior officer remuneration table | 100           | Due to the public interest in these disclosures.   |

# Significant findings – audit risks

|   | Risks identified in our Audit Plan | Relates to      | Commentary   |
|---|------------------------------------|-----------------|--|
| 1 | Improper revenue recognition       | Both PCC and CC | <p><b>Auditor commentary</b></p> <p>We rebutted this risk as reported in our audit plan. We have kept this under review and our satisfied that there have been no changes to our assessment that this is not a significant risk for either the PCC or the CC</p>   |
| 2 | Management override of controls    | Both PCC and CC | <p><b>Auditor commentary</b></p> <ul style="list-style-type: none"> <li>We have evaluate the design effectiveness of management controls over journals.</li> <li>We have analysed the journals listing, determined criteria and selected a number of journals we consider high risk or unusual journals</li> <li>We have tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration.</li> <li>We have gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence.</li> <li>We have evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>Our audit work substantiating individual journal transactions is in progress and we expect to complete this before 23 July. We will report our findings to the Audit Advisory Committee. Work completed to date has not identified any material weaknesses in respect of control arrangements over journals. Changes to accounting policy have only been made to comply with and incorporate new accounting standards and changes to the Code. Management has exercised appropriate judgement in making use of estimates when preparing the financial statements.</p> |

# Significant findings – audit risks

|   | Risks identified in our Audit Plan      | Relates to | Commentary  |
|---|---|------------|---|
| 3 | Valuation Property, Plant and Equipment | PCC        | <p data-bbox="898 331 1153 359"><b>Auditor commentary</b></p> <ul data-bbox="898 375 2175 798" style="list-style-type: none"> <li data-bbox="898 375 2175 470">• We have evaluated management's processes and assumptions for the calculation of the estimate, reviewed the instructions issued to valuation experts and reviewed the scope of their work.</li> <li data-bbox="898 486 2175 518">• We have evaluated the competence, capabilities and objectivity of the valuation expert</li> <li data-bbox="898 534 2175 598">• We have written to the valuer and confirmed the basis on which the valuation was carried out was inline with the requirements of the Code.</li> <li data-bbox="898 614 2175 678">• We have challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li data-bbox="898 694 2175 798">• We have tested revaluations made during the year and confirmed they had been input correctly into the asset register; we have some outstanding queries about unusual individual changes in value.</li> </ul> <p data-bbox="898 813 2175 1051">For those assets with a market based valuation, the valuer has used recent transactions data together with information from PCC's records. For those assets valued on a build cost basis, latest information from RICS has been used together with detailed information from the PCC's records on the floor areas etc. The valuations have not considered alternative sites or uses. The resulting valuations have been correctly processed and recorded through the asset register and into the financial statements. We will confirm the outcome of our queries at the Committee meeting on 25 July.</p> |

# Significant findings – audit risks

|   | Risks identified in our Audit Plan      | Relates to      | Commentary  |
|---|---|-----------------|---|
| 4 | Valuation of pension fund net liability | Both PCC and CC | <p data-bbox="898 331 1151 355"><b>Auditor commentary</b></p> <ul data-bbox="898 376 2175 1098" style="list-style-type: none"> <li data-bbox="898 376 2175 475">• We have updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li data-bbox="898 491 2175 555">• We have assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation;</li> <li data-bbox="898 571 2175 635">• We have assessed the accuracy and completeness of the information provided to the actuary to estimate the liability including reconciling changes in membership numbers;</li> <li data-bbox="898 651 2175 715">• We have test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li data-bbox="898 730 2175 829">• We have undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as the auditor’s expert) and performing any additional procedures suggested within the report; and</li> <li data-bbox="898 845 2175 986">• We have requested assurances from the auditor of Cheshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. We expect to receive these assurance during the week commencing 22 July 2019</li> <li data-bbox="898 1002 2175 1098">• Subject to receiving requested confirmations from the Pension fund auditors the basis of the valuation was appropriate and the assumptions and processes used by management in determining the estimate were reasonable.</li> </ul> <p data-bbox="898 1114 2114 1144">The valuation of the net pension fund liability disclosed in the financial statements is reasonable.</p> |

# Significant findings – audit risks

| Risks identified in our Audit Plan   | Relates to      | Commentary   |
|--|-----------------|--|
| 5 Incomplete or inaccurate financial information transferred to the new general ledger | Both PCC and CC | <p><b>Auditor commentary</b></p> <p>Our IT audit specialists completed an information technology (IT) control environment review of the Oracle EBS (Financial system) and related Active Directory (Network). We found that appropriate controls were in place and designed as expected in all respects except for one deficiency. We found no evidence that user access permissions within the Oracle EBS were reviewed for appropriateness; a review should be undertaken at least annually.</p> <p>This deficiency did not affect the overall control environment or our ability to rely on the IT systems for the purposes of financial reporting.</p> <p>As a consequence it was not necessary to undertake any early review of the transfer of data and this no longer represented a risk.</p> |



# Significant findings - other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

| Issue  | Relates to      | Commentary   |
|--|-----------------|--|
| <p><b>1 Impact of the McCloud judgement</b></p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but the permission to appeal was denied. The case will now be sent back to the Employment tribunal for remedy.</p> <p>The legal ruling around age discrimination has implications for other public sector schemes where transition arrangements have been put in place, such as the Local Government Pension Scheme and the Police Pension Scheme.</p> | Both PCC and CC | <ul style="list-style-type: none"> <li>• Management requested an updated estimate from the actuaries of the potential impact of the McCloud ruling. This was received from both GAD (Officers) and Hymans Robertson (LGPS). These indicate an increase in past service costs of £100,727k, an increase in pensions interest costs of £16k and in the net pension liability of £107,292k.</li> <li>• The accounts have been amended and we are completing an analysis of the work performed by the actuaries in arriving at this estimate to consider whether it is reasonable.</li> <li>• There has also been consideration of the potential impact of the need for Guaranteed Minimum Pensions Equalisation. Based on reviews by actuaries the impact ranges from between £3.2m and £3.5m. This has not been adjusted for on the grounds that it is not material</li> </ul> |

# Significant findings – key judgements and estimates

| Net pension liability – £2,453m  | Relates to   | Summary of management's policy   | Audit Comments  |            |                  |                      |           |            |               |      |       |            |     |                       |      |       |             |     |               |      |       |          |     |   |      |      |           |     |   |      |      |            |     |
|--|--|--|---|------------|------------------|----------------------|-----------|------------|---------------|------|-------|------------|-----|-----------------------|------|-------|-------------|-----|---------------|------|-------|----------|-----|---|------|------|-----------|-----|---|------|------|------------|-----|
|  | Both PCC and CC  | <p>The PCC and Chief Constable's total net pension liability at 31 March 2019 is £2,453m (PY £2,214m) comprising the Cheshire Local Government Pensions Cheshire Police defined benefit pension schemes. The group uses Hymans Robertson and GAD to provide actuarial valuations of the group's assets and liabilities derived from these schemes, utilising key assumptions such as life expectancy, discount rates and salary growth. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £91m net actuarial loss during 2018/19, out of a total £196m charged to the Comprehensive Income and Expenditure Statement in respect of the current and previous periods.</p>   | <table border="1"> <thead> <tr> <th data-bbox="987 316 1379 448">Assumption</th> <th data-bbox="1379 316 1585 448">Actuary Value LG</th> <th data-bbox="1585 316 1821 448">Actuary Value Police</th> <th data-bbox="1821 316 1982 448">PwC range</th> <th data-bbox="1982 316 2152 448">Assessment</th> </tr> </thead> <tbody> <tr> <td data-bbox="987 448 1379 555">Discount rate</td> <td data-bbox="1379 448 1585 555">2.4%</td> <td data-bbox="1585 448 1821 555">2.45%</td> <td data-bbox="1821 448 1982 555">1.25%-2.5%</td> <td data-bbox="1982 448 2152 555">tbc</td> </tr> <tr> <td data-bbox="987 555 1379 639">Pension increase rate</td> <td data-bbox="1379 555 1585 639">2.5%</td> <td data-bbox="1585 555 1821 639">2.35%</td> <td data-bbox="1821 555 1982 639">2.1% - 2.6%</td> <td data-bbox="1982 555 2152 639">tbc</td> </tr> <tr> <td data-bbox="987 639 1379 724">Salary growth</td> <td data-bbox="1379 639 1585 724">2.8%</td> <td data-bbox="1585 639 1821 724">4.35%</td> <td data-bbox="1821 639 1982 724">1%-4.35%</td> <td data-bbox="1982 639 2152 724">tbc</td> </tr> <tr> <td data-bbox="987 724 1379 858">Life expectancy – Males currently aged 45 / 65 in yrs</td> <td data-bbox="1379 724 1585 858">22.3</td> <td data-bbox="1585 724 1821 858">22.7</td> <td data-bbox="1821 724 1982 858">22.6-24.4</td> <td data-bbox="1982 724 2152 858">tbc</td> </tr> <tr> <td data-bbox="987 858 1379 986">Life expectancy – Females currently aged 45 / 65 in yrs</td> <td data-bbox="1379 858 1585 986">24.5</td> <td data-bbox="1585 858 1821 986">24.3</td> <td data-bbox="1821 858 1982 986">22.6- 26.9</td> <td data-bbox="1982 858 2152 986">tbc</td> </tr> </tbody> </table> | Assumption | Actuary Value LG | Actuary Value Police | PwC range | Assessment | Discount rate | 2.4% | 2.45% | 1.25%-2.5% | tbc | Pension increase rate | 2.5% | 2.35% | 2.1% - 2.6% | tbc | Salary growth | 2.8% | 4.35% | 1%-4.35% | tbc | Life expectancy – Males currently aged 45 / 65 in yrs | 22.3 | 22.7 | 22.6-24.4 | tbc | Life expectancy – Females currently aged 45 / 65 in yrs | 24.5 | 24.3 | 22.6- 26.9 | tbc |
| Assumption   | Actuary Value LG   | Actuary Value Police   | PwC range   | Assessment |                  |                      |           |            |               |      |       |            |     |                       |      |       |             |     |               |      |       |          |     |   |      |      |           |     |   |      |      |            |     |
| Discount rate  | 2.4%   | 2.45%  | 1.25%-2.5%  | tbc        |                  |                      |           |            |               |      |       |            |     |                       |      |       |             |     |               |      |       |          |     |   |      |      |           |     |   |      |      |            |     |
| Pension increase rate  | 2.5%   | 2.35%  | 2.1% - 2.6%   | tbc        |                  |                      |           |            |               |      |       |            |     |                       |      |       |             |     |               |      |       |          |     |   |      |      |           |     |   |      |      |            |     |
| Salary growth  | 2.8%   | 4.35%  | 1%-4.35%  | tbc        |                  |                      |           |            |               |      |       |            |     |                       |      |       |             |     |               |      |       |          |     |   |      |      |           |     |   |      |      |            |     |
| Life expectancy – Males currently aged 45 / 65 in yrs  | 22.3   | 22.7   | 22.6-24.4   | tbc        |                  |                      |           |            |               |      |       |            |     |                       |      |       |             |     |               |      |       |          |     |   |      |      |           |     |   |      |      |            |     |
| Life expectancy – Females currently aged 45 / 65 in yrs  | 24.5   | 24.3   | 22.6- 26.9  | tbc        |                  |                      |           |            |               |      |       |            |     |                       |      |       |             |     |               |      |       |          |     |   |      |      |           |     |   |      |      |            |     |
| <b>Assessment</b>  | <ul style="list-style-type: none"> <li>● We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated</li> <li>● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic</li> <li>● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious</li> <li>● We consider management's process and key assumptions to be reasonable</li> </ul> | <ul style="list-style-type: none"> <li>• Our assessment of management's expert is in progress</li> <li>• Our assessment of actuary's roll forward approach and the assumptions used is in progress</li> <li>• We have obtained a report from pwc as auditors expert to assess actuary and assumptions made by actuary – the table above highlights the actuaries assumptions.</li> <li>• We have reviewed the completeness and accuracy of the underlying information provided by the Authority and used to determine the estimate.</li> <li>• We are considering the impact of any changes to valuation method.</li> <li>• We are reviewing the reasonableness of the Authority's share of LGPS pension assets.</li> <li>• We have completed our review of the adequacy of disclosure of estimate in the financial statements.</li> </ul> |   |            |                  |                      |           |            |               |      |       |            |     |                       |      |       |             |     |               |      |       |          |     |   |      |      |           |     |   |      |      |            |     |
| <p>Subject to completing the review of the actuary's work, at the time of drafting this report we have not identified any matters to bring to you attention. We will update the Committee at the meeting on 25 July.</p> |  |  |   |            |                  |                      |           |            |               |      |       |            |     |                       |      |       |             |     |               |      |       |          |     |   |      |      |           |     |   |      |      |            |     |

# Significant findings - Going concern

## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

## Going concern commentary – PCC and CC

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### Management's assessment process

The Police and Crime Commissioner and Chief Constable both have a reasonable expectation that the services they provide will continue for the foreseeable future. For this reason, the bodies continue to adopt the going concern basis in preparing the financial statements.

### Auditor commentary

- The CIPFA Code requires that local authorities, such as the PCC and the CC, that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting. In the absence of proposed legislation to this effect both the PCC and CC are making a reasonable assumption.
  - In fulfilling their responsibilities to ensure value for money in the use of public resources, the PCC and CC prepare a Policing Strategy and related Medium Term Finance Strategy MTFS.
  - The PCC has a duty to prepare a statement in support of the Council Tax precept.
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### Work performed

The MTFS has been reviewed and compared to the budget for the year to 31 March 2020 and the Council Tax precept papers. The review focused on the reasonableness of assumptions used in preparing forecasts.

### Auditor commentary

- We did not identify any material uncertainty relating to going concern.
  - Assumptions used in the the forecasts incorporated in the 2020 Budget and the MTFS were clearly set out, appropriate to the PCC’s and CC’s requirements and applied consistently.
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### Concluding comments

### Auditor commentary

- Our audit opinion where it relates to the application of the going concern basis of preparation will be unmodified.
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# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance for both the PCC for Cheshire and The CC for Cheshire.

| Issue   | Commentary   |
|---|--|
| ① <b>Matters in relation to fraud</b>                             | <ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit Advisory Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>   |
| ② <b>Matters in relation to related parties</b>                   | <ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>   |
| ③ <b>Matters in relation to laws and regulations</b>              | <ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>   |
| ④ <b>Written representations</b>                                  | <ul style="list-style-type: none"> <li>Letters of representation have been requested from the PCC and Chief Constable. which is included at appendix G</li> </ul>  |
| ⑤ <b>Confirmation requests from third parties</b>                 | <ul style="list-style-type: none"> <li>We requested from management permission to send seven confirmation requests to deposit holders. This permission was granted and the requests were sent. One of these requests were returned with positive confirmation, however six requests were not received so we undertook alternative procedures, including supervised access to web portals that enabled us to confirm balances as at the reporting date.</li> </ul>  |
| ⑥ <b>Disclosures</b>  | <ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements but identified a number of areas where explanations or presentation could be improved. These were discussed with management and a number of changes agreed, these are set out in appendix A . We also identified a small number of typographical and transposition errors which management has also corrected but which were clearly trivial in nature and so are not reported here.</li> <li>Note 2 to the financial statements sets out those accounting standards issued but not yet adopted. IFRS 16 leases has been issued but not yet adopted for the UK public sector; although it is an omission the value of operating leases likely to be affected by the new standard is not material and adequate details are set out in note 28.</li> </ul> |
| ⑦ <b>Audit evidence and explanations/significant difficulties</b> | <ul style="list-style-type: none"> <li>All information and explanations requested from management was provided.</li> </ul>   |

## Other responsibilities under the Code

| Issue  | Commentary   |
|--|--|
| ① <b>Other information</b>                                     | <ul style="list-style-type: none"> <li>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</li> </ul> <p>No inconsistencies have been identified/Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect – refer to appendices C and D</p> |
| ② <b>Matters on which we report by exception</b>               | <p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters.</p>  |
| ③ <b>Specified procedures for Whole of Government Accounts</b> | <p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Work is not required as the PCC and Chief Constable do not exceed the threshold.</p>   |
| ④ <b>Certification of the closure of the audit</b>             | <p>We intend to certify the closure of the 2018/19 audit of <b>PCC for Cheshire and the Chief Constable</b> for Cheshire in the audit opinion, as detailed in Appendix C and D.</p>  |

# Value for Money

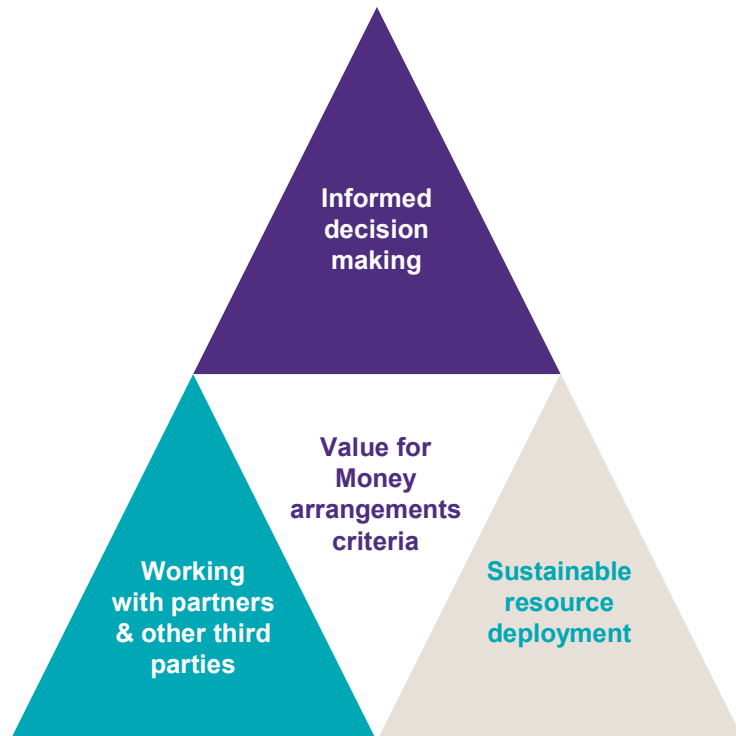
## Background to our VFM approach

We are required to satisfy ourselves that the PCC and Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the PCC and Chief Constable. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

*"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."*

This is supported by three sub-criteria, as set out below:



## Risk assessment

In our audit plan communicated to you in March 2019 we reported that we had not identified any significant risks for our value-for-money conclusion. We advised that we would continue up date our risk assessment of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

# Value for Money

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the PCC and Chief Constable's arrangements for delivering economy, efficiency and effectiveness. We did not identify any significant risks in relation to the PCC and Chief Constable's arrangements. In arriving at our conclusion, our main considerations were:

- The potential for changes to the membership of MFSS to lead to unplanned costs was being successfully mitigated
- Financial reporting throughout the year continued to demonstrate that budgets were being achieved and reasonable outturn forecasts were being prepared.
- The PCC Outturn position reported an underspend against budget of £1.6M, CC £1.2m. The main underspend areas were pay costs and business services; these were as expected and reported during the year.
- The Medium Term Financial Strategy to 2021 has been updated alongside the 2020 budget. A total savings requirement of £2.2m has been identified to 2021; £1.3m has been mitigated with identified savings plans and there are adequate reserves.
- The MTFS and the 2020 budget were prepared on a robust basis with clearly set out assumptions about future pay costs, non-pay costs, the impact of pensions changes, central government funding, and the need to support the capital programme.

## Overall conclusion

Based on the work we performed, we are satisfied that both the PCC and Chief Constable had proper arrangements for securing economy, efficiency and effectiveness in their use of resources.

The text of our report, which confirms this can be found at Appendix E and F.

## Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

# Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

## **Audit and Non-audit services**

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the PCC and Chief Constable. No non-audit services were identified which were charged from the beginning of the financial year to July 2019.



# Audit Adjustments – PCC

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

| Detail  | Comprehensive Income and<br>Expenditure Statement £'000 | Statement of Financial<br>Position £' 000 | Impact on total net<br>expenditure £'000 |
|---|---|---|--|
| 1 An asset with a book value of £210k had been identified as held for sale, it had been revalued on that basis but had been classified as operational property.<br><br>This has been re-classified as held for sale on the face of the balance sheet. | Nil   | Nil                                       | Nil                                      |
| 2 Impact of the decision in the McCloud case, as explained on page 9  | 107,292   | 107,292                                   | 107,292                                  |
| <b>Overall impact</b>   | <b>£107,292</b>   | <b>£107,292</b>                           | <b>£107,292</b>                          |

# Audit Adjustments - PCC

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

| Disclosure omission or other issue | Detail   | Auditor recommendations   | Adjusted? |
|------------------------------------|--|---|-----------|
| <b>Note 1.1 and group accounts</b> | There was no explanation of the convention followed for presenting notes to the financial statements.  | <ul style="list-style-type: none"> <li>Where group accounts are presented there is no requirement to present separate notes for the group and parent entity unless there is a material difference between the two, however there should be an explanation of the convention followed,</li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>Agreed. The relevant note will be expanded to include the explanation.</li> </ul> | ✓         |
| <b>Notes 16 and 17</b>             | Analysis of earmarked reserves and movements in earmarked reserves has been duplicated.  | <ul style="list-style-type: none"> <li>The Code encourages prepares of financial statements to consolidate disclosures where this assists the reader of the financial statements.</li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>Agreed. The note will be consolidated.</li> </ul>   | ✓         |
| <b>Balance Sheet</b>               | Long-term Creditors not cross referenced to supporting note.   | <ul style="list-style-type: none"> <li>Cross reference the balance to the supporting note.</li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>Agreed. Cross reference added- the balance is not split between current and long term because the current element is not material.</li> </ul>  | ✓         |
| <b>Balance Sheet</b>               | There are large differences in Unusable Reserves as shown on the Group and PPC balance sheets but only the group position is shown in the relevant note. | <ul style="list-style-type: none"> <li>Where there are material differences between group and parent entity figures, both sets of figures should be disclosed in the notes.</li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>Agreed. Note amended to show balance attributable to the PCC.</li> </ul>  | ✓         |

# Audit Adjustments - PCC

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

| Disclosure omission or other issue                          | Detail   | Auditor recommendations   | Adjusted? |
|---|--|---|-----------|
| <b>Note 1.16 and Note 21 contradiction</b>                  | The accounting policy note on the measurement of PPE stated that the Commissioner did not capitalise borrowing costs for assets under construction whereas Note 21 said such costs were capitalised in line with the stated policy | Clarify the position.<br><b>Management response</b><br><ul style="list-style-type: none"> <li>Agreed. Note 21 amended to be consistent with the accounting policy.</li> </ul>   | ✓         |
| <b>Note 1.16 Componentisation and depreciation policies</b> | Commentary on componentisation duplicates the commentary on depreciation and neither section makes clear that componentisation applies only where the useful lives of the component differ from the rest of the asset              | <ul style="list-style-type: none"> <li>Clarify the Accounting policy.</li> </ul> <b>Management response</b><br><ul style="list-style-type: none"> <li>Agreed. Componentisation explanation moved to sit next to Depreciation and wording amended to make clearer.</li> </ul>  | ✓         |
| <b>Note 3 Critical judgements</b>                           | Commentary on future funding, the PFI models and collaborative arrangements are not critical judgements.   | <ul style="list-style-type: none"> <li>Critical judgements should be reserved for matters over which management has exercised judgement or where accounting standards allow a choice of accounting treatment on a subjective basis.</li> </ul> <b>Management response</b><br><ul style="list-style-type: none"> <li>Agreed. These paragraphs to be removed.</li> </ul>                                | ✓         |
| <b>Note 13 Collaborations</b>                               | The note did not explain the basis of control for these arrangements.  | <ul style="list-style-type: none"> <li>Include a consideration of control of these arrangements by reference to IFRS 10 and IFRS 11.</li> </ul> <b>Management response</b><br><ul style="list-style-type: none"> <li>Agreed. These are not Joint Arrangements as defined by Accounting Standards but areas with more formal operational collaboration agreements. Note amended to clarify.</li> </ul> | ✓         |

# Audit Adjustments - PCC

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

| Disclosure omission or other issue                                | Detail  | Auditor recommendations  | Adjusted? |
|---|---|--|-----------|
| <b>Note 27 Financial instruments</b>                              | <p>The following elements were not clear from the analysis of financial instruments.</p> <ul style="list-style-type: none"> <li>Split between assets and liabilities that were not financial instruments</li> <li>The split between current and long term assets and liabilities as reported in the note compared to as presented on the balance sheet</li> <li>The fair value of finance lease and pfi liabilities.</li> </ul> | <ul style="list-style-type: none"> <li>The disclosures in the note should reconcile financial instruments to the balance sheet.</li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>Agreed. Additional disclosures added to the financial instruments note.</li> </ul> | ✓         |
| <b>Note 31 capital adjustment account</b>                         | <p>Figures in this note were referenced to note 20 capital expenditure and financing.</p>   | <ul style="list-style-type: none"> <li>Identify relevant figures.</li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>Agreed. Subtotals added to note 20 to aid identification.</li> </ul>   | ✓         |
| <b>Comprehensive Income and Expenditure Account- comparatives</b> | <p>CIES shows only the net expenditure comparative figure for those items above the costs of services line.</p>   | <ul style="list-style-type: none"> <li>Code 3.4.2.30 requires comparatives for all figures in the current year primary financial statements.</li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>Agreed. Comparative added and CIES reformatted.</li> </ul>            | ✓         |

# Audit Adjustments - PCC

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Audit Advisory Committee is required to approve management's proposed treatment of all items recorded within the table below:

| Detail  | Comprehensive Income and Expenditure Statement<br>£'000 | Statement of Financial Position<br>£' 000 | Impact on total net expenditure<br>£'000 | Reason for not adjusting   |
|---|---|---|--|--|
| 1 A prepayment of £436k for data services and is being carried as a current receivable, estimated usage indicates that some £312k will be recovered after more than one year and is potentially a long-term receivable. | Nil   | Nil                                       | Nil                                      | The amount is not material, the change in classification will not affect the overall position and the rate of usage is expected to increase. |
| 2 Potential impact Guaranteed Minimum Pensions Equalisation   | Dr 3,200  | Cr 3,200                                  | Dr 3,200                                 | Best estimates indicate the amount is not material.  |
| <b>Overall impact</b>   | <b>£3,200</b>   | <b>£3,200</b>                             | <b>£3,200</b>                            |  |

## Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the 2017/18 financial statements.

# Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

## Audit Fees

|   | Proposed fee   | Final fee    |
|---|----------------|--------------|
| PCC Audit                               | 26,045         | tbc*         |
| Chief Constable Audit                   | 11,550         | tbc*         |
| <b>Total audit fees (excluding VAT)</b> | <b>£37,595</b> | <b>£tbc*</b> |

\* The McCloud issue and other changes to the draft financial statements have led to additional unplanned audit work. We will review the final fee and discuss it with Officers and the Audit Advisory Committee before finalising and obtain approval from PSAA Ltd. Our estimate is that the additional fee will be £1,500.

# Audit opinion - PCC

We anticipate we will provide the PCC with an unmodified audit report

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the Police and Crime Commissioner for Cheshire (the 'Police and Crime Commissioner') and its subsidiary the Chief Constable (the 'group') for the year ended 31 March 2019 which comprise [the Group Comprehensive Income and Expenditure Statement](#), [the Group Movement in Reserves Statement](#), [the Group Balance Sheet](#), [the Group Cash Flow Statement](#), the PCC Comprehensive Income and Expenditure Statement, the PCC Movement in Reserves Statement, the PCC Balance Sheet, the PCC Cash Flow Statement, the notes to the financial statements, and the police pension fund financial statements comprising the Pension Fund Account, and note Pension Fund Account. The notes to the financial statements include the EFA, Notes to the Core Statements, Policies and Judgements and Notes to the Group Accounts. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Police and Crime Commissioner as at 31 March 2019 and of the group's expenditure and income and the Police and Crime Commissioner's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Police and Crime Commissioner 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 Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Police and Crime Commissioner'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 Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Police and Crime Commissioner and group 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.

# Audit opinion

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 of the group and the Police and Crime Commissioner 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.

## Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

## Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Police and Crime Commissioner gained through our work in relation to the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Police and Crime Commissioner under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

## Responsibilities of the Police and Crime Commissioner and the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 9 the Police and Crime Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



# Audit opinion

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the group's and the Police and Crime Commissioner's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the group or the Police and Crime Commissioner will no longer be provided.

The Police and Crime Commissioner is Those Charged with Governance. Those charged with governance are responsible for overseeing the financial reporting process.

## 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Report on other legal and regulatory requirements - Conclusion on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its 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 the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

## Responsibilities of the Police and Crime Commissioner

The Police and Crime Commissioner is responsible for putting in place proper arrangements for securing 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 the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

# Audit opinion

## Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Police and Crime Commissioner for Cheshire in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### Use of our report

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 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 Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner 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 Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

John Gregory, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

[Date]

# Audit opinion – Chief Constable

We anticipate we will provide the Chief Constable with an unmodified audit report

## Independent auditor's report to the Chief Constable for Cheshire

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the Chief Constable for Cheshire (the 'Chief Constable') for the year ended 31 March 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Fund Account, and notes relating to the pension fund accounts. The notes to the financial statements include the EFA. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Chief Constable 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 Assistant Chief Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Assistant Chief Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Chief Constable'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 Assistant Chief Officer 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.

# Audit opinion

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 of the Chief Constable 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.

## Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

## Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Chief Constable gained through our work in relation to the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Chief Constable under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

## Responsibilities of the Chief Constable and the Assistant Chief Officer for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 8, the Chief Constable is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Assistant Chief Officer. The Assistant Chief Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Assistant Chief Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# Audit opinion

In preparing the financial statements, the Assistant Chief Officer is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Chief Constable will no longer be provided.

The Chief Constable is Those Charged with Governance. Those charged with governance are responsible for overseeing the financial reporting process.

## 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Report on other legal and regulatory requirements - Conclusion on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its 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 the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

## Responsibilities of the Chief Constable

The Chief Constable is responsible for putting in place proper arrangements for securing 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 the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

# Audit opinion

## Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Chief Constable for Cheshire in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### Use of our report

This report is made solely to the Chief Constable, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 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 Chief Constable those matters we are required to state to the Chief Constable 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 Chief Constable as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

John Gregory, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

[Date]

# Management Letter of Representation PCC

Our ref:  
Your ref:

Grant Thornton UK LLP  
The Colmore Building  
20 Colmore Circus  
BIRMINGHAM  
B4 6AT

[Date]

Dear Sirs

## **The Police and Crime Commissioner for Cheshire Financial Statements for the year ended 31 March 2019**

This representation letter is provided in connection with the audit of the financial statements The Police and Crime Commissioner for Cheshire and the Chief Constable for Cheshire for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the group and parent PCC financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### **Group Financial Statements**

We have fulfilled our responsibilities for the preparation of the PCC's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

- 1) We have fulfilled our responsibilities for the preparation of the group and parent PCC's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/19 ("the Code"); in particular the group and parent PCC financial statements are fairly presented in accordance therewith.

- 1) We have complied with the requirements of all statutory directions affecting the group and parent PCC and these matters have been appropriately reflected and disclosed in the group and parent PCC financial statements.
- 2) The PCC has complied with all aspects of contractual agreements that could have a material effect on the group and parent PCC financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the group and parent PCC financial statements in the event of non-compliance.
- 3) We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- 4) Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - B .none of the assets of the PCC has been assigned, pledged or mortgaged there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- 7) We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- 8) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

# Management Letter of Representation PCC

9. All events subsequent to the date of the group and PCC financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
10. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and PCC financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
11. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the group and PCC financial statements for these misstatements brought to our attention as they are immaterial to the results of the group and PCC and its financial position at the year-end.
 

The group and PCC financial statements are free of material misstatements, including omissions.
12. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
13. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and PCC financial statements.
14. We believe that the group and PCC financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent PCC's needs. We believe that no further disclosures relating to the group and parent PCC's ability to continue as a going concern need to be made in the financial statements.

## Information Provided

15. We have provided you with:
  - a) access to all information of which we are aware that is relevant to the preparation of the group and PCC financial statements such as records, documentation and other matters;
  - b) additional information that you have requested from us for the purpose of your audit; and
  - c) unrestricted access to persons within the service from whom you determined it necessary to obtain audit evidence.
16. We have communicated to you all deficiencies in internal control of which management is aware.
17. All transactions have been recorded in the accounting records and are reflected in the group and parent PCC financial statements.
18. We have disclosed to you the results of our assessment of the risk that the group and PCC financial statements may be materially misstated as a result of fraud.
19. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and PCC and involves:
  - a) management;
  - b) employees who have significant roles in internal control; or
  - c) others where the fraud could have a material effect on the group and PCC financial statements.
20. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the group and parent PCC's financial statements communicated by employees, former employees, analysts, regulators or others.
21. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.



# Management Letter of Representation PCC

22. We have disclosed to you the identity of the group and parent PCC's related parties and all the related party relationships and transactions of which we are aware.

23. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent PCC financial statements.

## Annual Governance Statement

23. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the PCCs and CC's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

## Narrative Report

24. The disclosures within the Narrative Report fairly reflect our understanding of the group and parent PCC's financial and operating performance over the period covered by the group and parent PCC financial statements.

## Approval

The approval of this letter of representation was minuted by the Audit Advisory Committee at its meeting on 25 July 2019.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Police and Crime Commissioner for Cheshire.

# Management Letter of Representation CC

Our ref:  
Your ref:

Grant Thornton UK LLP  
The Colmore Building  
20 Colmore Circus  
BIRMINGHAM  
B4 6AT

[Date]

Dear Sirs

## **The Chief Constable for Cheshire Financial Statements for the year ended 31 March 2019**

This representation letter is provided in connection with the audit of the financial statements of The Chief Constable for Cheshire for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Chief Constable financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### **Group Financial Statements**

1. We have fulfilled our responsibilities for the preparation of the Chief Constable's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

2. We have fulfilled our responsibilities for the preparation of the Chief Constable's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/19 ("the Code"); in Chief Constable's financial statements are fairly presented in accordance therewith.
3. We have complied with the requirements of all statutory directions affecting the Chief Constable and these matters have been appropriately reflected and disclosed in Chief Constable's financial statements.
4. The Chief Constable has complied with all aspects of contractual agreements that could have a material effect on the Chief Constable's financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the Chief Constable's financial statements in the event of non-compliance.
5. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
6. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
7. Except as disclosed in the financial statements:
  - there are no unrecorded liabilities, actual or contingent
  - none of the assets of the Chief Constable has been assigned, pledged or mortgaged there are no material prior year charges or credits,
  - nor exceptional or non-recurring items requiring separate disclosure.
8. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

# Management Letter of Representation CC

9. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
10. All events subsequent to the date of the Chief Constable's financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
11. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Chief Constable financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

The Chief Constable financial statements are free of material misstatements, including omissions.

12. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
13. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the Chief Constable financial statements.
14. We believe that the Chief Constable financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Chief Constable's needs. We believe that no further disclosures relating to the Chief Constable's ability to continue as a going concern need to be made in the financial statements

## Information Provided

15. We have provided you with:
  - access to all information of which we are aware that is relevant to the preparation of the Chief Constable financial statements such as records, documentation and other matters;
  - additional information that you have requested from us for the purpose of your audit; and

- unrestricted access to persons within the service from whom you determined it necessary to obtain audit evidence.
16. We have communicated to you all deficiencies in internal control of which management is aware.
  17. All transactions have been recorded in the accounting records and are reflected in the Chief Constable's financial statements.
  18. We have disclosed to you the results of our assessment of the risk that the Chief Constable financial statements may be materially misstated as a result of fraud.
  19. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Chief Constable and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the Chief Constable financial statements.
  20. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Chief Constable's financial statements communicated by employees, former employees, analysts, regulators or others.
  21. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
  22. We have disclosed to you the identity of the Chief Constable's related parties and all the related party relationships and transactions of which we are aware.
  23. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the Chief Constable financial statements.

# Management Letter of Representation CC

## Annual Governance Statement

24. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Chief Constable's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

## Narrative Report

25. The disclosures within the Narrative Report fairly reflect our understanding of the Chief Constable's financial and operating performance over the period covered by the Chief Constable's financial statements.

## Approval

The approval of this letter of representation was minuted by the Audit Advisory Committee at its meeting on 25 July 2019.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Chief Constable for Cheshire.**

