

**The Police & Crime Commissioner
for Derbyshire /
Chief Constable of Derbyshire
Constabulary
Audit results report**

25 July 2019

Year ended 31 March 2019

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y'.

Building a better
working world



Police and Crime Commissioner and Chief Constable for Derbyshire
Butterley Hall
Ripley
Derbyshire
DE5 3RS

Dear Hardyal and Andrew

25 July 2019

We are pleased to attach our audit results report for the forthcoming meeting of the Joint Audit Risk and Assurance Committee (JARAC). This report summarises our preliminary audit conclusion in relation to the audit of the Police and Crime Commissioner for Derbyshire (PCC) and Chief Constable of Derbyshire Constabulary (CC) 2018/19.

We have substantially completed our audit of the PCC and CC for the year ended 31 March 2019.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3 before the end of July. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the PCC and the CC, JARAC and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the JARAC meeting on 25 July 2019.

Yours faithfully

Hassan Rohimun
Associate Partner
For and on behalf of Ernst & Young LLP
Encl

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This report is prepared in the context of the Statement of responsibilities. It is addressed to the the PCC for Derbyshire and CC of Derbyshire Constabulary, JARAC and management and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

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01 Executive Summary

Executive Summary

Scope update

In our audit planning report tabled at the 13 February 2019 JARAC meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- ▶ The Government Actuary's Department ("GAD") has been able to estimate the potential impact of various age discrimination cases. The impact related to the transitional protection granted to certain members as part of the 2014/15 changes to the LGPS, Police and Fire schemes (the "McCloud" judgement), which also referenced a related judgment relating to the Firefighters' Pension Schemes (the Sargeant judgement). The Supreme Court denied the Government leave to appeal. The decision therefore creates a constructive obligation as at the balance sheet date which would increase the liability of the Pension Fund. Therefore we requested the PCC and CC to request of its actuaries revised actuarial reports to effect the adjustment to the financial statements. We extended our audit procedures to review management's consideration of the judgment and applied sensitivity analysis to the amendments made by the actuaries in response to the McCloud/Sargeant judgments.
- ▶ The PCC and CC have also considered the result of the Lloyds Bank High Court case, whereby all pension schemes must equalise Guaranteed Minimum Pensions between males and females. In your 2017/18 disclosures, GAD included a past service cost which reflected the extension of the Treasury's interim solution to GMP indexation to April 2021 Pension Fund and have therefore not made any additional allowance for GMP equalisation in the 2018/19 disclosures. We have therefore extended our audit procedures to carry out further analysis on the range of the estimate.
- ▶ At the time of issuing actuarial reports, the actuary estimates the Pension Fund asset value as at the 31 December. There can be material movements in asset values to the final position. The PCC and CC also commissioned a revised actuarial report with asset values at 31 March 2019. We have extended our procedures to review the variance between the two figures to assess the changes in the estimate for the PCC's and CC's share of Pension Fund Assets.
- ▶ The PCC has entered into two Private Finance Initiative (PFI) project agreements covering a 1997 agreement for the provision of a new serviced police station at Ilkeston, the arrangement being for 30 years until September 2028 and a 1999 agreement for the provision of a new fully serviced Divisional Headquarters and City Section Station at Derby. We have employed EY specialist assistance to review the key elements of the schemes in our first year of audit.
- ▶ The PCC and CC operate with Derbyshire Fire and Rescue Authority a joint venture. DPFP LLP, covering the development, management, operation and maintenance of a joint Headquarters and a Training Centre. The PCC and CC consolidates the accounts of DPFP LLP by accounting for post-acquisition change in the investor's share of net assets of the investee, which is appropriate for joint venture accounting. However, the PCC and CC decided to apply small audit exemption in 2018/19 and therefore the accounts were unaudited. Therefore, we have undertaken direct testing of transactions covering income, expenditure, assets and liabilities including engaging EY Real Estates to review the valuation of the property to gain assurance over the consolidation of the net assets.
- ▶ We have reported the results of our work in Section 2 of this Report.

Executive Summary

Scope update

Changes in Materiality

- ▶ We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment.
- ▶ Based on our materiality measure of 2% gross expenditure on provision of services, we have updated our overall materiality assessment:
 - The PCC Group has increased to £5.7 million (Audit Planning Report – £5.5 million); and
 - The CC Single Entity has increased to £5.6 million (Audit Planning Report – £5.3 million).
- ▶ Based on our materiality measure using 2% of gross assets, we have updated our overall materiality assessment:
 - The PCC Single Entity has remained the same at £1.7m.
- ▶ The Police Pension Fund materiality has increased to £1.2 million (Audit Planning Report - £1.1 million) based on 2% of the higher of Benefits Payable/Contributions Receivable
- ▶ This results in updated performance materiality levels, set at 50% of overall materiality, of £2.8 million; £2.8 million; £0.9 million; and £0.6 million for the PCC Group; CC Single Entity; PCC Single Entity; and Police Pension Fund respectively.
- ▶ Thresholds for reporting uncorrected misstatements have been updated to £0.3 million; £0.3 million; £0.1 million; and £0.1 million respectively.

Executive Summary

Status of the audit

We have substantially completed our audit of the PCC and CC's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Audit Planning Report. Subject to satisfactory completion of the following outstanding items, we expect to issue an unqualified opinion on the PCC's and CC's financial statements in the form which appears at Section 4. However until work is complete, further amendments may arise from the following:

- The completion of procedures concerning the Local Government Pension Scheme and Police Pension Scheme following our review of the updated actuary reports arising from the potential for material impact on the pension liability arising McCloud/ Sergeant, Guaranteed Minimum Pension and changes in the estimate for the PCC's and CC's share of Pension Fund Assets;
- The completion of our procedures to test the underlying calculations of the revalued assets for 2018/19;
- The agreement of the Private Finance Initiative disclosures within the financial statements to the PCC's and CC's accounting models;
- Receipt of the letter from the valuer for the joint Police and Fire Headquarters and Training Centre confirming credentials and approach taken towards the valuation;
- Receipt of letter from the bank to confirm the bank letter for the joint Police and Fire Headquarters and Training Centre;
- Completion of lump sum commutation Police Pension testing;
- Review of reserves;
- Completion of subsequent events review;
- Review of the final set of the financial statements;
- Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission;
- receipt of the signed management representation letter; and
- final Manager and Engagement Partner reviews.

We expect to issue the audit certificate at the same time as the audit opinion.

Audit differences

We identified a number of audit differences in the course of our audit. None of these adjustments impacted the reported Net Cost of Services that impacts the Council Tax funding requirements

However, the PCC and CC have not complied with the Code of Audit Practice by producing a disclosure note at Note 3 covering a Comprehensive Income and expenditure Statement based on a subjective analysis rather than a Note covering Expenditure and Income Analysed by Nature as required by the Code of Practice, which would show the disaggregation of revenue recognised. **The PCC and CC are to provide the disclosure note for the 2019/20 financial statements.**

There are no unadjusted audit differences arising from the audit.



Executive Summary

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of the PCC's and CC's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, including our work on the valuation of assets, group accounts and the revised actuarial reports commissioned by the PCC and CC in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues
- ▶ You agree with the resolution of the issue
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the PCC and CC.

Executive Summary

Control observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified the following significant risk:

- Sustainable resource deployment: the PCC's and CC's arrangements for the achievement of savings needed over the Medium Term given the financial challenges the PCC and CC faces over the next three to four years.

From our work, we determined at this stage that financial resilience was not a significant risk to our VFM Conclusion. However, we have considered in the context of financial resilience the possible implications for the PCC and CC arising from the inadequate rating provide by Her Majesty's Inspectorate of Constabulary Fire & Rescue Service (HMICFRS) for the Crime Data Integrity inspection 2018 for the Medium Term Financial Plan. We summarise the results of our work at Section 6.

We have undertaken appropriate procedures and concluded that we have no matters to include in the auditor's report about your arrangements to secure economy efficiency and effectiveness in your use of resources and anticipate issuing an unmodified opinion.



Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the PCC and CC. The PCC and CC have made several amendments to the Annual Governance Statement as a result of our work (See Section 6). We have no other matters to report as a result of this work.

We have also reviewed the PCC's and CC's Narrative Report for consistency with the financial statements and our knowledge. We have requested an amendment to both Reports for inclusion of the HMICFRS Inadequate rating for the CC's Crime Data integrity review. We have no other matters to report as a result of this work.

The PCC and CC updated their notices of inspection for the exercise of public rights for areas where it had not complied with the 2015 Accounts and Audit Regulations.

We are not reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission as the PCC Group falls below the £500 million threshold for review as per the NAO's group instructions.

We have no other matters to report.

Independence

Please refer to **Section 9** for our update on Independence. We have no independence issues to bring to your attention.



02

Areas of Audit Focus



Areas of Audit Focus

Significant risk

Risk of fraud in revenue and expenditure recognition

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We consider this risk to be present in the financial statements of the PCC, the CC and the Group.

What judgements are we focused on?

We focused on aspects of the statement of accounts where revenue and expenditure transactions could be recorded inappropriately, primarily:

- The completeness and valuation of other operating expenditure;
- The existence, valuation and completeness of other income; and
- The posting of journals to improve the PCC's and CC's financial position.

What did we do?

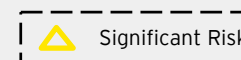
In response to this risk, we:

- Reviewed and tested revenue and expenditure recognition policies;
- Reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias;
- Developed a testing strategy to test material revenue and expenditure streams;
- Tested journals; and
- Review and test revenue cut-off at the period end date.

What are our conclusions?

Our testing has not identified any material misstatements from revenue and expenditure recognition.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the PCC's and CC's financial position.





Areas of Audit Focus

Significant risk



Further details on procedures/work performed

The work that we undertook on other operating expenditure included:

- Reconciling amounts in the lead schedule to sub ledgers and general ledger;
- Conducting substantive testing of a sample of expenses;
- Sample testing payables balances and agreeing to supporting documentation;
- Obtaining system reports/cash book entries for all payments made in the new financial year to confirm that the expenditure has been accounted for in the correct period with reference to creditor and accrual balances; and
- Obtaining from the system the purchase listings for March and April to confirm that associated expenditure has been correctly classified in the right period.

The work that we undertook on other operating expenditure included:

- Reconciling amounts in the lead schedule to sub ledgers and general ledger;
- Conducting substantive testing of a sample of income;
- Sample testing of receivables balances and agreeing to supporting documentation.
- Obtaining system reports/cash book entries for all receipts obtained in the new financial year to confirm that the associated revenue has been accounted for in the correct period with reference to debtor balances; and
- Obtaining from the system the sales listings for March and April to confirm that associated revenue has been correctly classified in the right period.

We also performed testing on journal entries to gain assurance over journals that may have been posted to improve the PCC's and CC's CIES position including sample testing of manual accruals.

As part of our review of estimates we also considered property and pension valuations. These are identified as separate areas of focus and covered in the next section of this report.



Areas of Audit Focus

Significant risk

Risk of misstatement due to fraud or error (management override)

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.



What judgements are we focused on?

We focused on aspects of the financial statements where management could inappropriately inflate income or understate expenditure, primarily reviewing:

- Capitalisation of revenue spend;
- Cut-Off procedures covering Short-term Creditors, encompassing accruals and provisions;
- Movements In Reserves Statement and Inappropriate/incorrect adjustment in the Adjustments between accounting basis and funding basis under Regulation; and
- Collaborative arrangements and the underlying allocation of expenditure in the PCC's and CC's own accounts against agreements in place

In addition, to inform our audit work, we reviewed the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.



Areas of Audit Focus

Significant risk (cont.)

What did we do?

In response to this risk, we:

- Identified fraud risks during the planning stages.
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Gained an understanding the oversight given by those charged with governance of management's processes over fraud.
- Considered of the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

What are our conclusions?

- We obtained the responses we requested from management and those charged with governance and used these to inform our understanding of fraud risks. We noted that key elements of the entity level control framework that we would expect to see, especially arrangements for internal audit, counter fraud and risk management, were in place.
- Our walkthrough testing included considering what controls are in place to address significant risks. We confirmed that these controls were in place, although our approach was not to rely on controls.
- We have not identified any material weaknesses in controls or evidence of material management override.
- We have not identified any instances of inappropriate judgements being applied.
- We have not identified any material misstatements from the incorrect capitalisation of expenditure items.
- Our work on cut-off procedures covering Short-term Creditors, encompassing accruals and provisions did not highlight any material misstatements.
- Our work on the Movements In Reserves Statement did not identify any Inappropriate or incorrect adjustment in the Adjustments between accounting basis and funding basis under Regulation; and
- Our work on collaborative arrangements in respect of the allocation of income and expenditure has not identified any material errors.



Areas of Audit Focus

Significant risk (cont.)



Further details on procedures/work performed

We focussed on the following judgemental areas:

- **Capitalisation of revenue expenditure**

Our approach focussed on selecting a sample of additions in year and testing these to supporting evidence to confirm that these items were correctly accounted for as capital, in line with the accounting standards. We have not identified any additions that were incorrectly capitalised.

- **Cut-Off procedures covering Short-term Creditors, encompassing accruals and provisions**

Our approach focussed on testing of year-end trade payables and the calculation of estimates, accruals and provisions which impacts on the completeness and valuation assertions. For cut off procedures, our approach focussed on selecting a sample of transactions in March and April 2018 to confirm that the PCC had recorded transactions in the correct year. As regards provisions, our approach focussed on reviewing post year end-bank statements for evidence of any material liabilities that should have been provided for in the 2018/19 financial statements. Perform a search for unrecorded liabilities at the balance sheet date by reference to post year end payments made and purchase invoices received.

We have not identified any material cut-off issues at the period end date or any issues relating to accruals and provisions. Our testing of exit costs have not indicated any misstatements.

- **Movements In Reserves (MIRS)**

We reviewed the accounting adjustments processed and disclosed in the movement in reserves statements and supporting notes. In particular we:

- Reviewed the Reserves disclosures to ensure that the MIRS contains all lines and entries relevant to the PCC and CC;
- Reviewed entries for consistency to other parts of the financial statements and disclosure notes;
- Checked that the MIRS complies with the Code of Audit Practice and includes all the relevant reserves applicable for the PCC and CC and is presented for the prior and current year movements
- Checked that capital grants used for capital financing is consistent with other part of the accounts

We did not identify any inappropriate disclosures or inconsistencies within the MIRS.

- **Collaboration**

We reviewed the underlying allocation of expenditure in the PCC's and CC's own accounts against agreements in place. As the same EY auditor undertook the collaboration work across all sites we have not had recourse to write separately to auditors as regards significant streams of expenditure not controlled by Derbyshire

- **Appropriateness of manual journals**

We selected a sample of manual journals and tested the items through to supporting evidence. We reviewed the business rationale for the manual journals for reasonableness and checked the accounting entry. We have not identified any material issues from our journals testing.



Areas of Audit Focus

Other areas of audit focus - Pension Fund Liability

What is the area of focus?	What did we do?	Our Conclusions
<p>Pension Liability Valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require extensive disclosures within the financial statements regarding membership of the Local Government Pension Scheme administered by Derbyshire County Council.</p> <p>The information disclosed is based on the IAS 19 report issued to the PC and CC by the actuaries to the Derbyshire Pension Fund and also the Police Pension Fund. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates</p>	<p>Local Government and Police Pension Schemes</p> <p>We have:</p> <ul style="list-style-type: none"> • Updated our documentation of management’s processes and controls over pension expenditure and deduction of employer and employee contributions; • Liaised with the auditors of Derbyshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the PCC and CC; • Reviewed the work of the Local Government actuary and Police Pension actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team to ensure they are in our expected range; and • Reviewed and tested the accounting entries and disclosures made within the financial statements to ensure consistency with the IAS 19 entries in both actuarial reports. <p>Police Pension Scheme (only)</p> <p>We have:</p> <ul style="list-style-type: none"> ▶ Tested a sample of lump sums and pension payments for new police pensioners; ▶ Completed a predictive analytical review for both the pensions payroll and employees and employers pension contributions; ▶ Assessed management’s arrangements to reconcile the active and pensioner membership numbers. 	<p>We assessed the assumptions within the PCC’s and CC’s updated actuarial reports and reviewed the movement on the total fund asset values.</p> <p>The impact of these changes has been to increase the pension fund liability by £88 million from £2.096 million to £2,184 million.</p> <p>Management has amended the financial statements to reflect these increases, see Section 3 for the adjustments. Management has also removed the contingent liability disclosure relating to McCloud as the sums have now been accounted through the Accounting for Pension Costs Notes in the financial statements.</p> <p>We have not identified any issues with the accounting entries and disclosures made within the financial statements for the Local Government Pension Scheme. However, our EY Pensions Team are currently reviewing the assumptions made for the McCloud impact on the Police Pension Schemes.</p>



Areas of Audit Focus

Other areas of audit focus – Valuation of Land and Buildings

What is the area of focus?	What did we do?	Our Conclusions
<p>Valuation of Land and Buildings</p> <p>The fair value of Property, Plant and Equipment including assets held for sale, represent significant balances in the Group accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>We have</p> <ul style="list-style-type: none"> • Documented our understanding of the processes and controls in place to mitigate the risks identified, and walk through those processes and controls to confirm our understanding • Tested the revaluation cycle, including instruction and completeness of information provided to the external valuer (e.g. floor plans to support valuations based on price per square metre • Reviewed each class of asset and the valuation approach adopted to assess where the risk of material misstatement is higher. We will share this risk assessment with management. • Evaluated the competence, capabilities and objectivity of management’s specialist. • Reviewed any terms of engagement or instructions issued to the valuer to ensure these are consistent with accounting standards. • Engaged our valuation specialists to support our testing strategy and help evaluate the work of the PCC’s valuer. • Performed appropriate tests over the completeness and appropriateness of information provided to the valuer. • Reviewed the classification of assets and ensure the correct valuation methodology has been applied. • Ensured the valuer’s conclusions have been appropriately recorded in the accounts. • Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; • Reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated; • Considered changes to useful economic lives as a result of the most recent valuation; and • Tested accounting entries have been correctly processed in the financial statements. 	<p>Subject to the completion of the work outlined in Section 1:</p> <ul style="list-style-type: none"> • We found the PCC’s external valuer to be appropriately qualified with the relevant skills to perform the valuation analysis. • The valuation was undertaken in accordance with relevant financial reporting guidance, and the key assumptions used in the valuation were appropriate and within an acceptable range. • The valuation was undertaken in line with the PCC’s accounting policies. • We were satisfied that the classification of assets reported in the financial statement is materially correct.



Areas of Audit Focus



Valuation methods applied

Financial statement area	Valuation method applied and related disclosures	Impact of changes made to the valuation method applied
Valuation of land and Buildings	<p>Investment properties are valued at fair value annually.</p> <p>Specialised assets, primarily the PFI assets, are valued at depreciated replacement cost where no market exists.</p> <p>Where comparable information is available assets are valued at fair value.</p>	<p>Investment properties - no change to basis.</p> <p>Specialised assets - no change to basis.</p> <p>Whilst management has in place arrangements to assess the need for impairments and valuations outside of the five year cycle, we recommend that the PCC:</p> <ul style="list-style-type: none"> • Formally assesses the need to value its larger specialised assets frequently to take account of build costs outside of the five year cycle and • Commissions a formal impairment review from its valuer to determine whether there has been a material movement in values year on year.
Valuation of Pension assets and liabilities	<p>Actuarial valuations of pension liabilities.</p> <p>Actuarial valuation of pension assets with reference to the assets and returns reported by the pension fund.</p> <p>The pension fund assets are not able to be allocated to individual members of the fund.</p>	<p>There is no change in the underlying methodology.</p> <p>However, the impact of the McCloud judgement and refusal of right to appeal, since the draft statements were prepared, has resulted in an additional estimated value of the liability. This increased liabilities by £88 million.</p> <p>In your 2017/18 disclosures, GAD included a past service cost which reflected the extension of the Treasury's interim solution to GMP indexation to April 2021 Pension Fund and have therefore not made an allowance for make any additional allowance for GMP equalisation in the 2018/19 disclosures.</p> <p>The PCC and CC requested a revised IAS19 Accounting Information Report from the actuary using asset values as at 31 March 2019.</p>



Areas of Audit Focus

Other matters

IFRS 16 implementation plan and preparedness:

The implementation of IFRS 16 to the local Government Code of Practice is for the 2020/21 financial year, the below link provides information from CIPFA on the new leasing standard.

<https://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/local-authority-leasing-briefings>

The PCC and CC has begun to identify and classifying leases, although the impact of applying the code is not yet known.

In addition, changes have been made to the CIPFA/LAASAC Code for 2019/20.

We have not identified any material impact for the PCC and CC at this stage, but we will continue to discuss the changes and impacts with management, including;

- Treatment of the Apprenticeship Levy
- Updated guidance on IFRS 9 Financial Instruments
- Clarifications for the disclosure requirements with respect to interests in entities holding Non-current Assets Held for Sale and Discontinued Operations



Areas of Audit Focus



Other matters

Assessment of new Accounting Standards

IFRS 9 financial instruments

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change;

- How financial assets are classified and measured;
- How the impairment of financial assets are calculated; and
- The disclosure requirements for financial assets.

We have:

- Assessed the PCC's and CC's implementation arrangements that will include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- Considered the classification and valuation of financial instrument assets;
- Reviewed new expected credit loss model impairment calculations for assets; and
- Checked additional disclosure requirements are met.

We did not identify any material errors or errors of disclosure from our audit work.

IFRS 15 Revenue from contracts with customers

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. The 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised. The impact on Police accounting is likely to be limited as large revenue streams like council tax and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

We have

- Assessed PCC's and CC's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- Considered application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- Checked additional disclosure requirements are met.

We did not identify any material errors or errors of disclosure from our audit work.



Areas of Audit Focus



Other matters

Accounting for the PFI schemes

The PCC has two PFI schemes and there is a risk that disclosures in the financial statements are not consistent with the PFI operating model.

We have:

- Tested the completeness and accuracy of the inputs to the financial model and the subsequent correct application of the outputs to the financial statements; and
- Employed EY specialist assistance to review the key elements of the scheme in our first year of audit.

Although we found small differences between our re-calculations of the accounting entries from the accounting model, the sums are below our reporting threshold and we have no matters to report.

Accounting for associates and joint ventures

The PCC operates a joint venture with the Derbyshire Fire and Rescue Authority covering the development, management, operation and maintenance of a joint Headquarters and Training Centre. The PCC Group accounts for the post-acquisition change in the investor's share of net assets of the investee. There is a risk of misstatement that the accounting treatment of the joint service arrangements are not in accordance with the relevant accounting standard in the financial statements.

We have:

- Reviewed the service agreements to understand the nature and responsibilities for both DFRS and the PCC and CC for Derbyshire;
- Reviewed management's assessment of the required accounting treatment in the financial statements; and
- Tested the accounting entries and disclosures to confirm that the correct accounting standard has been applied.

The PCC has decided to apply a small audit exemption to the 2018/19 LLP financial statements. Therefore the LLP accounts are unaudited and in order to gain assurance over the transactions within the Group accounts we have . Therefore, we have undertaken direct testing of transactions covering income, expenditure, assets and liabilities including engaging EY Real Estates to review the valuation of the property.

Our work concluded that the equity method of accounting by the PCC of the LLP transactions is appropriate and in line with the CIPFA code of Practice for joint venture accounting. We did not find any material misstatements from our review of LLP transactions and we made no recommendations as regards the valuation of the LLP a joint Headquarters and Training Centre



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR DERBYSHIRE

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Derbyshire for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Police and Crime Commissioner for Derbyshire and Group Comprehensive Income and Expenditure Statement;
- Police and Crime Commissioner for Derbyshire and Group Balance Sheet;
- Police and Crime Commissioner for Derbyshire and Group Movement in Reserves Statement;
- Police and Crime Commissioner for Derbyshire and Group Cash Flow Statement
- Related notes 1 to 33; and
- Police and Crime Commissioner for Derbyshire Pension Fund Account Statements and related notes 1 to 3.

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 Police and Crime Commissioner for Derbyshire and Group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Police and Crime Commissioner for Derbyshire 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 the Comptroller and Auditor General's (C&AG) AGN01, 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 Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority'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.



Audit Report

Our opinion on the financial statements

Other information

The other information comprises the information included in the Narrative Report set out on pages 2 to 10, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Derbyshire put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- 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;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014

We have nothing to report in these respects



Audit Report

Draft audit report

Our opinion on the financial statements

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 11, the Chief Finance 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, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing 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 the Police and Crime Commissioner either intends to cease operations, or have no realistic alternative but to do so.

The Police and Crime Commissioner 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 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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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 (C&AG) in November 2017, as to whether the PCC had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. 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 PCC put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the [PCC] had put in place proper arrangements to secure 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 satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.



Audit Report

Draft audit report

Our opinion on the financial statements

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner has put in place 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of the Police and Crime Commissioner for Derbyshire in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to Police and Crime Commissioner for Derbyshire, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner for Derbyshire, for our audit work, for this report, or for the opinions we have formed.

Hassan Rohimun (Key Audit Partner)
Ernst & Young LLP, (Local Auditor)
Manchester
Date XX July 2019

The maintenance and integrity of the Police & Crime Commissioner of Derbyshire's web site is the responsibility of the PCC; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF DERBYSHIRE

Opinion

We have audited the financial statements of the Chief Constable of Derbyshire for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Chief Constable of Derbyshire Comprehensive Income and Expenditure Statement;
- Chief Constable of Derbyshire Balance Sheet;
- Chief Constable of Derbyshire Movement in Reserves Statement;
- Chief Constable of Derbyshire Cash Flow Statement;
- and the related notes 1 to 19; and
- Chief Constable of Derbyshire Pension Fund Account and related notes 1 to 3.

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 of Derbyshire as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Chief Constable for Derbyshire 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 the Comptroller and Auditor General's (C&AG) AGNO1, 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 Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority'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.



Audit Report

Draft audit report

Our opinion on the financial statements

Other information

The other information comprises the information included in the Narrative Report set out on pages 2 to 12, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, the Chief Constable of Derbyshire Constabulary put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- 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;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects



Audit Report

Draft audit report

Our opinion on the financial statements

Responsibilities of the Joint Director of Finance and Business Services

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 13, the Joint Director of Finance and Business Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Joint Director of Finance and Business Services 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 the Chief Constable either intends to cease operations, or have no realistic alternative but to do so.

The Chief Constable 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 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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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 (C&AG) in November 2017, as to whether 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 form a view on whether, in all significant respects, the Chief Constable had put in place proper arrangements to secure 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 satisfy ourselves that the Chief Constable of Derbyshire has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.



Audit Report

Draft audit report

Our opinion on the financial statements

We report if significant matters have come to our attention which prevent us from concluding that the Chief Constable has put in place 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.

Certificate

We certify that we have completed the audit of the accounts of the Chief Constable of Derbyshire in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the Chief Constable of Derbyshire in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable of Derbyshire for our audit work, for this report, or for the opinions we have formed.

Hassan Rohimun (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Manchester

Date XX July 2019

The maintenance and integrity of the Chief Constable of Derbyshire web site is the responsibility of the Chief Constable; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

A woman with long brown hair, wearing a dark sleeveless top, is pointing her right index finger at a large digital display wall. The wall is filled with various financial charts, including line graphs and bar charts, and data tables. The charts show trends over time, with some labeled with months like 'Jan', 'Feb', 'Mar', 'Apr', 'May', 'Jun', 'Jul', 'Aug', 'Sep', 'Oct', 'Nov', 'Dec'. The overall scene is dimly lit, with the primary light source being the screens themselves.

04 Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements in the financial statements greater than £2.832 million relating to the PCC Group, £0.855 million (PCC), £2.775. million (CC) and £0.579 million (Police Pension Fund) identified during the audit. These have been corrected by management:

- ▶ £88m additional pensions deficit in relation to pension liabilities. This judgement was confirmed after the preparation of the draft financial statements. An additional actuarial valuation was obtained to reach a more precise valuation on the impact than our initial estimate. Management have updated for these items;

In respect of disclosure notes, the PCC and CC have:

- ▶ Removed reference to McCloud/Sargeant within Note 26 (PCC) and Note 15 (CC) Contingent Liabilities. as the McCloud adjustment has been made through the IAS 19 accounting entries in the Accounting for Pension Costs disclosure.; and
- ▶ Included a number of comparative statements, for example the Remuneration Report for 2017/18 to comply with the Code of Practice.

There has been no impact on the General Fund balance as a result of the correction of these errors.

There were no uncorrected misstatements.



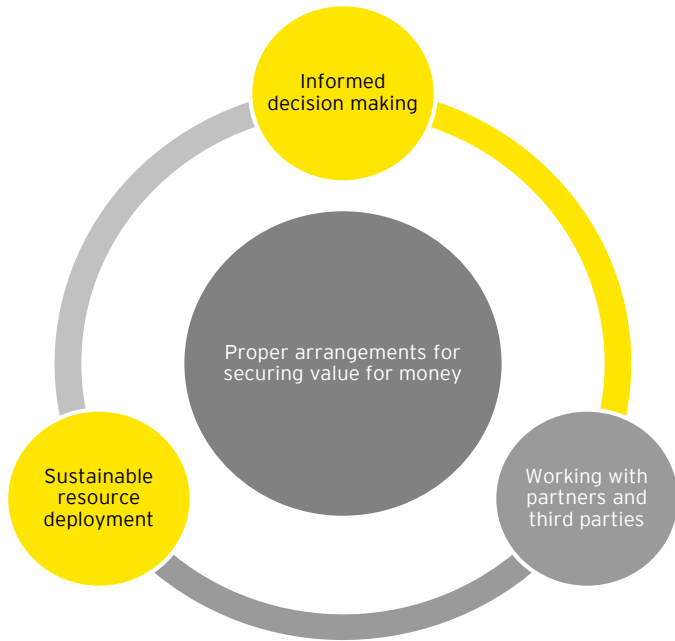
05

Value for Money Risks





Value for Money



Background

We are required to consider whether the PCC and CC have put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

At the planning stage of the audit we identified one significant risk as regards financial resilience around these arrangement.

From our work, we have determined at this stage that financial resilience was not a significant risk to our VFM Conclusion. However, we have recognised the risks and uncertainties that you and management face in setting a medium term financial strategy and have reported our key considerations to you.

Upon completion of our audit planning covering securing financial resilience, we no longer have a significant risk to the value for money conclusion. However, we have considered in the context of financial resilience the possible implications for the PCC and CC arising from the inadequate rating provided by Her Majesty's Inspectorate of Constabulary Fire & Rescue Service (HMICFRS) for the Crime Data Integrity inspection 2018 for the Medium Term Financial Plan.

We have undertaken appropriate procedures and concluded that we expect having no matters to include in the auditor's report about your arrangements to secure economy efficiency and effectiveness in your use of resources and anticipate issuing an unmodified opinion.

Our findings are in the table below.

Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

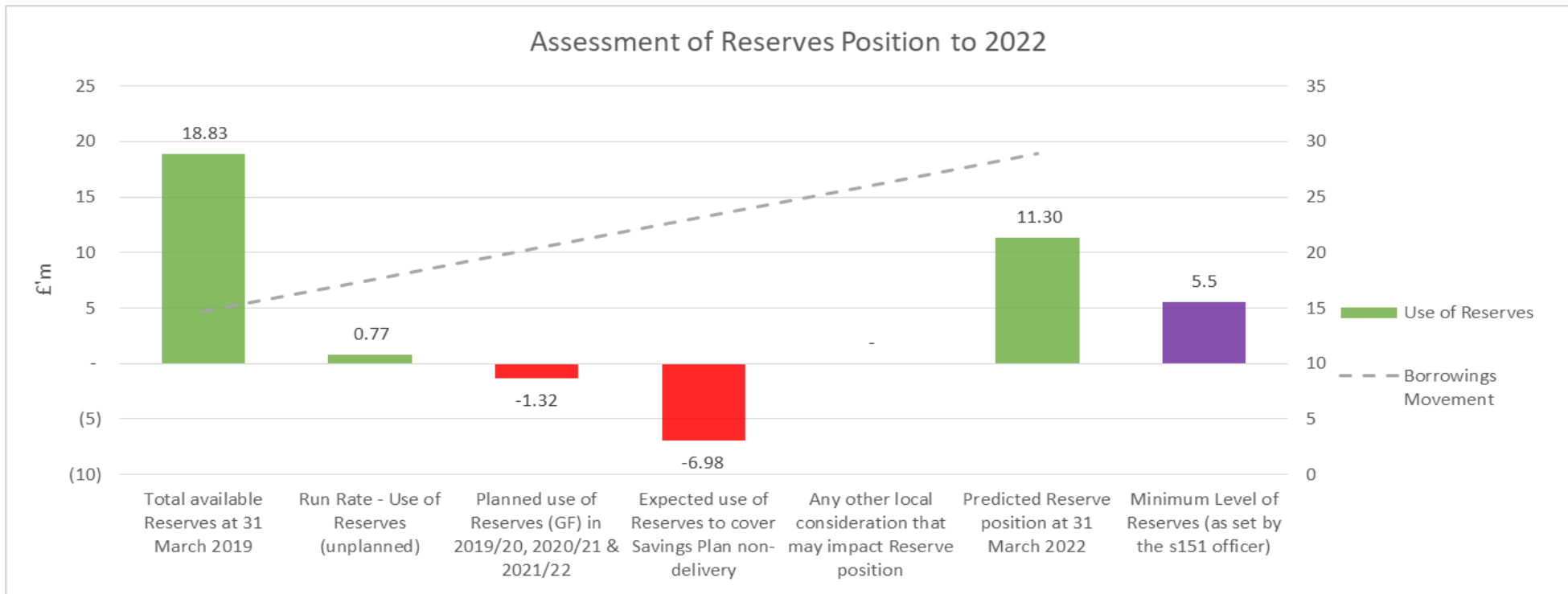
Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>Achievement of Savings Needed over the Medium Term</p> <p>In common with other Police bodies Derbyshire Police is facing significant financial pressures in the medium term.</p> <p>In January 2018, the MTFS reported a forecast deficit of £2.35m by 2020/21. Review of the updated MTFS in January 2019, highlighted that the financial challenges had increased with the cumulative forecast deficit to 2022/23, now standing at £6.3 million. This is predicated on the contribution of reserves totalling £6.6m from 2019/20 to 2021/22.</p> <p>Actions are being taken to identify plans to mitigate the risk.</p>	<p>Sustainable resource deployment</p>	<p>We have only undertaken initial procedures as set out in our audit strategy. This is because in updating our work upon receipt of the financial statements, the current levels of reserves at 31 March 2019 means that financial resilience is not a risk to our VFM conclusion for 2018/19. Therefore we have not reviewed plans to identify future savings and the level of reported savings delivered in year. We have undertaken the following audit work:</p> <p>The key assumptions made within the 2019/20 annual budget</p> <p>The process for setting the PCC’s and CC’s budget is sound. We concluded that the MTFP identifies the key assumptions expected to underpin the 2019/20 budget. Management use scenario planning effectively to provide guidance to the PCC and CC to make decisions on the level of precept to set. The Treasury Management report alongside the MTFP also considers the impact of Brexit within its assumptions.</p> <p>An assessment of the sensitivity of those assumptions underlying the 2019/20 MTFS</p> <p>Using sensitivity analysis, taking into account the PCC’s and CC’s history of under and overspends, past savings achieved, planned use of reserves in 2019/20 to 2021/22 and dependency on innovative income streams, we have determined that the PCC and CC should have sufficient reserves above its minimum level of £5.5 million.</p> <p>Summary of the Medium Term financial Plan for 2019/20 to 2021/22</p> <p>The updated MTFS shows an updated savings requirement of £4.836 million by 31 March 2022. The gap is dependent on the use of £8.3 million reserves and the delivery of savings plans.</p> <p>HMICFRS Inadequate Rating for Crime Data Integrity</p> <p>In March 2019 HMICFRS provided an inadequate rating for the CC’s Crime Data Integrity, finding that the Force is under-recording up to 30,000 crimes each year. In response to the report the force has established an action plan to address the identified improvement areas. The improvement actions should enable the force to better utilise crime data to ensure resources are effectively deployed to address public needs.</p> <p>In considering financial resilience the current use of reserves to support the budget is not sustainable in the medium term. The PCC and CC are currently working on savings plans to close the forecasted budget gap. The robustness of assumptions underpinning the savings will need to be kept under review, delivery monitored and where appropriate mitigating actions identified.</p>



Value for Money



Our Assessment

In our assessment we considered:

- The level of savings requirement to balance the General Fund budget in each of the next 3 years;
- The PCC's and CC's history of over or under spending on the General Fund budget, and the impact this trajectory would have on the use of General Fund reserves;
- The PCC's and CC's planned use of reserves to support the General Fund budget in each of the next 3 years;
- The PCC's and CC's history of delivering savings plans and therefore the potential to call upon reserves to make up a shortfall in future savings plan delivery; and
- Reliance upon any income other than grant income which has not been confirmed post 2018/19, upon which the PCC and CC are reliant.

The graph shows borrowing increasing over the next three years, primarily to fund capital schemes.

As a result of our assessment, we are satisfied that the PCC's and CC's General Fund reserve balance at the 31 March 2022 will remain above the Authority's approved minimum level of £5.5 million.



06 Other reporting issues



Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the 2018/19 Statement of Accounts with the audited financial statements. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the 2018/19 Statement of Accounts and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements. We requested amendments to ensure that Statement complies with the Code of practice to include information about the governance arrangements for group activities and an action plan and conclusion within the PCC accounts. In addition, the PCC and CC did not publish on its website by 31 May 2019 the separate documents specifying how it complied with the seven principles of within *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace, 2016 which is an integral part of the Annual Governance statement as required by the Accounts and Audit Regulations.

The PCC and CC have amended the Narrative Report to record the inadequate rating as regards Crime Data Integrity within the non- financial performance section.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

As the PCC Group falls below the £500 million threshold for review as per the NAO's group instructions, we are not reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the PCC's and CC's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have three items to report:

Re-Statement of Audited Financial Statements

The PCC has restated its 2017/18 financial statements comparatives throughout the financial statements, although the changes are not material and several would not be required. **We recommend that for next year any proposed changes to audited comparator figures are discussed with ourselves at an early stage with the proposed changes documented so that early decision can be made as to whether the change should be made. We have not reported the changes to our Professional Practices Department as the sums are not material.**

Disclosure Checklist

The Statement of Responsibilities sets out that the Chief Finance Officer/Director of Finance is responsible for the preparation of the PCC's and CC's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. However, the PCC and CC had not completed CIPFA's Disclosure Checklist which summarises the Code. **The PCC and CC should complete the checklist for subsequent years to prevent the omissions we have reported such as those concerning the Annual Governance Statement and inclusion of comparative information arising.**

Notice of Inspection

The PCC and CC updated the notice of inspection for the exercise of public rights for areas where it had not complied with the 2015 Accounts and Audit Regulations, and involved correcting the dates for the 30-day period public rights to question the auditor or object to the accounts as required by paragraph 14 of the Regulations. **In addition, for 2019/20 the PCC and CC should set out a separate notice signed by the Chief Finance Officer/Director of Finance to state that that the accounts are subject to audit.**



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the PCC and CC to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice.

Our responsibility as your auditor is to consider whether the PCC and CC have put adequate arrangements in place to satisfy themselves that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



08 Data Analytics



Use of Data Analytics in the Audit

Data analytics

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2018/19, our use of these analysers in the PCC's and Cc's audit included testing journal entries and to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

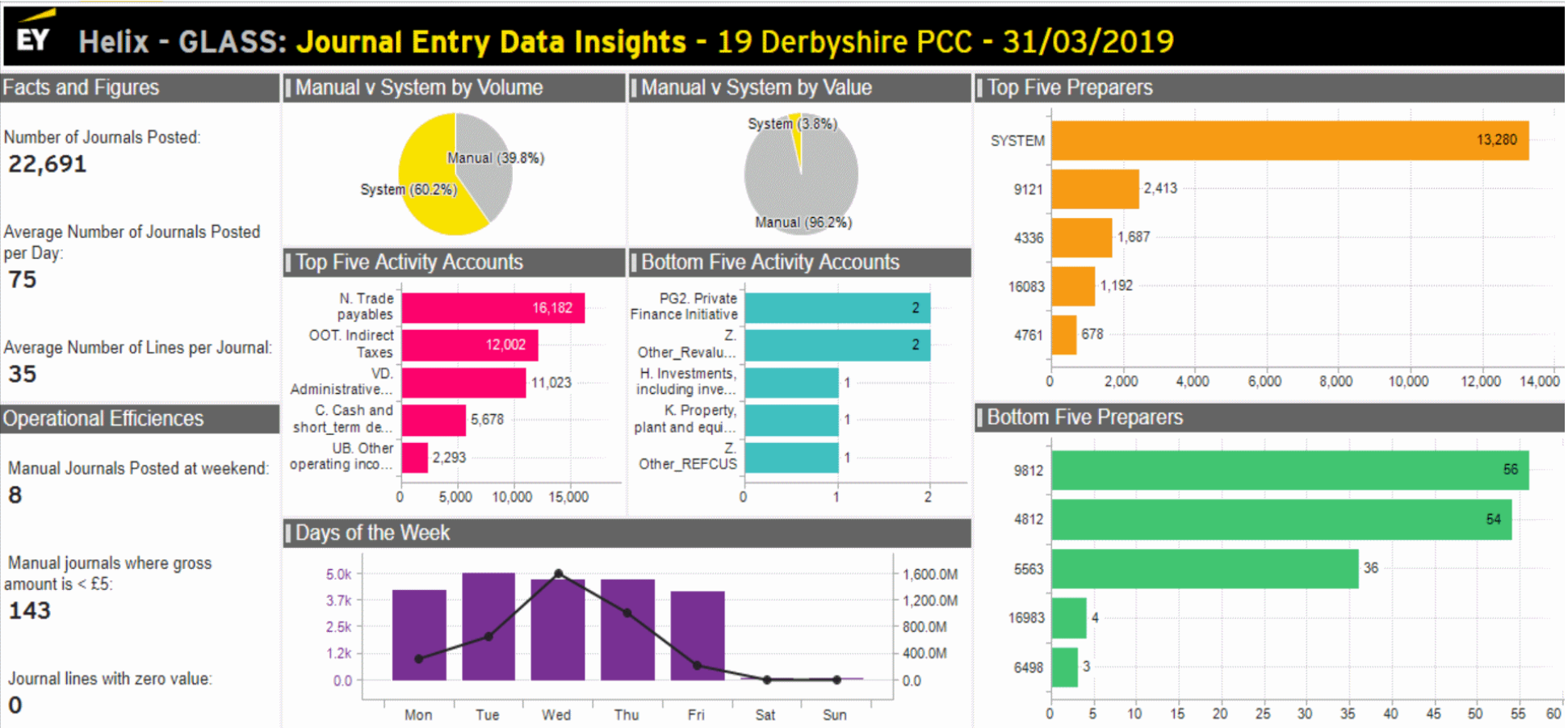


Data Analytics

Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2018/19. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.





Journal Entry Testing

What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

Journal entry data criteria – 31 March 2019



What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



09

Independence

Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning report dated 13 February 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that the PCC and CC consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the JARAC on 25 July 2019

Independence



Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and its PCC and CC and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats. There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed below has been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Independence

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19
	£	£	£
Audit Fee - PCC Code work	To Be Confirmed	23,897	23,897
Audit Fee - CC Code work	To Be Confirmed	11,550	11,550
Total Audit Fee - PCC and CC Code work	To Be Confirmed	35,447	35,447

The final fee for 2018/19 will be subject to additional fees for work carried out in response to significant risks and change of scope, specifically the work identified in this report, covering:

- Additional pensions procedures as a result of the McCloud and GMP judgements, as well as the actual asset position compared with the estimated position;
- Employment of EY specialist assistance to review the key elements of the schemes in our first year of audit
- Work associated with the direct testing of the joint venture, DPFP LLP (shared with The Police and Crime Commissioner for Derbyshire);
- Significant risks included within the Report; and
- Resolving, documenting and reporting errors within the financial statements as reported both to Members and officers.

We will discuss and agree these extra fees with management. The additional fees are subject to approval by the PSAA





A close-up photograph of a person's hand reaching into a filing cabinet to touch a folder. The cabinet is filled with numerous folders of various colors (yellow, orange, blue, green) and some papers are visible protruding from the folders. The background is a textured, light-colored wall.

10 Appendices





Appendix A

Required communications with the Audit Committee





There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Governance and Performance Working Group of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Planning Report - 13 February 2019
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Planning Report - 13 February 2019
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial 	Audit Results Report - 25 July 2019



Appendix A

		 Our Reporting to you
 Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about the PCC's and CC's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report - 25 July 2019
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Governance and Performance Working Group to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to the Governance and Performance Working Group responsibility. 	Audit Results Report - 25 July 2019




Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Audit Results Report - 25 July 2019
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Planning Report - 13 February 2019 and</p> <p>Audit Results Report - 25 July 2019</p>

Appendix A

		Our Reporting to you
Required communications	 What is reported?	 When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Audit Results Report - 25 July 2019
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit Results Report - 25 July 2019

Appendix A

		Our Reporting to you
Required communications	 What is reported?	  When and where
Group Audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	Audit Results Report - 25 July 2019
Written representations	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit Results Report - 25 July 2019
Material inconsistencies or misstatements	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report - 25 July 2019
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - 25 July 2019
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Planning Report - 13 February 2019 and Audit Results Report - 25 July 2019

Management representation letter

[

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst and Young LLP
2 St Peters Square
Manchester
M3 2EY

Dear Hassan,

**The Police and Crime Commissioner for Derbyshire
Audit of Accounts 2018/19
Letter of Representation**

This letter of representations is provided in connection with your audit of the Group and PCC financial statements of the Police and Crime Commissioner for Derbyshire ("the PCC"). We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and PCC financial statements give a true and fair view of the Group and PCC financial position of the Police and Crime Commissioner for Derbyshire as of 31 March 2019 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19

We understand that the purpose of your audit of our consolidated and PCC financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with for the Group and the PCC the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We acknowledge, as those charged with governance and members of management of the Group and PCC, our responsibility for the fair presentation of the consolidated and PCC financial statements. We believe the consolidated and PCC financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and PCC in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and are free of material misstatements, including omissions. We have approved the consolidated and PCC financial statements.

The significant accounting policies adopted in the preparation of the Group and PCC financial statements are appropriately described in the Group and PCC financial statements.

Management representation letter

Management Rep Letter

As those charged with governance and members of management of the Group and PCC, we believe that the Group and PCC have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 that are free from material misstatement, whether due to fraud or error.

There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with law and regulations, including fraud

We acknowledge that we are responsible for determining that the Group and PCC's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud

We have disclosed to you the results of our assessment of the risk that the consolidated and PCC financial statements may be materially misstated as a result of fraud.

We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or PCC (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or PCC's financial statements;

- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or PCC's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

We 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 matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence

All material transactions have been recorded in the accounting records and are reflected in the consolidated and PCC financial statements.

We have made available to you all minutes of the meetings of the Group and PCC, and committees, including the Joint Audit and Risk Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: **list date**

Management representation letter

Management Rep Letter

We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and PCC's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the Group and PCC financial statements.

We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

We have disclosed to you, and the Group and PCC has complied with, all aspects of contractual agreements that could have a material effect on the Group and PCC financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the Group and PCC financial statements.

We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. There are no guarantees that we have given to third parties.

E. Subsequent Events

As described in Note 33 to the consolidated and PCC financial statements, there have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and PCC financial statements or notes thereto.

F. Group audits

There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.

Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst PCC, subsidiary undertakings and associated undertakings.

G. Other information

We acknowledge our responsibility for the preparation of the other information. The other information comprises the CFO's Narrative Report and the Annual Governance Statement 2018/19.

We confirm that the content contained within the other information is consistent with the financial statements.

H. Ownership of Assets

Except for assets capitalised under finance leases, the Group and PCC has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and PCC's assets, nor has any asset been pledged as collateral. All assets to which the Group and PCC has satisfactory title appear in the balance sheet(s).

Management representation letter

Management Rep Letter

All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the Group and PCC financial statements.

We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no line of credit arrangements.

I. Reserves

1. We have properly recorded or disclosed in the Group and PCC financial statements the useable and unusable reserves.

J. Contingent Liabilities

We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the Group and PCC financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the Group and PCC financial statements).

We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the consolidated and PCC financial statements or as a basis for recording a loss contingency.

K. Purchase and Sales Commitments and Sales Terms

Losses arising from purchase and sales commitments have been properly recorded and adequately disclosed in the Group and PCC financial statements.

At the year end, the Group and PCC had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect upon the Group and PCC (e.g., contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; significant foreign exchange commitments; open balances on letters of credit; purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfilment of, or inability to fulfil, sales commitments, etc.).

L. Use of the Work of a Specialist

We agree with the findings of the specialists that we engaged to evaluate the measurement and valuation of Property and the Pension Fund and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and PCC financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Management representation letter

Management Rep Letter

M. Estimates (pensions, property plant and equipment valuations)

We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We confirm that the significant assumptions used in making the estimates for property, plant and equipment and pension liabilities appropriately reflect our intent and ability to carry out providing services on behalf of the entity.

We confirm that the disclosures made in the Group and PCC financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Group and PCC financial statements due to subsequent events.

N. Retirement benefits

On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours sincerely

Hardyal Dhindsa
(Police and Crime Commissioner)

Andrew Dale
(Chief Finance Officer to the Police and Crime Commissioner)

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]
[Date]

Ernst and Young LLP
2 St Peters Square
Manchester
M3 2EY

Dear Hassan,
The Chief Constable of Derbyshire Constabulary
Audit of Accounts 2018/19
Letter of Representation

This letter of representations is provided in connection with your audit of the financial statements of the Chief Constable of Derbyshire Constabulary ("the CC") for the year ended 31 March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of the CC as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We acknowledge, as those charged with governance and members of management of the CC, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the CC in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. We have approved the financial statements.

The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

As those charged with governance and members of management of the CC, we believe that the CC has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, that are free from material misstatement, whether due to fraud or error.

There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

Management representation letter

Management Rep Letter

B. Non-compliance with law and regulations, including fraud

We acknowledge that we are responsible to determine that the CC's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the CC (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

involving financial statements;

- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the CC's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the CC's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others

C. Information Provided and Completeness of Information and Transactions

We 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 matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

All material transactions have been recorded in the accounting records and are reflected in the financial statements.

We have made available to you all minutes of the meetings of the CC, and committees, including the Joint Audit and Risk Assurance Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the 2018/19 financial year to the most recent meeting on the following date: **List Date**

We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the CC's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at 31 March 2019. These transactions have been appropriately accounted for and disclosed in the financial statements.

We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable

Management representation letter

Management Rep Letter

We have disclosed to you, and the CC has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. There are no guarantees that we have given to third parties.

E. Subsequent Events

As described in Note 19 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative report to the Accounts of the Chief Constable of Derbyshire Constabulary and the Annual Governance Statement 2018/19.

We confirm that the content contained within the other information is consistent with the financial statements.

G. Ownership of Assets

Except for assets capitalised under finance leases, the CC has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the CC's assets, nor has any asset been pledged as collateral, All assets to which the CC has satisfactory title appear in the balance sheet.

All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.

We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

H. Reserves

We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

I. Contingent Liabilities

We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).

We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

Management representation letter

Management Rep Letter

- Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

J Purchase and Sales Commitments and Sales Terms

At the 31 March 2019, the CC had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect upon the CC (e.g., contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; significant foreign exchange commitments; open balances on letters of credit; purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfilment of, or inability to fulfil, sales commitments, etc.).

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the measurement and valuation of the Pension Fund and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Estimates - Pensions Valuation Estimate

We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate has been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We confirm that the significant assumptions used in making the Pensions Valuation Estimate appropriately reflect our intent and ability to carry out providing services on behalf of the entity.

We confirm that the disclosures made in the financial statements with respect to the accounting estimate are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements due to subsequent events.

Management representation letter

Management Rep Letter

M. Retirement benefits

On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours sincerely

Peter Goodman
(Chief Constable)

Simon Allsop
(Joint Director of Finance and Business Services)

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ED None

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