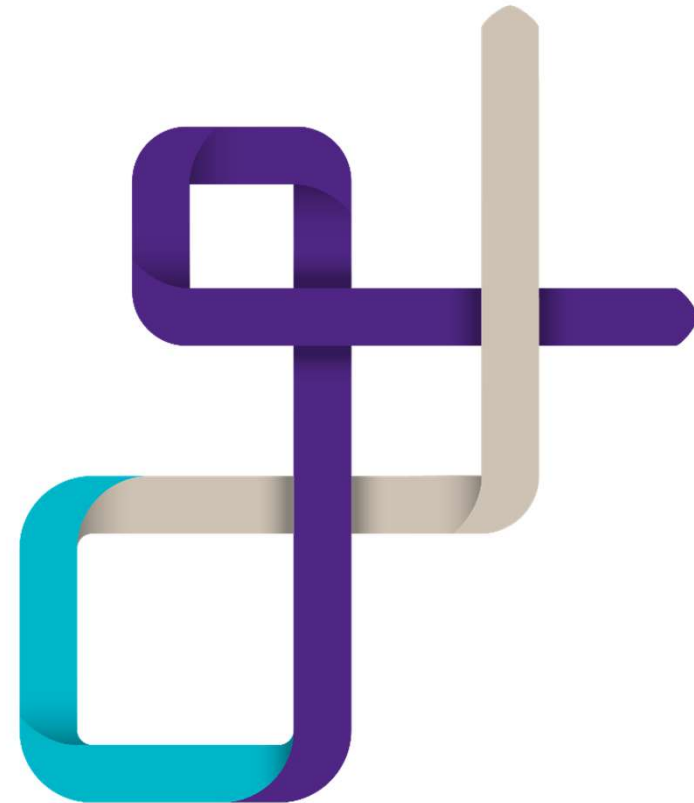


Joint Audit Findings

Year ending 31 March 2018

The Police and Crime Commissioner for Cumbria
and The Chief Constable for Cumbria Constabulary

10 July 2018



Contents



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

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Headlines

This table summarises the key issues arising from the statutory audits of Cumbria Police and Crime Commissioner ('the PCC') and Cumbria Chief Constable and the preparation of the PCC and Chief Constable's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	<p>Under International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">the group, PCC's and Chief Constable's financial statements give a true and fair view of the group's, PCC's and Chief Constable's financial position and of the group, PCC's and Chief Constable's expenditure and income for the year, andhave been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Statements of Accounts, Annual Governance Statements (AGS) and Narrative Reports), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June and July. Our findings are shown on pages 24 to 27. We have identified no adjustments to the core financial statements and no impact on the financial position of the PCC, Chief Constable or the Group. Disclosure adjustments are detailed in Appendix B. We have also raised recommendations for management as a result of our audit work in Appendix A.</p> <p>We have substantially completed our audits of your financial statements and subject to outstanding queries being resolved, we anticipate providing unqualified audit opinions in respect of the PCC's financial statements, including the group financial statements, which consolidate the financial activities of the Chief Constable (Appendix D). We also anticipate providing an unqualified opinion in respect of the Chief Constable's financial statements (Appendix E). These outstanding items include:</p> <ul style="list-style-type: none">finalising our work on journals, Police Officer Pension Scheme, PFI, cashflow statement and consolidation process;receipt of management representation letters and updating post balance sheet events review; andreview of the final set of financial statements. <p>We have concluded that the other information published with the financial statements, which includes the Annual Governance Statements and Narrative Reports are consistent our knowledge of your organisation and with the financial statements we have audited.</p>
Value for Money arrangements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">the PCC and Chief Constable have each made proper arrangements to secure economy, efficiency and effectiveness in their use of resources ('the value for money (VFM) conclusion')	<p>We have completed our risk based review of the PCC and Chief Constable's value for money arrangements. We have concluded that Cumbria PCC and Chief Constable each have proper arrangements to secure economy, efficiency and effectiveness in their use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion to both entities, as detailed in Appendices D and E. Our findings are summarised on pages 18 to 20.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none">report to you if we have applied any of the additional powers and duties ascribed to us under the Act; andcertify the closure of the audits	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audits when we give our audit opinions.</p>

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audits. Once again the Finance team produced excellent accompanying working papers at the commencement of our work to support the draft financial statements.

Summary

Overview of the scope of our audit

This Joint Audit Findings presents the observations arising from the audits that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be presented to the Joint Audit and Standards Committee, attended by the Police and Crime Commissioner and Chief Constable.

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

Audit approach

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

- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of total group assets and revenues to assess the significance of the component and to determine the planned audit response.
- Full scope audits of both the PCC and Chief Constable financial statements

- An evaluation of the PCC's and Chief Constable's internal controls environment including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audits of your financial statements and subject to outstanding queries being satisfactorily resolved, we anticipate issuing a unqualified audit opinion in respect of the PCC's financial statements, including the group financial statements, which consolidate the financial activities of the Chief Constable (Appendix D). We also anticipate providing a unqualified opinions in respect of the Chief Constable's financial statements (Appendix E). These outstanding items include:

- finalising our work on journals, Police Officer Pension Scheme, PFI, cashflow statement and consolidation process;
- receipt of management representation letters;
- updating our post balance sheet events review to date of signing opinion; and
- review of the final set of financial statements.

Our approach to materiality

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

Materiality calculations remains the same as reported in our audit plan. We detail in the table below our assessment of materiality for the Group, PCC and Chief Constable (CC). We have set a separate materiality for disclosure of remuneration for senior employees.

	Group, PCC and Chief Constable Amount (£)
Materiality for the financial statements	£2,662,000 (2% of gross revenue expenditure – used lowest for Group, PCC or Chief Constable)
Performance materiality	£1,997,000 (75% of overall materiality)
Trivial matters	£133,000 (5% of overall materiality)
Materiality for specific transactions, balances or disclosures	Senior employees remuneration - £33,880 (PCC / Group), £26,920 (CC) (2% of senior employees expenditure)

Significant audit risks

	Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?	Commentary
1	<p>Improper revenue recognition</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	Both	<p>As detailed in our Joint Audit Plan, we do not consider this to be a significant risk for the PCC or the Chief Constable. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the PCC, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; • the culture and ethical frameworks of local authorities, including the PCC for Cumbria, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for the PCC.</p> <p>For the Chief Constable, revenue is recognised to fund costs and liabilities relating to resources consumed in the direction and control of day-to-day policing. This is shown in the Chief Constable's financial statements as a transfer of resources from the PCC to the Chief Constable for the cost of policing services. Income for the Chief Constable is received entirely from the PCC.</p> <p>Therefore we have determined that the risk of fraud arising from revenue recognition is not a significant risk for the Chief Constable.</p>
2	<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The PCC and Chief Constable face external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	Both	<p>We have:</p> <ul style="list-style-type: none"> • gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness; • obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness; • evaluated the rationale for any changes in accounting policies or significant unusual transactions. <p>We have completed our walkthrough of the journals process and confirmed the completeness of the population from which to select journals. We have selected the journals to test and are currently in the process of testing them. No issues identified to date.</p>

Significant audit risks (continued)

Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?	Commentary
<p>3 Valuation of property, plant and equipment</p> <p>The PCC revalues land and buildings on a rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	PCC	<p>We have:</p> <ul style="list-style-type: none"> • reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • considered the competence, expertise and objectivity of any management experts used; • discussed with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions; • reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding; • tested revaluations made during the year to ensure they are input correctly into the PCC's asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. <p>Our work identified that the Finance team had discussed the issue of assets not revalued with the valuer and that the valuer was satisfied that they would not be materially mis-stated as at 31 March 2018. However, this assessment was not documented in the working papers. We identified that 46% of land and buildings had not been revalued for 12 months and 39% had not been revalued for 2 years. The longer an asset has not been revalued for the greater the risk that their value has changed and the more assets in this position the greater the risk that overall assets not revalued could be materially mis-stated.</p> <p>We have reviewed the paper produced by finance and estates staff and we are satisfied that those assets not revalued during the year are not materially misstated.</p>

Significant audit risks (continued)

Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?	Commentary
<p>4 Valuation of pension fund net liability</p> <p>The Local Government Pension Scheme (LGPS) pension net liability as reflected in the balance sheet, and asset and liability information disclosed in the notes to the accounts, represent significant estimates in the financial statements.</p> <p>The Police Officer Pension schemes pension fund liability as reflected in the balance sheet and notes to the accounts represent significant estimates in the financial statements.</p> <p>These estimates by their nature are subject to significant estimation uncertainty, being very sensitive to small adjustments in the assumptions used.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	Both	<p>We have:</p> <ul style="list-style-type: none"> identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We have also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement; evaluated the competence, expertise and objectivity of the actuaries who carried out your pension fund valuations. We have gained an understanding of the basis on which the valuations are carried out; undertaken procedures to confirm the reasonableness of the actuarial assumptions made; checked the consistency of the pension fund asset (LGPS only) and liability and disclosures in notes to the financial statements with the actuarial reports from your actuaries. <p>Our work confirmed that although the pension disclosures in the accounts were consistent with the information in the IAS19 reports there was an issue with the LGPS re-run IAS19 reports from the actuary. We challenged the level of the movement on assets and liabilities between the original and re-run LGPS IAS19 figures as the movements were greater than we expected. We identified two significant changes in the data given to the actuary for the Chief Constable. They were:</p> <ul style="list-style-type: none"> pensions paid reduced by around £1.5 million in the re-run; payments in respect of leavers reduced by around £0.3 million in the re-run. <p>It has now been confirmed that an error occurred in the extraction of the data sent to the actuary by the Cumbria Local Government Pension Scheme. The IAS19 information has now been re-run. The revised figures show that any impact on the entries in the core financial statements were below our triviality levels and no adjustments have been made. In terms of the disclosures shown in the technical Annex C the individual amounts that make up the disclosures have changed by amounts that are also below the trivial threshold, with one exception. This relates to the figure for benefits / transfers paid and this has changed by £1.883 million for the Group. This figure is used in the build up of the scheme assets and scheme liabilities which net down to the figure reported in the balance sheet. Given the value of the error in the disclosure of the benefits / transfers paid management has decided to amend the disclosure notes for these changes. Therefore, scheme assets and liabilities disclosures have been amended by £1.883 million. No other adjustments were made to the disclosure notes.</p>

Reasonably possible audit risks

Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?	Commentary
<p>5 Employee remuneration Payroll expenditure represents a significant percentage of the Chief Constable's (and therefore the group's) operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and an interface with sub-systems there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.</p>	Both	<p>We have:</p> <ul style="list-style-type: none"> evaluated the PCC's and Chief Constable's accounting policies for recognition of payroll expenditure for appropriateness; gained an understanding of the PCC's and Chief Constable's systems for accounting for payroll expenditure and evaluated the design of the associated controls; tested the reconciliation of payroll expenditure to ensure the amount in the accounts can be reconciled to the general ledger and through to payroll reports. Investigated any significant adjusting items; agreed payroll related accruals (e.g. unpaid leave accrual) to supporting documents and reviewed any estimates for reasonableness; performed a monthly analytical review on payroll costs. <p>Our work has not identified any issues in respect of the completeness of employee remuneration.</p>
<p>6 Operating expenses Non-pay expenses on other goods and services also represents a significant percentage of the Chief Constable's (and therefore the group's) operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention:</p>	Bot	<p>We have:</p> <ul style="list-style-type: none"> evaluated the PCC's and Chief Constable's accounting policies for recognition of non-pay expenditure for appropriateness; gained an understanding of the PCC's and Chief Constable's systems for accounting for non-pay expenditure and evaluated the design of the associated controls; obtained a listing of non-pay payments made in April, taken a sample, and ensured that they have been charged to the appropriate year; reviewed the year-end AP reconciliation, and investigated any significant reconciling items <p>Our testing of post year-end payments did not identify any issues in respect of the completeness of operating expenses. We found one error in our testing on operating expenses and one error on creditors. Additional testing confirmed that the potential errors were trivial.</p>

Reasonably possible audit risks (continued)

Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?	Commentary
<p>7 Police pension schemes benefits payable</p> <p>The Chief Constable administers three police pension schemes, with the Police Pension Fund Account being included in the Chief Constable's and therefore the group's financial statements.</p> <p>We identified completeness and accuracy of pension benefits payable as a risk requiring particular audit attention.</p>	<p>Chief Constable (and group)</p>	<p>We have:</p> <ul style="list-style-type: none"> gained an understanding of the Chief Constable's systems for calculating, accounting for and monitoring pension benefit payments and evaluated the design of the associated controls; reconciled the pension payroll to the figures in the accounts; undertaken an analytical review of pensions paid with reference to changes in pensioner numbers and increases applied in the year together with a comparison of pensions paid on a monthly basis to ensure that any unusual trends are satisfactorily explained; undertaken substantive testing of a sample of monthly pension benefit payments made in the year; undertaken testing of a sample of lump sum pension benefit payments made in the year. <p>We are currently finalising our work on police officer pension scheme benefits payable. No issues have been identified to date but we are reviewing one calculation to complete our detailed testing.</p>

Going concern

Our responsibility

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

Going concern commentary - PCC

Auditor commentary

Management's assessment process

The Police and Crime Commissioner has reviewed their going concern position and has concluded that it is appropriate to produce their accounts on a going concern basis and no material uncertainties exists.

- The PCC's assessment of going concern was communicated to us in their letter to us dated 16 April 2018.

Work performed

We discussed the financial standing of the PCC with the Joint Chief Finance Officer and reviewed management's assessment of going concern and the assumptions and supporting information.

- No material uncertainty identified;
- Explicit disclosure of going concern as the basis of the preparation of the accounts to be made in the Narrative Report.

Concluding comments

PCC's use of going concern basis of accounting is properly supported but needs explicitly disclosed in the accounts.

- Our opinion is unmodified in respect of the going concern conclusion.

Going concern commentary – Chief Constable

Management's assessment process

The Chief Constable has reviewed their going concern position and has concluded that it is appropriate to produce their accounts on a going concern basis and no material uncertainties exist.

- The Chief Constable's assessment of going concern was communicated to us in their letter to us dated 12 April 2018.

Work performed

We discussed the financial standing of the Chief Constable with the Joint Chief Finance Officer and reviewed management's assessment of going concern and the assumptions and supporting information.

- No material uncertainty identified;
- Explicit disclosure of going concern as the basis of the preparation of the accounts to be made in the Narrative Report.

Concluding comments

Chief Constable's use of going concern basis of accounting is properly supported but needs explicitly disclosed in the accounts.

- Our opinion is unmodified in respect of the going concern conclusion.

Significant matters discussed with management



This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary
1 Significant events or transactions that occurred during the year	No issues to report.
2 Business conditions affecting the Group /PCC and Chief Constable, and business plans and strategies that may affect the risks of material misstatement	No issues to report.
3 Concerns about management's consultations with other accountants on accounting or auditing matters	No issues to report.
4 Discussions or correspondence with management in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services	We were re-appointed as auditors of the Police and Crime Commissioner (PPC), the Chief Constable and the PCC Group for five years from 2018/19. We issued our fee letters for 2018/19 on the 20 April 2018 and presented them to the Joint Audit and Standards Committee on 24 May 2018.
5 Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information	No issues to report.
6 Other matters that are significant to the oversight of the financial reporting process	No issues to report.

Significant findings arising from the group audit

Component	Component auditor	Work completed	Findings and Group audit impact
Police and Crime Commissioner (parent)	Grant Thornton UK LLP	<ul style="list-style-type: none">• Full scope UK statutory audit performed by Grant Thornton UK LLP.	<ul style="list-style-type: none">• The only issue identified in respect of the risks on pages 5 to 9 relates to the error on the IAS 19 disclosures.
Chief Constable (subsidiary)	Grant Thornton UK LLP	<ul style="list-style-type: none">• Full scope UK statutory audit performed by Grant Thornton UK LLP.	<ul style="list-style-type: none">• The only issue identified in respect of the risks on pages 5 to 9 relates to the error on the IAS 19 disclosures.

Accounting policies, estimates and judgements

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>PCC</p> <ul style="list-style-type: none"> Revenue from the provision of services is recognised when the percentage completion of the transaction can be reliably measured and that it is probable that economic benefits or service potential associated with the transaction will flow. Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due when there is reasonable assurance of: <ul style="list-style-type: none"> - compliance with the conditions attached to the payments, and - the grants or contributions will be received. <p>Amounts recognised as due are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.</p> <p>Chief Constable</p> <ul style="list-style-type: none"> In accordance with the statutory responsibility of the Commissioner to maintain the Police Fund outlined in the Police and Social Responsibility Act 2011, all grants and contributions are attributable to the Commissioner and recorded in his accounts. 	<p>Our review of accounting policies for each of the PCC and Chief Constable has not highlighted any issues which we wish to bring to your attention.</p> <p>Policies are in accordance with the requirements of the CIPFA Code of Practice.</p>	 GREEN
Judgements and estimates	<p>PCC</p> <ul style="list-style-type: none"> Key judgements and estimates are set out in notes 2 and 4 respectively and include: <ul style="list-style-type: none"> - uncertainty over future police funding; - treatment of assets and liabilities under PFI contracts; - PPE valuations; - Provisions; and - pensions liability valuations <p>Chief Constable</p> <ul style="list-style-type: none"> Key judgements and estimates are set out in notes 2 and 4 respectively and include: <ul style="list-style-type: none"> - uncertainty over future police funding; - calculation of provisions; - pensions liability valuations. 	<p>We have reviewed the PCC's and Chief Constable's judgements and estimates against the requirements of the CIPFA Code of Practice.</p> <ul style="list-style-type: none"> Where the PCC or Chief Constable has made judgements or estimates in the financial statements these have been supported with robust and clear explanation of the assumptions applied. PPE valuations and pension liability valuations are considered separately on the next page. 	 GREEN


Assessment

● Marginal accounting policy which could potentially be open to challenge by regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements (continued)

Accounting area	Summary of policy	Comments	Assessment
Judgements – pension fund liability	<p>PCC & Chief Constable</p> <p>Local Government Pension Scheme (LGPS)</p> <p>The LGPS is the pension scheme for police staff. This is a funded defined benefit scheme.</p> <p>The scheme is administered by Cumbria County Council.</p> <p>The liability showing the underlying long term commitment to fund future retirement benefits is shown on the relevant PCC and CC balance sheet with a corresponding pension reserve.</p> <p>Police Officers Pension Schemes</p> <p>The Chief Constable operates three pension schemes for police officers. These are the Police Pension Scheme, the 2006 Police Pension Scheme, and the 2015 Police Pension Scheme. All of these are unfunded defined benefit schemes.</p> <p>The financial liability for these schemes appears on the Chief Constable's balance sheet with a corresponding pension reserve.</p> <p>The liabilities relating to these schemes decreased by £55.5 million in 2017/18. The liability stood at £1,187.7 million at 31 March 2018.</p>	<p>For both LGPS and the three police officer pension schemes we have undertaken a review of the relevant actuary's (Mercer for LGPS and GAD for police schemes) work to satisfy ourselves that the pension liabilities are fairly stated in the financial statements. In doing so we engaged our own independent actuary to assess the methodology and assumptions used by the schemes' actuaries.</p> <p>The pension fund liabilities are most sensitive to changes in the following key assumptions:</p> <ul style="list-style-type: none"> • Discount rate; • Mortality; • Inflation; and • Future salary increases. <p>For both LGPS and the police pension schemes we have reviewed the assumptions used for each of these variables. Our own independent actuary has also confirmed that they are comfortable that the assumptions used by both Mercer and GAD are reasonable for the purpose of valuing the liabilities at 31 March 2018.</p> <p>For LGPS we have confirmed with the external auditor of the pension fund that the controls over membership data were operating as intended for the information sent to the actuary as at 31 January 2018. However, it was noted that when the first re-run was done in May 2018 the membership numbers were incorrectly updated. The pension fund auditor has confirmed that the incorrect updated membership numbers are provided for information only and have had no impact on the re-run figures.</p> <p>For the three police pension schemes we are currently finalising our audit procedures on membership data to ensure it is consistent with our expectations.</p> <p>For both LGPS and the police pension schemes we have reviewed the information submitted to the actuaries to confirm that it is consistent with underlying records. Our work on information supplied for the LGPS IAS19 re-run identified that there were errors in the data supplied to the actuary for the re-run. The LGPS IAS19 data is being re-run to obtain the correct disclosures.</p>	 AMBER




Assessment

● Marginal accounting policy which could potentially be open to challenge by regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements (continued)

Accounting area	Summary of policy	Comments	Assessment
Judgements - property, plant and equipment	<p>PCC</p> <p>The CIPFA Code requires that authorities revalue their land and building assets on a regular basis. The PCC engaged Carigiet Cowen, a firm of chartered surveyors, to provide land and building valuations for financial reporting purposes.</p> <p>The PCC revalues its PPE assets on a rolling programme. For the land and building assets not revalued in 2017/18, the external valuer undertook a review to determine whether it was necessary to increase or decrease the value of all the properties in aggregate. The valuer concluded that properties were not materially misstated at 31 March 2018.</p>	<p>We have undertaken a detailed review of the work performed by Carigiet Cowen to provide land and building valuations for financial reporting purposes.</p> <p>We are satisfied from our review that the methodology and assumptions used by Carigiet Cowen were reasonable.</p> <p>We are satisfied that the PCC's non-current assets are not materially misstated as at 31 March 2018.</p>	 GREEN
Intra-Group funding arrangements and cost recognition	<p>PCC & Chief Constable</p> <p>The costs of overheads and support services are incorporated within the cost of Policing and Crime Services line of the comprehensive income and expenditure statement in accordance with the principles of the CIPFA Code of practice on Local Authority Accounting which requires costs to be shown on the same basis as used for resource management.</p> <p>Under the Commissioner's funding arrangement to the Chief Constable premises costs (except where they are directly attributable to the Chief Constable) are initially recorded in the accounts of the Commissioner and a recharge is made to the Chief Constable in the single entity Comprehensive Income and Expenditure Statements on an appropriate basis. Transport and supplies and services costs (except where they are directly attributable to the Commissioner) are initially recorded in the accounts of the Chief Constable and a recharge is made to the Commissioner in the single entity Comprehensive Income and Expenditure Statements on an appropriate basis.</p>	<p>Our review of accounting policies for each of the PCC and Chief Constable has not highlighted any issues which we wish to bring to your attention.</p> <p>Policies are in accordance with the requirements of the CIPFA Code of Practice.</p>	 GREEN
Other critical policies	<p>PCC & Chief Constable</p> <p>We have reviewed the PCC's and Chief Constable's policies against the requirements of the CIPFA Code of Practice. The accounting policies are appropriate and consistent with previous years.</p>	<p>Our review of accounting policies for each of the PCC and Chief Constable has not highlighted any issues which we wish to bring to your attention.</p>	 GREEN

Assessment

● Marginal accounting policy which could potentially be open to challenge by regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Other communication requirements

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

Issue	Commentary
① Matters in relation to fraud	We have previously discussed the risk of fraud with the Joint Audit and Standards Committee, the PCC and the Chief Constable. We have not been made aware of one potential fraud in the period but no new issues have been identified during the course of our audit procedures.
② Matters in relation to related parties	From the work we carried out, we have not identified any related party transactions which have not been disclosed.
③ Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
④ Written representations	A standard letter of representation has been requested from each of the PCC and Chief Constable, with the PCC's including specific representations in respect of the Group. These are agenda items on the Joint Audit and Standard Committee papers.
⑤ Confirmation requests from third parties	We requested from management permission to send confirmation requests to the PCC's bank and investment counter-parties. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
⑥ Disclosures	Our review found no material omissions in the financial statements.
⑦ Significant difficulties	We did not identify any issues with accounts closedown, production of draft accounts or quality of the and working papers.

Other responsibilities under the Code

We set out below details of other matters which we, as auditors, are required by the Code to communicate to those charged with governance.

Issue	Commentary
1 Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statements (AGS) and Narrative Reports), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue unqualified opinions in this respect – refer to appendices D and E.</p>
2 Matters on which we report by exception	<p>The PCC has updated the Draft Annual Governance Statement to include an additional disclosures in terms of the need to improve arrangements for procurement.</p> <p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statements do not meet the disclosure requirements set out in the CIPFA / SOLACE guidance or are misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
3 Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that work is not required as the PCC (on behalf of the group) does not exceed the threshold.</p>
4 Certification of the closure of the audit	<p>We intend to certify the closure of the 2017/18 audits of the Police and Crime Commissioner for Cumbria and the Chief Constable for Cumbria Constabulary in the audit opinions, as detailed in Appendices D and E.</p>

Value for Money

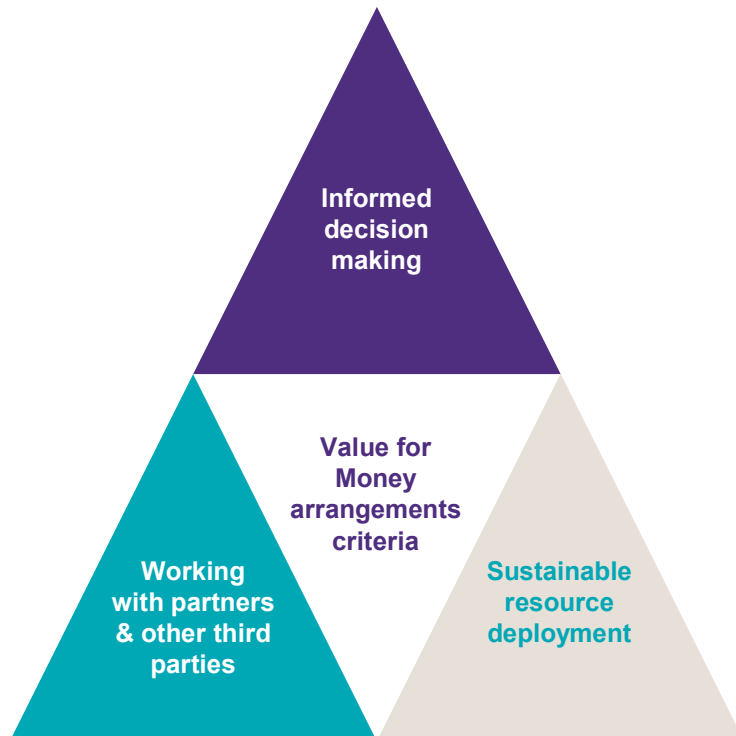
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for police bodies, auditors are required to give a conclusion on whether each of the PCC and Chief Constable has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

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

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



Risk assessment

We carried out an initial risk assessment in February 2018 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Joint Audit Plan dated March 2018.

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

We carried out further work only in respect of the significant risk we identified from our initial and ongoing risk assessment. Where our consideration of the significant risk determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of each of the PCC and Chief Constable's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in each of the PCC and Chief Constable's arrangements. In arriving at our conclusion, our main considerations were:

- the reasonableness of the assumptions in the 2019-20 to 2021-22 financial forecasts;
- how the Constabulary has considered various scenarios, and updated and refined savings plans, to help in address and potential impact resulting from Police Funding Formula (PFF) changes.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on the next page.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- Individually, the PCC and Chief Constable each had proper arrangements in all significant respects to ensure they delivered value for money in their use of resources.

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

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Key findings

We set out below our key findings against the significant risk we identified through our initial risk assessment and our ongoing review of documents.

Significant risk	Relevant to PCC or Chief Constable?	Findings	Conclusion
<p>1 Financial sustainability</p> <p>The Police and Crime Commissioner (PCC) has set a balanced budget for 2018/19 and has also managed to balance the 2019/20 budget. However, there is still a need to find around £3.7 million of savings between 2020/21 and 2021/22. At the end of December 2017 the Constabulary was projecting an overspend for 2017/18 of £1.008 million. Even though Cumbria Police has delivered £24 million of savings through its 'Change Strategy' since 2010, delivering further savings of £3.7 million, and ensuring that the Constabulary can continue to deliver policing services within budget represents a significant challenge.</p>	Both	<p>The PCC and the Constabulary continue to face financial challenges but the Medium Term Financial Forecast (MTFF) 2018/19 to 2021/22 demonstrates their long-term financial viability. Key planning assumptions cover both internal and external factors such as, Government funding, pay inflation, non-pay inflation and council tax increases. These assumptions appear reasonable. There is a sound process in place to produce the MTFF.</p> <p>The PCC set the 2018/19 budget and Council tax requirement on 14 February 2018. This resulted in a balanced revenue budget for 2018/19 of £141.5 million and a Council Tax increase of 5.42%. This showed that savings of £3.7 million were required between 2020/21 and 2021/22. The 2018/19 Council Tax increase of 5.42% will help fund 25 additional police officers, maintain 95 PCSOs, increase in the number of armed officers and improving the protection for children and other from cyber risks. The MTFF assumes a 5.14% Council Tax increase in 2019/20. Getting public support for another large Council Tax increase will be challenging even if it were linked to additional resources / improved outcomes. The Joint Chief Finance Officer (CFO) provides an assessment of the adequacy of balances and reasonableness of assumptions and estimates used to produce the budget. There is also a formal process of challenge by the Police and Crime Panel.</p> <p>As part of the budget setting for 2018/19, the projections for 2019/20 to 2021/22 were updated. This showed that savings of £3.7 million were required between 2020/21 and 2021/22. It was clear in the report that this excludes the potential impact of any changes to the Police Funding Formula (PFF). The position on the timing, amount and transitional arrangements of any Police funding formula changes is still to be confirmed but both the PCC and Chief Constable are well aware of the potential impact. The Constabulary has continued to work on various scenarios, and the updating and refining of savings plans, to help it address any PFF impact. This approach is reasonable and provides further evidence of on-going updating of financial plans.</p> <p>Historically, the MTFF is updated as part of a mid-year review but due to the uncertainty around the impact of the Police Funding Formula (PFF), this has not been updated during the year but only for the budget setting process in February 2018. This is not a significant weakness as we have been present when the Joint CFO has briefed Joint Audit and Standards Committee (JASC) members on progress on the funding formula and potential impact.</p> <p>Since 2016/17 amounts are removed from the base budget for Change Programme saving. In addition, for 2018/19, a further £0.6 million of savings were identified, particularly for ICT, estates and fleet as a result of the star chambers process. Whilst no specific monitoring of the delivery of savings was undertaken this was reviewed as part of the Constabulary's regular arrangements for budget monitoring process, also reported to the PCC.</p> <p>During 2017/18 the Constabulary was reporting that it was going to overspend by around £1 million. It has taken action to try to minimise the impact of this in 2017/18 and actually delivered a £0.041million underspend for 2017/18. There were various reasons for this improved position including finalising accounting treatment on the Apprentice Levy, a greater number of vacancies, lower mileage incurred than expected, savings from IT licencing reviews and additional income. The Constabulary's financial position will continue to be challenging in 2018/19 and onwards.</p>	<p>Both the PCC and Chief Constable have in place robust arrangements to monitor and update their financial plans and the delivery of the required savings. They still face significant financial changes from any formula funding changes. We concluded that the PCC and Chief Constable have proper arrangements in place for ensuring they plan finances effectively to support their strategic functions and arrangements for ensuring informed decision making.</p>

Other statutory powers and duties

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

Issue	Commentary
1 Public Interest report Written recommendations Application to the court for unlawful item Advisory notice Application for judicial review	We have not identified any matters which require to be considered under our other statutory powers or duties.

Independence and ethics

Independence and ethics

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

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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



Details of fees charged are detailed in Appendix C.

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to each of the PCC and Chief Constable. No non-audit services were identified.


Action plan

We have made two recommendations as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>1</p> <p> Amber</p>	<p>Both the PCC and Chief Constable asked for the Local Government Pension Scheme (LGPS) IAS19 pension disclosures to be re-run by the Actuary. This was done and the assets and liability have moved by over 2% and nearly 1% respectively. We challenged the level of the movement as we expected the asset value to change slightly with no significant movement in the liability. When we compared the original and re-run IAS19 disclosures we identified two significant changes in the data given to the actuary for the Chief Constable. They were:</p> <ul style="list-style-type: none"> pensions paid reduced by around £1.5 million in the re-run; payments in respect of leavers reduced by around £0.3 million in the re-run. <p>It has now been confirmed that an error occurred in the extraction of the data sent to the actuary by the Cumbria Local Government Pension Scheme. The IAS19 information has been re-run. The risk was that by not validating the re-run data that a material error could occur.</p>	<p>Agree arrangements with the Cumbria Local Government Pension Scheme to validate any data to be submitted to the actuary for re-runs of IAS19 disclosure. When re-run is received review disclosures to ensure that any unexpected movements are investigated.</p> <p>Management response</p> <p>The County Council have recognised that there was an error on their part in amending the data submission to the scheme actuary for the accounting disclosures re-run without first obtaining approval from the Constabulary. In future, enhanced protocols and checks will be built into the final accounts process to ensure that the data used for any re-run figures has been accurately represented.</p>
<p>2</p> <p> Amber</p>	<p>Between 31 March 2016 and 31 March 2018 the PCC revalued all of its land and buildings as part of a rolling programme. However, in 2017/18 on three assets were revalued with a value of £7.5 million (15% of net book value). This meant that 46% of land and buildings had not been revalued for 12 months and 39% had not been revalued for 2 years. The longer an asset has not been revalued for the greater the risk that their value has changed and the more assets in this position the greater the risk that overall assets not revalued could be materially mis-stated. The Finance team had discussed the issue with the valuer and the valuer was satisfied that they would not be materially mis-stated. However, this assessment was not documented in the working papers. In addition, it is clear that the potential risk of assets not revalued being materially mis-stated is increased when the rolling programme of valuations is disproportionately low in one of the three years.</p>	<p>Ensure that the justification that assets not revalued are not materially mis-stated is fully documented. Review the rolling programme of asset revaluations to achieve a more equitable profile to of when assets revalued to minimize the risk of assets not revalued being materially mis-stated.</p> <p>Management response</p> <p>During the preparation of the 2017/18 statement of accounts an evaluation of the asset valuations that had not been subject to review in the year was made. In future years, this process will be better documented and provided as a working paper for the auditors to demonstrate consideration of all values as part of the year end process. In addition, consideration is currently being given to reviewing the valuation schedule to ensure a more even split of asset valuations between years.</p>

We are currently finalising our work on the Oracle E-business suite (EBS) system. No issues have been identified which would be likely to have a material impact on the accounts but we will make suggested improvements to user access controls and passwords.

Controls

 High – Significant effect on control system

 Medium – Effect on control system

 Low – Best practice

Audit Adjustments - PCC

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

We have not identified any adjustments to the PCC's or Group draft accounts during the audit process. No such adjustments have been made by management.

Misclassification and disclosure changes

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

Disclosure omission	Detail	Adjusted?
Movement in Reserves Statement (MiRS)	We identified that the top line in the MiRS did not add up. A column had been hidden in error in the MiRS working paper and this was replicated in the draft accounts. The accounts have been amended to show all required columns.	✓
Note 9 – Property, Plant and Equipment	Not all accumulated depreciation was written back when two componentised assets were revalued as at 31 March 2018. This had no impact on the amounts reported in the balance sheet for Property, Plant and Equipment – Land and buildings but was simply a disclosure note issue. Accumulated depreciation written out increased by £0.92 million with a corresponding reduction in revaluations.	✓
Note 26 – Audit fees	In the note audit fees payable to the external auditor were being reduced by a rebate from Public Sector Audit Assurance (PSAA) Ltd. However, the audit fee note should show in full payments to Grant Thornton UK LLP. The rebate from PSAA has been put as a footnote.	✓
Presentation and consistency	A number of minor changes have been made to the wording and presentation of disclosure notes throughout the Financial Statements to improve their clarity and consistency.	✓

Audit Adjustments - PCC

Impact of unadjusted misstatements

There are no such unadjusted items as a result of our audit.

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the 2016/17 financial statements.

Audit Adjustments – Chief Constable

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

We have not identified any adjustments to the Chief Constable's draft accounts during the audit process. No such adjustments have been made by management.

Misclassification and disclosure changes

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

Disclosure omission	Detail	Adjusted?
Note 8 – Audit fees	In the note audit fees payable to the external auditor were being reduced by a rebate from Public Sector Audit Assurance (PSAA) Ltd. However, the audit fee note should show in full payments to Grant Thornton UK LLP. The rebate from PSAA has been put as a footnote.	✓
Presentation and consistency	A small number of minor changes have been made to the wording and presentation of disclosure notes throughout the Financial Statements to improve their clarity.	✓

Audit Adjustments – Chief Constable

Impact of unadjusted misstatements

There are no such unadjusted items as a result of our audit.

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the 2016/17 financial statements.

Fees

We confirm below our final fees charged for the audit.

Audit Fees

	Proposed fee	Final fee
Police and Crime Commissioner Audit	£30,338	£30,338
Chief Constable Audit	£15,000	£15,000
Total audit fees (excluding VAT)	£45,338	£45,338

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Non Audit Fees

No non-audit or audited related services have been undertaken for each of the PCC and Chief Constable.

Audit opinion – PCC

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Cumbria (the 'Police and Crime Commissioner') and its subsidiary the Chief Constable for Cumbria Constabulary (the 'group') for the year ended 31 March 2018 which comprise the , the Comprehensive Income and Expenditure Statement – Group, the Comprehensive Income and Expenditure Statement – PCC, Movement in Reserves Statement – Group, Movement in Reserves Statement – PCC, the Balance Sheet – PCC & Group, the Cash Flow Statement – PCC & Group and notes to the financial statements, including a summary of significant accounting policies and Annexes A, B, C and D and include the Police Officer Pension Fund Account comprising the Police Officer Pension Fund Account, Pension Fund Net assets and Liabilities and the notes to financial statements. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the group and of the Police and Crime Commissioner as at 31 March 2018 and of the group's expenditure and income and the Police and Crime Commissioner's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Who we are reporting to

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

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

Other information

The Joint Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Joint Chief Finance Officer Narrative Report and Annex D - Annual Governance Statement, other than the group and Police and Crime Commissioner financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and the Police and Crime Commissioner obtained in the course of our work including that gained through work in relation to the Police and Crime Commissioner's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Police and Crime Commissioner under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

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

As explained more fully in the Responsibilities for the Statement of Account, the Police and Crime Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Joint Chief Finance Officer. The Joint 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 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Joint Chief Finance Officer is responsible for assessing the group's and the Police and Crime Commissioner's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the group or the Police and Crime Commissioner lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the group or the Police and Crime Commissioner.

The Police and Crime Commissioner is 'Those Charged with Governance.'

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the* Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Police and Crime Commissioner

The Police and Crime Commissioner is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Police and Crime Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

Report on other legal and regulatory requirements - Certificate

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

To be signed

Robin Baker
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Royal Liver Building
Liverpool
L3 1PS

To be dated

Audit opinion – Chief Constable

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

Independent auditor's report to the Chief Constable for Cumbria Constabulary

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Chief Constable for Cumbria Constabulary (the 'Chief Constable') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies and Annexes A, B, C and D and include the Police Officer Pension Fund Account comprising the Police Officer Pension Fund Account, Pension Fund Net assets and Liabilities and the notes to financial statements. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Who we are reporting to

This report is made solely to the Chief Constable, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Chief Constable those matters we are required to state to the Chief Constable in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable as a body, for our audit work, for this report, or for the opinions we have formed.

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

Other information

The Joint Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Joint Chief Officer Narrative Report and Annex D - the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Chief Constable obtained in the course of our work including that gained through work in relation to the Chief Constable's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Chief Constable under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Chief Constable and the Joint Chief Finance Officer for the financial statements

As explained more fully in the Responsibilities for the Statement of Accounts, the Chief Constable is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Joint Chief Finance Officer. The Joint 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 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Joint Chief Finance Officer is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Constable lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Chief Constable.

The Chief Constable is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Chief Constable* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Chief Constable

The Chief Constable is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

Report on other legal and regulatory requirements - Certificate

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

To be signed

Robin Baker
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Royal Liver Building
Liverpool
L3 1PS

To be dated



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