

# The Joint Audit Findings

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

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**Year ended 31 March 2019**

**23 July 2019**



# 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 findings and other matters 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 2019 for those charged with governance.

<b>Financial Statements</b>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the entity's (and where relevant, the group's) financial statements:</p> <ul style="list-style-type: none"><li>• give a true and fair view of the financial position of the entity and the entity's income and expenditure for the year; and</li><li>• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li></ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our final accounts audit work was completed on site during June and July 2019. Our findings are summarised on page 4.. We have identified two adjustments to the financial statements that have resulted in a £56m adjustment to the Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have raised no new recommendations for management as a result of our audit work. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion for the PCCs financial statements (including the group financial statements which consolidate the financial activities of the Chief Constable) or the Chief Constable's financial statements Appendices E and F or material changes to the financial statements, subject to the following outstanding matters including:</p> <ul style="list-style-type: none"><li>- finalisation of manager and director detailed reviews</li><li>- completion of our work on journals and pensions</li><li>- receipt and review of assurance letter from the LGPS pension fund auditor</li><li>- receipt of management representation letter</li><li>- review of the final set of financial statements</li><li>- updating our post balance sheet events review, to the date of signing the opinion.</li></ul> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisations and the financial statements we have audited. Our anticipated audit report opinions will be unmodified.</p>
<b>Value for Money arrangements</b>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, both entities have made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based reviews of the PCC's and Chief Constable's value for money arrangements. We have concluded that both Cumbria PCC and the Chief Constable have proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing unqualified value for money conclusions, as detailed in Appendices E and F.</p>
<b>Statutory duties</b>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"><li>• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li><li>• To certify the closure of the audits.</li></ul>	<p>We have not exercised any of our additional statutory powers or duties for either entity.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audits when we give our audit 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 Report presents the observations arising from the audits that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be presented to the Joint Audit 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) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

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

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

We have not had to alter or change our audit plan, as communicated to you on 20 March 2019.

## Conclusion

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

- finalisation of manager and director detailed reviews
- completion of our work on journals and pensions
- receipt and review of assurance letter from the LGPS pension fund auditor
- receipt of management representation letter
- review of the final set of financial statements and
- updating our post balance sheet events review, to the date of signing the opinion.

## Our approach to materiality

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

Materiality calculations remain the same as reported in our audit plan. We detail in the table below our determination of materiality.

	Group, PCC/Chief Constable Amount (£)	Qualitative factors considered
Materiality for the financial statements	2,739,000	<ul style="list-style-type: none"> <li>• 2% of the Chief Constable's prior year gross expenditure</li> </ul>
Performance materiality	2,054,000	<ul style="list-style-type: none"> <li>• 75% of materiality for the financial statements</li> </ul>
Trivial matters	137,000	<ul style="list-style-type: none"> <li>• 5% of materiality for the financial statements</li> </ul>

# Significant findings – audit risks

Risks identified in our Audit Plan	Relates to	Commentary
<p><b>1 The revenue cycle includes fraudulent transactions</b></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>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the group, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including the PCC and Chief Constable, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for the PCC and Chief Constable.</p>
<p><b>2 Management override of controls</b></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 faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	Both	<p><b>We have:</b></p> <ul style="list-style-type: none"> <li>• evaluated the design effectiveness of management controls over journals</li> <li>• analysed the journals listing, identified and selected a sample of high risk unusual journals to test for appropriateness, our detailed testing remains outstanding.</li> <li>• gained an understanding of the accounting estimates and critical judgements made by management and considered their reasonableness</li> <li>• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>Our audit work has not identified any issues in respect of management override of controls subject to the completion of our outstanding procedures.</p>

# Significant findings – audit risks

	Risks identified in our Audit Plan	Relates to	Commentary
3	<p><b>Valuation of land and buildings</b></p> <p>The PCC revalues land and buildings on a rolling two year basis (previously a five-yearly basis). This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the PCC financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p>	PCC	<p><b>We have:</b></p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>received direct confirmation from the valuer confirmation of the basis on which the valuation was carried out</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>tested a sample of revaluations made during the year to see if they had been input correctly into the PCC's asset register</li> <li>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 at year end.</li> <li>We identified an issue in relation to a specific asset Hunter Lane Police Station and its garage. We understand the PCC is at advanced stage of discussion to dispose of this asset and an offer subject to contact was accepted after the year end. In such circumstances it is appropriate to re-assess the carrying value. As a result there is an unadjusted audit difference of £1.1m to reduce the carrying value from £1.6m to £0.5m. At the 31 March 2019 the revaluation surplus in relation to this asset was £0.3m reducing the impact to £0.8m this issue is discussed further on page 9.</li> </ul>

Our audit work has not identified any other material issues in respect of valuation of land and buildings.

# Significant findings – audit risks

Risks identified in our Audit Plan	Relates to	Commentary
<p><b>4 Valuation of the pension fund net liability</b></p> <p>The pension fund net liability, as reflected in the PCC group balance sheet, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved £1,350 million (2018: £1,229 million) in the group's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	Both	<p><b>We have:</b></p> <ul style="list-style-type: none"> <li>updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluated the design of the controls;</li> <li>evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>assessed the competence, capabilities and objectivity of the actuaries who carried out the group's pension fund valuation;</li> <li>assessed the accuracy and completeness of the information provided by the group to the actuaries to estimate the liability;</li> <li>tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>undertake procedures to confirm the reasonableness of the actuarial assumptions made and the source data used.</li> </ul> <p>We are awaiting the assurance from the auditor of Cumbria County Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</p> <p>We draw your attention to page 8 regarding a national issue relevant to all local authorities to consider and assess how the result of the McCloud case has impacted upon the valuation of the pension fund net liability and the pension reserve. The McCloud /Sergeant cases have a direct impact on the Police and LGPS Pension Schemes and are a significant development for the Police sector.</p> <p>Our audit work has not identified any issues in respect of the valuation of net pension liabilities, subject to the to the satisfactory completion of our outstanding procedures.</p>

# Significant findings - other issues

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

Issue	Relates to	Commentary
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**1 Potential impact of the McCloud judgement**

The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.

The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.

The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for firefighter pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits, such as the Local Government Pension Scheme and the Police Pension Schemes.

**Both**

Management requested an updated estimate from the actuaries of the potential impact of the McCloud ruling. This has now been received from both Mercers and Government Actuarial Department (GAD) (Officers). This indicates increases in past service costs of £56.3m and therefore an increase in the total net liability of £56.3m.

The detailed breakdown is as follows:-

	LGPS £000	Police Pension Schemes £000	TOTAL £000
Increase in past service cost	1,652	54,630	56,282
Increase in interest	2	-	2
Increase in net pension liability	1,654	54,630	56,284

The financial statements have been amended and at the date of this report we currently reviewing the analysis performed by the actuaries, and considering whether the approach that has been taken to arrive at this estimate is reasonable. We will then complete the remainder of our work on pensions as detailed on page 7.

# Significant findings – key judgements and estimates

	Relates to	Summary of management’s policy	Audit Comments	Assessment
<b>Land and Buildings – Other - £54.4m, (2018: 51.1m)</b>	PCC	<p>Land and buildings comprises £48.1m of specialised assets such as police stations, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of operational land and buildings (£6.1m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. There are also £0.2m non-operational land and buildings which are valued at market value.</p> <p>Following the control finding raised as part of the 2017/18 audit Management took the decision to move to a two yearly cycle for land and building asset valuation with a more even split of valuations between the years. 2018/19 is a transition to these new arrangements and as such all but 2 assets were revalued. The PCC has engaged Carigiet Cowen to value all but 2 properties as at 31 March 2019. 88% of total assets were fully revalued.</p> <p>The valuation of properties valued by the valuer has resulted in a net increase of £2.1m. The total year end valuation of Other land and buildings was £54.4m (2018: 51.1m).</p>	<p>Management’s assessment of the carrying value of assets not revalued did not identify any material change to the properties value, however following challenge from Grant Thornton it was confirmed that appropriate consideration had not been made of the future service potential of these assets and the presence of any indicators of impairment.</p> <p>The results of this challenge impacted one specific asset, Hunter Lane Police Station and Garage which has a carrying value of £1.6m as at 31 March 2019 having last been revalued in 2018. The service potential of this asset is now limited following the decision to relocate to a new purpose built building “The Eden Deployment Centre” which is under construction and due to become operational in 2019/20. Although at 31 March 2019 Hunter Lane Police Station was in use as an operational police station, it was actively marketed for sale with a subject to contract offer being received post year end in the region of £0.5m. Our view is that this indicates an impairment in the carrying value of the asset, resulting in an unadjusted audit difference of £1.1m to reduce the year end carrying value from £1.6m to £0.5m. At the 31 March 2019 the revaluation surplus in relation to this asset was £0.3m reducing the impact to £0.8m. We also consider that there is appropriate evidence that this asset now meets the definitions of an asset held for sale and as such the asset should be transferred from land and buildings and disclosed in assets available for sale on the face of the balance sheet. We have included two unadjusted audit differences in appendix C as follows:</p> <ul style="list-style-type: none"> <li>to reduce the carrying value of the asset as at 31 Mach 2019 from £1.1.m to £0.5m which includes releasing the associated revaluation surplus of £0.3m for this asset.</li> <li>to reclassify the reassessed carrying value of £0.5m from land and buildings to Assets held for sale (within 1 yr).</li> </ul> <p>See the significant risk on page 6 where audit procedures undertaken have been detailed.</p>	

**Assessment**

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- We consider management’s process and key assumptions to be reasonable

# Significant findings – key judgements and estimates

	Relates to	Summary of management’s policy	Audit Comments	Assessment																														
<b>Net pension liability – £1,350m</b>	<b>Both</b>	The PCC and Chief Constable’s total net pension liability at 31 March 2019 is £1,350m (PY £1,229m) comprising the LGPS and Police Pension schemes. The group, PCC and Chief Constable use GAD and Mercer to provide actuarial valuations of the group’s assets and liabilities derived from these schemes, utilising key assumptions such as life expectancy, discount rates and salary growth. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £40m net actuarial loss during 2018/19.	<p>In understanding how management have calculated the estimate of the net pension liability we have:</p> <ul style="list-style-type: none"> <li>assessed the use of a management’s expert actuaries (GAD/Mercer)</li> <li>assessed the actuary’s roll forward approach taken</li> <li>used PwC as an auditors expert to assess actuary and assumptions made by the actuary (see the table below)</li> </ul>																															
			<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value - LGPS</th> <th>Actuary Value - Police</th> <th>Within PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.4%</td> <td>2.45%</td> <td>Yes</td> <td style="text-align: center;"></td> </tr> <tr> <td>Pension increase rate</td> <td>2.3%</td> <td>2.35%</td> <td>Yes</td> <td style="text-align: center;"></td> </tr> <tr> <td>Salary growth</td> <td>3.7%</td> <td>4.35%</td> <td>Yes</td> <td style="text-align: center;"></td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>25.6/ 23.3 years</td> <td>24.6/ 22.7 years</td> <td>Yes</td> <td style="text-align: center;"></td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>28.6/ 25.9 years</td> <td>26.2/ 24.3 years</td> <td>Yes</td> <td style="text-align: center;"></td> </tr> </tbody> </table>	Assumption	Actuary Value - LGPS	Actuary Value - Police	Within PwC range	Assessment	Discount rate	2.4%	2.45%	Yes		Pension increase rate	2.3%	2.35%	Yes		Salary growth	3.7%	4.35%	Yes		Life expectancy – Males currently aged 45 / 65	25.6/ 23.3 years	24.6/ 22.7 years	Yes		Life expectancy – Females currently aged 45 / 65	28.6/ 25.9 years	26.2/ 24.3 years	Yes		
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			<ul style="list-style-type: none"> <li>assessed the completeness and accuracy of the underlying information used to determine the estimate</li> <li>impact of any changes to valuation method</li> <li>undertook a reasonableness test of the PCC and CC’s share of LGPS pension assets.</li> <li>assessed the reasonableness of the movement in the estimate</li> <li>assessed the adequacy of disclosure of estimate in the financial statements.</li> </ul> <p>As previously noted, this final assessment is dependent on the outcome of our audit work on the impact of the McCloud ruling, which is ongoing at this point.</p>																															

**Assessment**

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- We consider management’s process and key assumptions to be reasonable

# Significant findings – matters discussed with management

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

	Significant matter	Relates to	Commentary
1	Significant events or transactions that occurred during the year	Both	We have no findings 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	Both	We have no findings to report.
3	Concerns about management's consultations with other accountants on accounting or auditing matters	Both	No consultations with other accountants have been made during the year.
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	Both	We were re-appointed as auditors of the Police and Crime Commissioner (PCC), the Chief Constable and the PCC Group for five years from 2018/19. We issued our fee letters for 2019/20 on the 30 April 2019 and presented them to the Joint Audit Committee on 23 May 2019.
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	Both	We have no findings to report.
6	Other matters that are significant to the oversight of the financial reporting process	Both	We have no findings to report.

# Significant findings - Going concern

## Our responsibility

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

## Going concern commentary - PCC

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### Management's assessment process

The group 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.

### Auditor commentary

- The PCC and CC’s going concern assessment was communicated to us in their letter dated 15 April 2019.

### Work performed

We have discussed the financial standing of the PCC with the Joint Chief Financial Officer. We have reviewed management’s assessment of going concern, the assumptions used and supporting information.

### Auditor commentary

- Managements assessment of going concern includes reference to the significant operational and financial challenges facing the PCC and CC. We are satisfied these factors have been appropriately considered and factored into both the MTFP and the rolling cash flow projections.
- Explicit disclosure of going concern as the basis of the preparation of the accounts to be made in the Narrative Report.

### Concluding comments

- We are satisfied that it remains appropriate to continue to prepare the accounts on the going concern basis.

### Auditor commentary

- Our opinion is unmodified in respect of going concern.

# 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 <b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Joint Audit Committee. We have not been made aware of any incidents of fraud in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
② <b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>
③ <b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
④ <b>Written representations</b>	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the PCC and Chief Constable, including specific representations in respect of the Group.</li> </ul>
⑤ <b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to the PCC's bank, investment counter-parties and valuers. This permission was granted and the requests were sent all of these requests were returned with positive confirmation.</li> </ul>
⑥ <b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements. Please see Appendix C for details of the adjusted and unadjusted audit differences and disclosures.</li> </ul>
⑦ <b>Audit evidence and explanations/significant difficulties</b>	<ul style="list-style-type: none"> <li>All information and explanations requested from management was provided.</li> </ul>

# Other responsibilities under the Code

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

# Value for Money

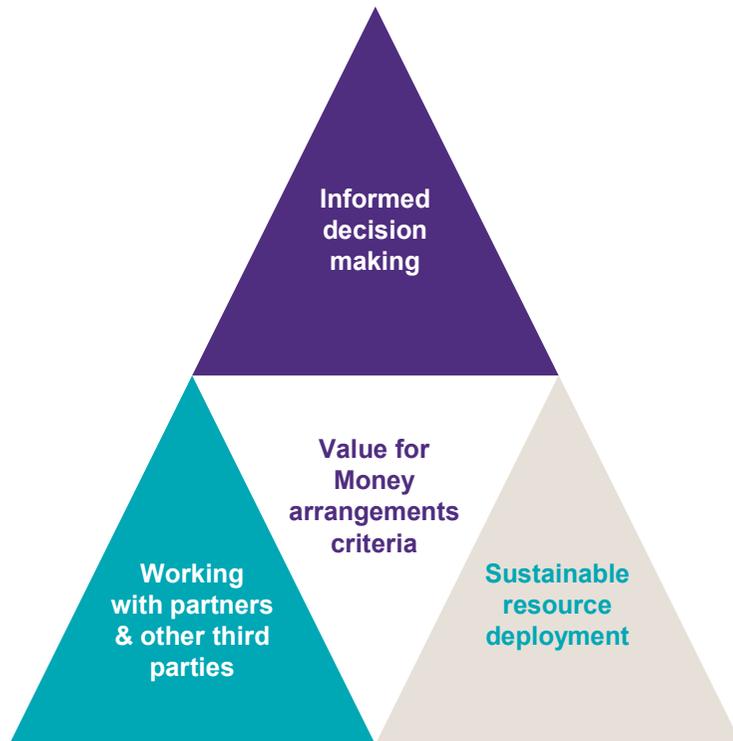
## Background to our VFM approach

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

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

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

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



## Risk assessment

We carried out an initial risk assessment in March 2019 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan issued and presented to the March Joint Audit Committee.

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 risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks 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 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 the PCC and Chief Constable's arrangements.

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 pages 17 to 18.

## **Overall conclusion**

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

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

## **Significant difficulties in undertaking our work**

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

## **Significant matters discussed with management**

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

## Key findings – PCC and Chief Constable

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

Significant risk	Findings	Conclusion
<p><b>1 Financial sustainability</b></p> <p>Cumbria along with many other forces continues to face increasing financial pressures and is currently forecasting a year end position that indicates a £0.6m overspend.</p> <p>We will update our understanding of the arrangements that are in place for the regular monitoring of the in year financial position and assess how the future financial challenges are being addressed.</p>	<p>The PCC and the Constabulary continue to face financial challenges but the Medium Term Financial Forecast (MTFF) 2019/20 to 2022/23 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 continues to be a robust process in place to produce the MTFF.</p> <p>The PCC set the 2019/20 budget and Council tax requirement on 20 February 2019. This resulted in a balanced revenue budget for 2019/20 of £145.7 million and a Council Tax increase of 10.29%. This showed that savings of £4.1 million were required between 2020/21 and 2022/23. The 2019/20 Council Tax increase of 10.29% will help fund a further 20 Police Officers (on top of the increase of 25 officers provided in 2018/19) from 1145 to 1165 FTE, The remainder of the budget proposed has been produced on a continuation basis, which means that current levels of service have been maintained over the life of the four year forecast. This includes functions where additional funding was provided in the 2018/19 budget in response to service pressures including an additional 25 officers. Securing public support for another large Council Tax increase (2018/19 5.14%) 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 process for 2019/20, the projections for 2020/21 to 2022/23 were updated. This showed that savings of £4.1 million were required between 2021/22 and 2022/23. Gross expenditure of £145.754m can be supported by budgeted income in 2019/20. However, it is anticipated that in future years funding will fail to keep pace with expenditure pressures meaning that by 2022/23 £4.1m savings will be needed to offset rising costs. The key driver in the level of savings requirements is increasing inflationary pressure. Previously, inflation on pay costs had been held at 2% for the life of the medium term forecast, 2018/19 saw further relaxation of the public sector pay constraint and as a consequence, the medium term forecast has now been adjusted to assume annual pay rises of 3%. Inflation on supplies has also been set at 2% for the life of the medium term forecast in line with Bank of England estimates. 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>Recognising the need to make further budget savings in the medium term in order to deliver a balanced budget, the Commissioner and Chief Constable have engaged in a number of discussions to consider areas of the budget that will be targeted for reductions in expenditure. Whilst no firm decisions have been made, initiatives, which will be explored as part of the Constabulary’s Vision 2025 Strategy include, adjusting the workforce mix, consolidating functions to provide greater resilience, collaboration with other forces and other public sector bodies and realising benefits from investment in new technology.</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>

## Key findings – PCC and Chief Constable

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

Significant risk	Findings	Conclusion
<p><b>1 Financial sustainability (continued)</b></p> <p>Cumbria along with many other forces continues to face increasing financial pressures and is currently forecasting a year end position that indicates a £0.6m overspend.</p> <p>We will update our understanding of the arrangements that are in place for the regular monitoring of the in year financial position and assess how the future financial challenges are being addressed.</p>	<p>Over the life of the financial forecast total reserves are planned to reduce from £18.1m at the start of 2019/20 to £9.1m by end of March 2023, largely due to provision of funding to the support the capital programme. Of the remaining £9.1m, the general reserve of £3m is held for managing financial risks and unforeseen events, budget support, stabilisation and insurance reserves/contingencies of £3.9m provide further resilience, whilst a small number of other reserves are earmarked for specific purposes including pooled/partnership funds.</p> <p>In addition to revenue grants the Commissioner also receives a small amount of annual capital funding that supports a capital programme. The programme is developed in consultation with the Constabulary who are the primary user of the capital assets under the ownership of the Commissioner. The budget benefits from £0.372m in capital grant to support capital expenditure from the 2019/20 settlement, which is slightly higher than the capital grant received in 2018/19 of £0.364m. Over recent years the level of capital grant has reduced significantly as a result of national top-slicing from capital allocations, contributing to a widening gap between the requirement for capital expenditure and capital funding. This has to be met by revenue contributions to capital, capital receipts from the disposal of property and the use of reserves. In 2019/20 the revenue budget contributes £1.8m to fund capital, this figure increases to over £3m per annum from 2020/21. Over the four years of the medium term financial forecast, major capital schemes for ICT and estates are primarily funded through one off reserves and capital receipts. Beyond 2023/24 both these sources of funding will be largely exhausted and as a result revenue contributions will be the primary source of capital funding.</p> <p>The revenue expenditure out-turn position for 2018/19 is an overspend of £0.196m. The overall overspend is made up of an overspend of £0.159m on the core budgets of the Commissioner and Constabulary plus a one off contribution of £0.037m to a legal provision in relation to ongoing legal cases. The core overspend equates to 0.2% of the revised net budget of £99.458m, which is comfortably within the target for the revenue expenditure to be within 1% of the budget at out-turn.</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>

# Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, we disclose the following to you:

We confirm that there is one significant matter that could appear to have an impact on our independence, objectivity and integrity, and as your auditors we are required to draw it to your attention. We discussed this matter with you in July 2018 and at subsequent Joint Audit Committee meetings. On 9 July 2018, Richard McGahon, your then External Senior Audit Manager applied for the post of Head of Internal Audit at Cumbria County Council and was successfully appointed to that post. The County Council's Internal Audit team provide an internal audit service to the PCC and Chief Constable. In July 2018, the Engagement Lead and our Ethics Team made the decision to remove Richard McGahon from this audit engagement to safeguard our independence, objectivity and integrity. An additional safeguard was put in place whereby the Engagement Lead carried out a review of all work Richard McGahon had reviewed.

The Engagement Lead sought assurance from the Ethics Team that given Richard McGahon had no involvement in accounts preparation, and as our team does not place direct reliance on internal audit work the remaining perceived threat to independence, objectivity and integrity was low. However, there remains a perceived threat of independence, and this has been further mitigated by putting in place safeguards, including the appointment of an Audit Manager who only joined the firm in September 2018, and had no previous relationship with Richard McGahon.

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 D

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

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the PCC and Chief Constable. No non-audit services were identified which were charged from the beginning of the financial year to 22 July 2019.

# Action plan

We have identified no new recommendations for the Cumbria PCC and CC as a result of issues identified during the course of our audit. Progress made on prior year findings are detailed on the following page.

## Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

# Follow up of prior year recommendations

We identified the following issues in the audit of Cumbria PCC and Chief Constable's 2017/18 financial statements, which resulted in 2 recommendations being reported in our 2017/18 Audit Findings report. We have followed up on the implementation of our recommendations and note 1 is still to be fully completed.

**Assessment**  
 ✓ Action completed  
 X Not yet addressed

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1 ✓	<ul style="list-style-type: none"> <li>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:               <ul style="list-style-type: none"> <li>pensions paid reduced by around £1.5 million in the re-run;</li> <li>payments in respect of leavers reduced by around £0.3 million in the re-run.</li> </ul> </li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Following the issue that arose in relation to 2017/18 it has been agreed that the county Council will not make any amendments to the data submission made by the Police in respect of the PCC or CC without first discussing with the finance team at the Constabulary. In addition to this an additional working paper had been added to the audit file which compares the figures provided by the finance team in the data submission and the schedule provided by Mercers for the figures used. There were no differences identified for 2018/19. This additional step will ensure consistence from 2018/19 onwards.</li> </ul>
2 ✓	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Following the matters raised in 2017/18 it has been decided to move to a two yearly cycle for land and building asset valuation with a more even split of valuations between the years. In 2018/19 is a transition to these new arrangements and as such all but 2 assets were revalued. From 2019/20 a detailed working paper will prepared and provided setting out the desk based excise undertaken to provide assurance for the 50% of assets that will not be formally valued by our external valuers. This will also detail our consideration of any indicators of impairment.</li> </ul>

# Audit Adjustments - PCC

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

## Impact of adjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
1 Defined benefit pension scheme - McCloud impact for Cumbria Local Government Pension Scheme	1,654	(1,654)	Nil
2 Defined benefit pension scheme - McCloud impact for Police Pension Schemes	54,630	(54,630)	nil
<b>Overall impact</b>	<b>£56,284</b>	<b>(£56,284)</b>	<b>£nil</b>

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit.

Disclosure omission	Value £000	Impact on the financial statements	Adjusted?
<b>Asset held for sale</b>	485	The PCC has agreed the sale of Hunter Lane Police Station subject to contract. Our view is that this meets the definition of an asset held for sale and as such should be moved from Fixed Assets to Current Assets and disclosed on the face of the balance sheet.	X
<b>Miscellaneous</b>	N/A	The financial statements have been amended for minor narrative changes.	✓
<b>Note 23, Disclosure of Remuneration for Senior Employees</b>	N/A	The name of individuals paid >£150,000 had not been disclosed. This has been amended in the final financial statements.	✓
<b>Annex A – Statement of accounting Policies, Note 2 Accruals of Income Expenditure</b>	N/A	The revenue accounting policy in the financial statements presented for audit had not been fully updated for IFRS 15, the new revenue standard. The revenue accounting policy in the amended financial statements is now in line with IFRS 15. There were no adjustments identified on transition to IFRS 15.	✓

# Audit Adjustments - PCC

## Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1 Fixed assets – impairment of Hunter Lane	832	832	Nil	• Not considered to be material
<b>Overall impact</b>	<b>£832</b>	<b>£832</b>	<b>£Nil</b>	

## Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the 2017/18 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.

## Impact of adjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
1 Defined benefit pension scheme - McCloud impact for Cumbria Local Government Pension Scheme	1,620	(1,620)	Nil
2 Defined benefit pension scheme - McCloud impact for Police Pension Schemes	54,630	(54,630)	nil
<b>Overall impact</b>	<b>£56,250</b>	<b>(£56,250)</b>	<b>£nil</b>

## 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	Value £000	Impact on the financial statements	Adjusted?
<b>Miscellaneous</b>	N/A	The financial statements have been amended for minor narrative changes, 3 calculation errors in the narrative report,	✓
<b>Note 16, Disclosure of Remuneration for Senior Employees</b>	N/A	The name of individuals paid >£150,000 had not been disclosed. This has been amended in the final financial statements.	✓

# Audit Adjustments – Chief Constable

## **Impact of unadjusted misstatements**

There were no unadjusted misstatements in the 2018/19 financial statements.

## **Impact of prior year unadjusted misstatements**

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

# Fees

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

## Audit Fees

	Proposed fee	Proposed Final fee
PCC Audit	23,360	23,360
• Proposed additional fee		2,000
Chief Constable Audit	11,500	11,500
<b>Total audit fees (excluding VAT)</b>	<b>£34,860</b>	<b>£36,860</b>

- The proposed fees reconcile to the financial statements. The proposed fee adjustment relates to the additional audit procedures we have had to undertake on the revised actuarial numbers.

# 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 2019 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 2018/19.

In our opinion the financial statements:

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

#### Basis for opinion

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

#### Conclusions relating to going concern

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

- the 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Police and Crime Commissioner gained through our work in relation to the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or; We have nothing to report in respect of the above matters.
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

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

As explained more fully in the Responsibilities for the Statement of Accounts, 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 2018/19, for being satisfied that they 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 there is an intention by government that the services provided by the group or the Police and Crime Commissioner will no longer be provided.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

#### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the* Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### **Responsibilities of the Police and Crime Commissioner**

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

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

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

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

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

### **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.

### **Use of our report**

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

*To be signed*

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

Liverpool

*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 2019 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 2018/19.

In our opinion the financial statements:

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

#### Basis for opinion

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

#### Conclusions relating to going concern

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

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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 Finance 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Chief Constable gained through our work in relation to the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

### **Responsibilities of the Chief Constable and the 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 2018/19, for being satisfied that they 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 there is an intention by government that the services provided by the Chief Constable will no longer be provided..

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

#### **Conclusion**

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

### **Responsibilities of the Chief Constable**

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

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

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

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

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

### **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.

#### **Use of our report**

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

*To be signed*

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

*To be dated*



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