

Police and Crime Commissioner for Northumbria  
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23 November 2020

Dear Ms. McGuinness

### Conclusion of outstanding matters – Audit Completion Report

Following the meeting of the Joint Independent Audit Committee on 16 November 2020 and as required by International Standards on Auditing (UK), we are writing to confirm the completion of the matters that were marked as outstanding in the Audit Completion Report we presented to the Committee.

The outstanding matters set out in our Audit Completion Report and the conclusions reached are shown below:

Matter	Conclusion
	<p>We have now received the required assurance from the Pension Fund Auditor, and have identified two matters to bring to your attention.</p> <p>The first matter to bring to your attention is the ‘material valuation uncertainty’ in relation to certain Pension Fund assets. As the Group accounts include a share of the Pension Fund assets, and the assets subject to disclosure are above our materiality level, Note 11 of the Group financial statements has been updated to disclose the impact.</p>
<b>Pensions</b>	<p>In line with normal practice, we will include reference to this disclosure as an ‘Emphasis of Matter’ paragraph in our audit report. The purpose of this paragraph is to draw attention to this disclosure, it is not a qualification and does not modify our proposed unqualified opinion on the financial statements. An updated version of our draft Auditor’s report is included at Appendix B and includes an emphasis of matter paragraph.</p> <p>The second matter to bring to your attention that we have identified from our review of the work of the Pension Fund auditor is in relation to the asset values submitted to the actuary by the Pension Fund being higher than the confirmations from fund managers.</p>



We need to highlight this issue to you since the assets are pooled and as a result there is a potential unadjusted misstatement above triviality in the Group financial statements. See Appendix A for further detail.

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**Audit closure procedures**

We have now substantially completed our work in this area. No issues to report.

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**Whole of Government Accounts (WGA)**

We have now received the group instructions from the National Audit Office and have been able to complete our work in this area. No issues to report

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If you wish to discuss these or any other points then please do not hesitate to contact me.

Yours sincerely

**Cameron Waddell**  
Key Audit Partner

For and on behalf of Mazars LLP

## Appendix A – Summary of misstatements

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £0.188m for the PCC and £0.279m for the Group.

The table outlines the misstatements that were identified during the course of the audit which management has assessed as not being material to the financial statements and does not currently plan to adjust.

### Unadjusted misstatements 2019/20

	Assets (£'000)	Liabilities (£'000)	Reserves (£'000)	Income Statement (CIES) (£'000)
<b>Dr: CIES (re-measurement of the net defined benefit liability)</b>				1,028
<b>Cr: Pension Reserve</b>			-1,028	

*Being the non-material error in respect of the Group's share of Pension Fund assets, based on the differences identified by the Pension Fund auditor's letter of assurance. The Group accounts for approximately 3.85% of the Pension Fund scheme assets, which is equivalent to a potential misstatement of £1.028m.*

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## Appendix B – Independent Auditor’s Report

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

#### Report on the financial statements

##### Opinion

We have audited the financial statements of the Police and Crime Commissioner for Northumbria (PCC) and Group for the year ended 31 March 2020, which comprise the PCC and Group Movement in Reserves Statements, the PCC and Group Comprehensive Income and Expenditure Statements, the PCC and Group Balance Sheets, the PCC and Group Cash Flow Statements, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the PCC and the Group as at 31 March 2020 and of the PCC’s and the Group’s expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

##### Basis for opinion

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

##### Emphasis of Matter - Material uncertainty relating to valuations of property investments

We draw attention to Note 11 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension fund’s property investments as at 31 March 2020. As disclosed in Note 11 of the financial statements, the outbreak of Covid-19 has had a significant impact on global financial markets. As such the Pension Fund’s property investment manager, has included a material valuation uncertainty clause in some of their 31 March 2020 valuation reports due to the possible impact of Covid-19. Therefore, there is less certainty and a higher degree of caution should be attached to valuations of unquoted property assets than would normally be the case. Our opinion is not modified in respect of this matter.

##### Conclusions relating to going concern

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

- the Treasurer’s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the PCC’s or the Group’s ability to continue



to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The Treasurer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of the Treasurer for the financial statements**

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Treasurer is also responsible for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Treasurer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the PCC is informed of the intention for dissolution without transfer of services or function to another entity. The Treasurer is responsible for assessing each year whether or not it is appropriate for the PCC and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### **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.

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

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;



- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### **Conclusion on the PCC and Group's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, the PCC and Group has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

#### **Basis for conclusion**

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the PCC and Group had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the PCC and Group put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

#### **Responsibilities of the PCC and Group**

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

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the PCC and Group has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the PCC and Group's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### **Use of the audit report**

This report is made solely to the PCC and Group, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the PCC and Group those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we



do not accept or assume responsibility to anyone other than the PCC and Group, as a body, for our audit work, for this report, or for the opinions we have formed.

**Certificate**

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

[Signature]

Cameron Waddell

Key Audit Partner

For and on behalf of Mazars LLP

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November 2020