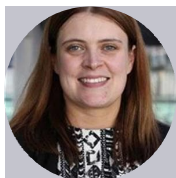


Police and Crime
Commissioner for Northumbria
Group Audit results report

Year ended 31 March 2024
20 February 2025





Joint Independent Audit Committee
Police and Crime Commissioner for Northumbria (PCC), Chief
Constable of Northumbria (CC)
Balliol Business Park
Benton Lane, Newcastle Upon Tyne,
NE12 8EW

February 2025

Dear Joint Independent Audit Committee Members

2023/24 Audit results report

We are pleased to attach our draft audit result report, summarising the status of our audit for the forthcoming meeting of the Joint Independent Audit Committee. We will update the Joint Independent Audit Committee at its meeting scheduled for 24 February 2025 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2023/24 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the Police and Crime Commissioner or Northumbria (PCC) and the Chief Constable for Northumbria (CC)'s accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

Although we aim to fully complete our planned audit procedures, subject to timely receipt of all outstanding audit requests from management, it remains important to consider the wider impact of Government proposals to clear the backlog in local audit and put the local audit system on a sustainable footing. The proposals to clear the backlog and embed timely audit recognises that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Joint Independent Audit Committee, as the PCC and CC's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the PCC and CC's wider arrangements to support the delivery of a timely and efficient audit.

We consider and report on the adequacy of the PCC and CC's external financial reporting arrangements and the effectiveness of Joint Independent Audit Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

We draw Joint Independent Audit Committee members and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements.

This report is intended solely for the information and use of the Joint Independent Audit Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties.



We welcome the opportunity to discuss the contents of this report with you at the Joint Independent Audit Committee meeting on 24 February 2025.

Yours faithfully

Claire Mellons

Partner

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Joint Independent Audit Committee and management of Police and Crime Commissioner for Northumbria Group in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Joint Independent Audit Committee and management of Police and Crime Commissioner for Northumbria Group those matters we are required to state to them in this 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 Joint Independent Audit Committee and management of Police and Crime Commissioner for Northumbria Group for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary



Executive Summary

Scope update

In our Audit Planning Report presented at the 23 September 2024 Joint Independent Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements.

We are carrying out our audit in accordance with this plan but, as reported in our verbal update at the Joint Independent Audit Committee, we were unable to issue our audit report in December 2024 as planned, due to significant delays in progressing areas of audit work, predominantly in relation to:

- ▶ Verification of property, plant and equipment due to management not retaining a listing of equipment that reconciles to the financial statements leading to a substantial amount of additional audit resource being required to be able to satisfactorily conclude on this area.
- ▶ A high volume of audit queries being raised in relation to the Valuation of land and buildings, in our first year of working with the valuation experts
- ▶ Listings initially provided for testing of accounts payable not setting out a listing of balances at year end, but showed movements in year, meaning they were not suitable for us to perform our audit procedures.

We did also experience less significant delays in other areas of the audit and we successfully worked with management to develop a revised project plan and get these resolved prior to issuing this report.

Changes in materiality

In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality as indicated:

- ▶ Group Materiality was set at £10.9m, which represents 1.8% of 2023/24 gross expenditure on provision of services, group performance materiality at £5.5m, and uncorrected misstatements threshold set at £0.55m.
- ▶ PCC Materiality has been set at £3.0m, which represents 1.8% of 2023/24 gross expenditure on provision of services, performance materiality at £1.5m, and uncorrected misstatements threshold set at £0.15m.
- ▶ CC Materiality was set at £9.5m, which represents 1.8% of 2023/24 gross expenditure on provision of services, performance materiality at £4.8m, and uncorrected misstatements threshold set at £0.48m.

In our professional judgement, these levels of materiality remain appropriate. The basis of our assessments has remained consistent with planning report figures.



Executive Summary (cont'd)

Status of the audit

Our audit work in respect of the group, and single entity PCC and CC opinions is substantially complete, subject to:

- ▶ Completion of senior manager, engagement partner and engagement quality reviewer review
- ▶ Receipt of final sets of accounts and management representation letter
- ▶ Audit completion procedures and subsequent events review

Delays were experienced in receiving information during the audit visit and this has impacted the audit timelines, completion of audit procedures and completion of the reviews for the financial statements. Details of each outstanding item, actions required to resolve and the responsibility is included in Appendix B.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Annual Report and Accounts which could influence our final audit opinion.

Value for Money

In our Audit Planning Report dated 6 September 2024, we reported that we had completed our value for money (VFM) risk assessment, and we had identified no risks of significant weaknesses in arrangements. Having updated and completed the planned procedures, subject to engagement partner review, we have not identified any significant risks to weaknesses in arrangements.

Executive Summary (cont'd)

Audit differences

As our audit procedures are in progress, we have not finalised the schedule of unadjusted misstatements; however, the following matters have been identified at the time of writing this report, and management have agreed to adjust the final draft of the financial statements: We note that none of these adjustments have an impact on the level of funding available for police services, as they are technical accounting adjustments.

Summary of difference – Chief Constable:

Factual Misstatements:

- ▶ Management have identified an error in the LGPS Pension disclosure note and have revised the disclosure note to increase both the fair value of assets and unrecognised assets by £4.96m. The change in the note did not impact the balance sheet, as the pension assets are restricted by the pension ceiling which is lower as required by the accounting framework.
- ▶ Our testing of the disclosure of employees earning over £50,000 per annum in note 10 identified that the note had been prepared on the basis of annual remuneration due recorded in the HR system, rather than actual remuneration paid as required by the CIPFA Code.

Summary of difference – Police and Crime Commissioner (PCC):

Factual Misstatements:

- ▶ An error of £2.17m was identified in the revaluation of property plant and equipment, as the contingency fees were erroneously included in the valuation of land and buildings.
- ▶ An impairment in the region of £1.5m to £1.7m is to be recognised in relation the Sexual Assault Referral Centre that was incorrectly transferred out of Assets Under Construction to Land and Buildings at cost, rather than valuation.
- ▶ An error of £0.949m was identified by management, where it was noted that vehicles that were disposed in previous years as per the Tranman Systems were not removed from the fixed assets register. There is no impact on the balance sheet as all relevant asset register items were fully depreciated and therefore held at zero value.
- ▶ An error of £0.881m was identified in relation to the reclassification of a creditor balance as a debtor; following cancellation of an invoice.
- ▶ An error of £0.723m was identified in relation to the classification of specific grants attributable to services as other contribution.
- ▶ An error of £0.944m occurred as grants that were accounted for as specific grants were included in the non specific grants account code resulting in the overstatement of non government grant income.

We also identified the following differences during the course of our audit which management have chosen not to adjust:

- ▶ Chief Constable - The auditor of the Tyne and Wear Pension Fund reported an error in relation to the understatement of assets held by the Tyne and Wear Pension Scheme. The estimated net impact on the pension assets value related to the CC is projected to be an understatement of £1.50m.
- ▶ PCC – Capitalised expenditure on computer equipment with a value of £0.723m recorded in the financial statements for which management were unable to provide evidence of existence.

Executive Summary (cont'd)

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of the Police and Crime Commissioner for Northumbria Group. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below.

Risk/area of focus	Risk identified	Audit findings and status
Misstatement due to fraud or error	Fraud risk	Our procedures are completed pending partner reviews, and we have no matters to report at the time of writing this report.
Risk of fraud in revenue expenditure recognition - Inappropriate capitalisation of revenue expenditure	Fraud Risk	<p>Our procedures are completed pending partner reviews and, at the time of writing this report, have no findings in relation to capitalisation of in-year expenditure. We did, however, identify elements of expenditure capitalised in previous years which management were unable to reconcile to an asset listing, as part of our verification of existence of equipment and have reported an unadjusted error of £0.7m in Section 5 of this report.</p> <p>A further error of £0.9m was also identified when testing the existence of property plant and equipment, in relation to vehicles that were disposed of in previous years but had not been disposed of in the fixed asset register. Management have also agreed to correct this error in the final version of the accounts</p>
Valuation of Land and Buildings	Significant Risk	Our procedures are completed pending senior manager and partner review. At the time of writing this report, we have identified errors in the valuation of land and building with a value of £3.9m which management have agreed to correct in the final set of accounts, following the erroneous inclusion of contingency fees in the valuation and the impairment of the Sexual Assault Referral Centre.
Valuation of Pension Liabilities	Inherent risk	<p>Our procedures are completed, pending partner review, and we identified the following errors</p> <ul style="list-style-type: none"> ▶ Management identified an error in the LGPS Pension disclosure note, as result the disclosure note was revised to increase the fair value of assets and unrecognised assets by £4.96m. The change in the note did not impact the balance sheet as the pension assets are restricted by the pension ceiling which is lower as required by the accounting framework. ▶ The auditor of the Tyne and Wear Pension Fund report an error in relation to the understatement of assets held by the Tyne and Wear Pension Scheme. The estimated net impact on the pension assets value related to the CC is projected to be an understatement of £1.50m.
Opening balances	Area of audit focus	Our procedures are completed in this area, and we have no matters to report.



Executive Summary (cont'd)

Other Reporting Issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the PCC and CC. To date we have no matters to report as a result of this work, pending the review of the completed work.

We are yet to complete the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts, as we are still awaiting guidance on the procedures required.

Control observations

During the audit, we identified the following significant deficiencies in internal control:

- ▶ We noted that there is no reconciliation of equipment listings used for asset management purposes to the fixed asset register that supports the financial statements. As a result substantial effort was required from both management and the audit team to obtain assurance that the value of assets disclosed in the financial statements could be supported by the underlying records held and, as reported in Section 5 of this report, errors were identified in relation expenditure on computer equipment capitalised in the financial statements for which existence of a capital asset could not be verified. We recommend that management update this reconciliation on a regular basis to obtain assurance that there is a fixed asset register in place to support the financial statements.

Independence

Please refer to Section 07 for our update on Independence.

A close-up photograph of a person's hand holding a white marker, pointing at a bar chart displayed on a tablet. The chart features several horizontal bars in shades of green, brown, and red. The background is dark, and the lighting is focused on the hand and the tablet screen.

02 Areas of Audit Focus

Areas of Audit Focus

Misstatements due to fraud or error* Significant fraud risk

Misstatements due to fraud or error

Significant fraud risk

What is the risk, and the key judgements and estimates?

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

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

We identify and respond to this fraud risk on every audit engagement.

What are our conclusions

Subject to completion of senior manager and partner reviews, we have not identified any material weaknesses in controls or evidence of material management override, instances of inappropriate judgements being applied, or any other transactions during our audit which appear unusual or outside the Police and Crime Commissioner for Northumbria Group's normal course of business.

Our response to the key areas of challenge and professional judgement

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Discussing with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- ▶ Undertake procedures to identify significant unusual transactions.
- ▶ Consider whether management bias was present in the key accounting estimates and judgments in the financial statements.

What else did we do?

Having evaluated this risk, we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Fraud in Revenue Expenditure recognition - Inappropriate capitalisation of revenue expenditure' are required.

Areas of Audit Focus

Fraud in Revenue Expenditure recognition* Significant fraud risk

Fraud in Revenue Expenditure recognition – Inappropriate capitalisation of revenue expenditure*

Significant fraud
Risk

What is the risk, and the key judgements and estimates?

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through inappropriate capitalisation of revenue expenditure within Fixed Asset additions

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

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

What are our conclusions

Our procedures are completed pending partner reviews and, at the time of writing this report, have no findings in relation to capitalisation of in-year expenditure. We did, however, identify elements of expenditure capitalised in previous years which management were unable to reconcile to an asset listing, as part of our verification of existence of equipment and have reported an unadjusted error of £0.7m in Section 5 of this report.

A further error of £0.9m was also identified by management, in relation to vehicles that were disposed of in previous years but for which the disposal had not been recognised in the 2023/24 financial statements. Management have also agreed to correct this error in the final version of the accounts.

Our response to the key areas of challenge and professional judgement

- ▶ Consider the design and implementation of controls around the acquisition of Fixed Assets.
- ▶ Test additions to Fixed Assets to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- ▶ Assess whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- ▶ Consider whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- ▶ Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Areas of Audit Focus

Valuation of Land and Buildings- Significant risk

Valuation of Land and Buildings

Significant Risk

What is the risk, and the key judgements and estimates?

At 31 March 2024, the PCC has reported land and buildings with a net book value determined on the following bases:

- Depreciated Replacement Cost – Specialised operational properties (£68.5m);
- Existing Use Value – Non-specialised operational properties (£18.7m); and
- Fair Value – Investment Property (£1.8m)

The PCC holds land and buildings with a reported net book value of £89m. This is valued on Depreciated Replacement Cost, Existing Use Value and Fair Value bases.

The PCC has a rolling valuation program of its land and buildings with approximately one third of assets revalued each year by internal specialists. This involves significant estimation and judgement and therefore there is a risk that inappropriate assumptions are used in the valuation of land and buildings which could lead to material misstatement.

Our response to the key areas of challenge and professional judgement

- ▶ Assess the design and implementation of controls around the valuation of Land and Buildings.
- ▶ Review the Fixed Asset Register to identify properties with higher indicators of risk.
- ▶ Engage specialists to review the appropriateness of assumptions underpinning the valuation of a sample of properties on a risk basis.
- ▶ Consider the competence, capability and objectivity of both internal and management's specialists.
- ▶ Select a sample of properties to test the assumptions used against external benchmarks.

What are our conclusions

Our procedures are completed pending senior manager and partner review.

At the time of writing this report, we have identified the errors in the valuation of land and buildings which management have agreed to adjust in the final set of accounts:

- £2.2m overstatement in valuation, following the erroneous inclusion of contingency fees in the calculation.
- The Sexual Assault Referral Centre was incorrectly transferred from Assets Under Construction to Land and Buildings at cost, rather than valuation. Management are in the process of finalising the valuation of this asset but the expected impairment is in the region of £1.5m - £1.7m

Areas of Audit Focus (cont'd)

Other Areas of Audit Focus

Financial statement area	Area of Audit Focus	Audit findings
Valuation of Pension Liabilities	<p>The Local Authority Accounting Code of Practice and IAS19 require the PCC and CC to make extensive disclosures within its financial statements regarding its membership of the Local Government and Police Pension Schemes.</p> <p>Accounting for this schemes involve significant estimation and judgement and therefore management engages an external actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>Our procedures are completed, pending partner reviews, and we identified the following errors:</p> <ul style="list-style-type: none"> ▶ Management have identified an error in the LGPS Pension disclosure note and revised disclosure note to increase the fair value of assets and unrecognised assets by £4.96m. The change in the note did not impact the Balance Sheet as the pension assets are restricted by the pension ceiling which is lower as required by the accounting framework. ▶ The auditor of the Tyne and Wear Pension Fund reported an error in relation to the understatement of assets held by the Tyne and Wear Pension Scheme. The estimated net impact on the pension assets value related to the CC is projected to be an understatement of £1.50m.
Opening balances	<p>The 2023/24 Statements of Accounts are the first statements EY has audited on behalf of the PCC and CC. We will be required to perform some additional procedures around opening balances for 2023/24, including review of the predecessor auditor's working papers.</p>	<p>Our procedures are completed in this area, and we have no matters to report.</p>

Going concern

Our procedures in this area are complete pending review from the partner; we have not identified any matters that may impact management's assessment and conclusion to prepare financial statement of PCC, CC and the group as a going concern. Management extended their monthly cash flow analysis to cover the whole going concern period until the 31 March 2026, in line with our initial audit request made in July 2024, and have provided expanded disclosures for inclusion in the final set of financial statements.



03 Value for Money

Value for Money

The PCC and CC's responsibilities for value for money (VFM)

The PCC and CC are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with their financial statements, the PCC and CC are required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing their governance statements, the PCC and CC tailor the content to reflect their own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on their arrangements for securing value for money from their use of resources.

Risk assessment and status of our work

We are required to consider whether the PCC and CC have made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

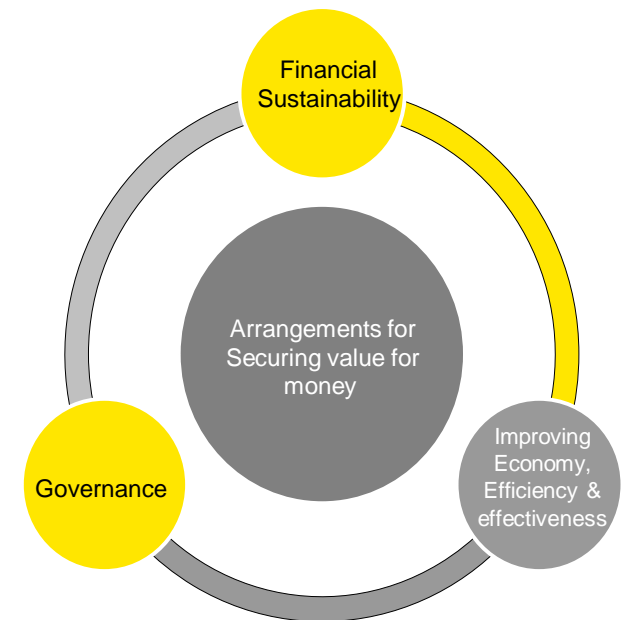
Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the PCC and CC's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the PCC and CC's arrangements against three reporting criteria:

- ▶ Financial sustainability - How the PCC and CC plan and manage their resources to ensure they can continue to deliver their services;
- ▶ Governance- How the PCC and CC ensure that they make informed decisions and properly manage their risks; and
- ▶ Improving economy, efficiency and effectiveness - How the PCC and CC use information about their costs and performance to improve the way they manage and delivers services to date, subject to review of the execution

Having updated and completed the planned procedures, we have not identified any significant risks to weaknesses in arrangements to date, subject to review of the execution work.

We will issue our VFM narrative commentary in our 2023/24 Auditor's Annual Report which we expect to issue within 30 days of our opinion on the financial statements and by the end of March 2025 at the latest.





04 Audit Report

Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POLICE AND CRIME COMMISSIONER FOR NORTHUMBRIA GROUP

Opinion

We have audited the financial statements of Police and Crime Commissioner for Northumbria ('the Authority') and its subsidiaries (the 'Group') for the year ended 31 March 2024. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- the related notes 1 to 26 of the Police and Crime Commissioner for Northumbria financial statement including a material accounting information and including the Expenditure and Funding Analysis,
- the related notes 1 to 15 of the Police and Crime Commissioner for Northumbria Group including a material accounting information and including the Expenditure and Funding Analysis.
- and include the Police Pension Fund financial statements comprising the Fund Account, the Net Assets Statement, and the related notes 1 to 4.

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 2023/24.

In our opinion the financial statements:

- give a true and fair view of the financial position of Police and Crime Commissioner for Northumbria and the Group as at 31 March 2024 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024, 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

In auditing the financial statements, we have concluded that the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Authority's ability to continue as a going concern for a period of 12 months to 31 March 2026.

Our responsibilities and the responsibilities of the Treasurer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Audit Report (cont'd)

Our opinion on the financial statements

Other information

The other information comprises the information included in the in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Treasurer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Authority
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- 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 (as amended)

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Police and Crime Commissioner for Northumbria Group has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in these respects.

Responsibility of the Treasurer

As explained more fully in the Statement of the Responsibilities set out on page 28, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the Group financial statements and the pension fund 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, 2023/24, for being satisfied that they give a true and fair view and 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.

In preparing the financial statements, the Treasurer is responsible for assessing the Group and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Authority either intends to cease operations, or has no realistic alternative but to do so.

The authority 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.

Audit Report (cont'd)

Our opinion on the financial statements

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are:

- Local Government Act 1972,
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- The Local Audit and Accountability Act 2014 (as amended), and
- The Accounts and Audit Regulations 2015.

In addition, the Group and the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how Police and Crime Commissioner for Northumbria Group is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Group and the Authority's committee minutes, through enquiry of employees to confirm Group and the Authority policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Group and the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance, inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Group and the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

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

Audit Report (cont'd)

Our opinion on the financial statements

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether the Police and Crime Commissioner for Northumbria Group had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner for Northumbria Group put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

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 the Police and Crime Commissioner for Northumbria Group had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

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

Use of our report

This report is made solely to the members of Police and Crime Commissioner for Northumbria Group, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Claire Mellons (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Newcastle

XX February 2025

Audit Report (cont'd)

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR NORTHUMBRIA

Opinion

We have audited the financial statements of the Chief Constable for Northumbria for the year ended 31 March 2024. The financial statements comprise the Chief Constable for Northumbria's:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement
- the related notes 1 to 20 including a material accounting information and including the Expenditure and Funding Analysis.
- and include the pension fund financial statements comprising the Fund Account, the Net Assets Statement, and the related notes 1 to 4.

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 2023/24.

In our opinion the financial statements:

- give a true and fair view of the financial position of Chief Constable for Northumbria as at 31 March 2024 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; 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 for Northumbria in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024, 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

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Chief Constable for Northumbria's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Chief Constable for Northumbria's ability to continue as a going concern.

Audit Report (cont'd)

Our opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Account 2023/24, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information contained within the Statement of Accounts 2023/24.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Chief Constable for Northumbria
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- 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 (as amended)

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Chief Constable for Northumbria has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in these respects.

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of the Responsibilities set out on page 23, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements and the pension fund 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, 2023/24, for being satisfied that they give a true and fair view and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Chief Constable for Northumbria's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Constable for Northumbria either intends to cease operations, or has no realistic alternative but to do so.

The authority 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.

Audit Report (cont'd)

Our opinion on the financial statements

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Chief Constable for Northumbria and determined that the most significant are:

- Local Government Act 1972,
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- The Local Audit and Accountability Act 2014 (as amended),
- The Accounts and Audit Regulations 2015.
- The Police Reform and Social Responsibility Act 2011,
- Anti-social behaviour, Police and Crime Act 2014,

- Police Pensions scheme regulations 1987,
- Police Pensions regulations 2006; and
- Police Pensions regulations 2015.

In addition, the Chief Constable for Northumbria has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how Chief Constable for Northumbria is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of [management/head of internal audit/those charged with governance/any other] and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Chief Constable for Northumbria's committee minutes, through enquiry of employees to confirm Chief Constable for Northumbria policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Chief Constable for Northumbria's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Chief Constable for Northumbria's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

Audit Report (cont'd)

Our opinion on the financial statements

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

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

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether the Chief Constable for Northumbria had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable for Northumbria put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

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 the Chief Constable for Northumbria had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

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

Use of our report

This report is made solely to the members of Chief Constable for Northumbria, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable for Northumbria and the Chief Constable for Northumbria's members as a body, for our audit work, for this report, or for the opinions we have formed.

Claire Mellons (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Newcastle
xx February 2025



05 Audit Differences



Audit Differences - PCC

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

Summary of adjusted and unadjusted differences

We highlight the following misstatements greater than our uncorrected misstatements threshold of £0.15m which have been identified and noted by management for correction. We note that none of these adjustments have an impact on the level of funding available for police services, as they are technical accounting adjustments.

Summary of difference – Police and Crime Commissioner (PCC):

Factual Misstatements:

- ▶ An error of £2.17m was identified in the revaluation of property plant and equipment, as the contingency fees were erroneously included in the valuation of land and buildings.
- ▶ An impairment in the region of £1.5m to £1.7m is to be recognised in relation the Sexual Assault Referral Centre that was incorrectly transferred out of Assets Under Construction to Land and Buildings at cost, rather than valuation.
- ▶ An error of £0.949m was identified by management, where it was noted that vehicles that were disposed in the previous years as per the Tranman Systems were not removed from the fixed assets register.
- ▶ An error of £0.881m was identified in relation to the reclassification of a creditor balance as a debtor; following cancellation of an invoice.
- ▶ An error of £0.723m was identified in relation to the classification of specific grants attributable to services as other contribution.
- ▶ An error of £0.944m occurred as grants that were accounted for as specific grants were included in the non specific grants account code resulting in the overstatement of non government grant income.

Disclosure notes:

Our testing error in disclosure note 12: Employee Remuneration which management have agreed to amend in the final draft of the financial statements.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and update the summary of audit difference and disclosures for any errors identified.

Audit Differences -CC

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

Summary of adjusted and unadjusted differences

We highlight the following misstatements greater than our uncorrected misstatements threshold of £0.55m which have been identified and noted by management for correction.

Summary of difference – Chief Constable (CC):

Factual Misstatements:

- ▶ Management have identified an error in the LGPS Pension disclosure note and have revised the disclosure note to increase both the fair value of assets and unrecognised assets by £4.96m. The change in the note did not impact the balance sheet, as the pension assets are restricted by the pension ceiling which is lower as required by the accounting framework.
- ▶ Our testing of the disclosure of employees earning over £50,000 per annum in note 10 identified that the note had been prepared on the basis of annual remuneration due recorded in the HR system, rather than actual remuneration paid as required by the CIPFA Code.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and update the summary of audit difference and disclosures for any errors identified.

Audit Differences Group (cont'd)

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We ask that the Joint Independent Audit Committee request of management that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:

	Effect on the current period:		Net assets (Decrease)/Increase				Equity Components Debit/(Credit)
	OCI Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/(Credit)	Assets non-current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)	
Uncorrected misstatements 31 March 2024 (£'000)							
Errors £'000							
Known differences:							
▶ Property Plant and Equipment (Existence of computer peripheral equipment!) - PCC		723		(723)			
Judgemental differences:							
▶ Tyne and Wear Pension Fund – Understatement of Pension Asset-CC	(1,497)			1,497			
Cumulative effect of uncorrected misstatements	(1,497)	723		774			



06

Assessment of Control Environment

Assessment of Control Environment

Financial controls




As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you:

- i. Significant deficiencies in internal control, including group-wide or at components; and
- ii. Our views on the effectiveness of internal control relevant to risks that may affect financial reporting and other risks arising from the entity's business model and the effectiveness of related internal controls. These are provided primarily to help you to fulfil your responsibility under Code Provision 29.

The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2024 audit (including IT controls).

	High	Moderate	Low	Total
New points raised in 2023/24	1	0	0	1
Total open points as at 31 March 2024	1	0	0	1

Key:

-  A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.
-  Matters are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
-  Matters are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

Assessment of Control Environment (cont'd)

Area	PPE - ICT asset management	Rating	High
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Observation	We noted that there is no reconciliation of equipment listings used for asset management purposes to the fixed asset register that supports the financial statements.
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Impact	Substantial effort was required from both management and the audit team to obtain assurance that the value of assets disclosed in the financial statements could be supported by the underlying records. We recommend that management update this reconciliation on a regular basis to obtain assurance that there is a fixed asset register in place to support the financial statements .
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Management comment	
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07

Other Reporting Issues

Other Reporting Issues

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

We must give an opinion on the consistency of the financial and non-financial information in the PCC and CC Statement of Accounts 2023/24 with the audited financial statements.

We must also review the Annual Governance Statements for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Our work in this area is still subject to final partner review, but we have not identified any matters for reporting at the time of writing this report.

Whole of Government Accounts

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

We are still awaiting guidance from the National Audit Office on the extent of the procedures to be performed for 2023/24 and we cannot issue our Audit Certificate until these procedures are complete.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

At the time of writing this report, we have not identified any issues which required us to issue a report in the public interest.

Other Reporting Issues (cont'd)

Other matters

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

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

Findings to report: On slide 6 of this report, we have set out some areas of the audit where delays in the audit process meant that we were unable to be able to issue our opinion on the financial statements by the end of December 2024 as we had communicated in our Audit Planning Report. At the time of writing this report, we still expect to issue our opinion by the backstop date.



09

Independence

Independence - Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your company, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

Relationships

There are no relationships from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

We note that the former Police and Crime Commissioner, Kim McGuinness, was invited to speak at an event hosted in our Newcastle office. We are content that this does not impair our independence, as sufficient safeguards were put in place in consultation with our independence team. The Police and Crime Commissioner was not the main speaker of the event which was held for non-audit EY clients.

Services provided by EY

There are no services provided by EY from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

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

Independence - Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our financial statements opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the PCC and CC; and
- ▶ The PCC and CC has an effective control environment
- ▶ The PCC and CC complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the PCC and CC should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. Details of our proposed scale fee variations for the audit of the PCC and CC are set out in the fee analysis on this page.

Current year fees	PCC	CC	Total
	£	£	£
Total Base Scale Fee – Code Work	100,724	52,805	153,529
Additional fees (note 1)	TBD	TBD	TBD
Total audit	TBD	TBD	TBD
Other non-audit services	Nil	Nil	Nil
Total fees	TBD	TBD	TBD

All fees exclude VAT

(1) PSAA have updated the Scale Fees for audits from 2023/24 to reflect additional audit and regulatory requirements implemented since the start of the contract period. These replace recurring charges that had been included within Scale Fee Variations. The revision to ISA (UK) 315 has impacted our scope and approach and requires us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements. The revision to the standard has not been included in the update to the scale fees. The following matters have also arisen during the audit for which we will be seeking a variation to the scale fee:

- Additional testing required over reports and information by provided by management, as they did not want to provide us with a full general ledger download without us going through the full police vetting process.
- Substantial additional audit effort required in relation to testing the existence of ICT assets, given that no reconciliation between asset management systems and the fixed asset register is performed.
- Additional audit resource being allocated to the audit, outside of the planned resource bookings, due to delays in receiving some information from management to support the audit



10

Appendices

Appendix A - Required communications with the Joint Independent Audit Committee

Required communications with the Joint Independent Audit Committee

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

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Joint Independent Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	Engagement contract with the PSAA
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report
Planning and audit approach	Communication of: <ul style="list-style-type: none"> • The planned scope and timing of the audit • Any limitations on the planned work to be undertaken • The planned use of internal audit • The significant risks identified 	Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process • Findings and issues regarding the opening balance on initial audits 	Audit Results Report

Appendix A - Required communications with the Joint Independent Audit Committee (cont'd)

Our Reporting to you

Required communications

What is reported?

When and where

Going concern

Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:

- Whether the events or conditions constitute a material uncertainty related to going concern
- Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements
- The appropriateness of related disclosures in the financial statements

Audit Results Report

Misstatements

- Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation
- The effect of uncorrected misstatements related to prior periods
- A request that any uncorrected misstatement be corrected
- Material misstatements corrected by management

Audit Results Report

Appendix A - Required communications with the Joint Independent Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> • Enquiries of the Joint Independent Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud • Any other matters related to fraud, relevant to Joint Independent Audit Committee responsibility. 	Audit Results Report
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report

Appendix A- Required communications with the Joint Independent Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Planning Report Audit Results Report</p>
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. 	<p>Audit Results Report</p>
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the Joint Independent Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Joint Independent Audit Committee may be aware of 	<p>Audit Results Report</p>
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit. 	<p>Audit Results Report</p>

Appendix B - Accounting and regulatory update

Accounting and regulatory update

Accounting update

Since the date of our last report to the Joint Independent Audit Committee, a number of new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on Police and Crime Commissioner for Northumbria Group
IFRS 16 Leases	<ul style="list-style-type: none"> • CIPFA have confirmed there will be no further delay of the introduction of the leases standard IFRS 16. • Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability. • Lease liabilities and right of use assets will be subject to more frequent remeasurement. • The standard must be adopted by 1 April 2024 at the latest 	<ul style="list-style-type: none"> • We have assessed the Authority's readiness to implement IFRS 16 as part of our 2023/24 programme of work. That assessment considered: <ul style="list-style-type: none"> • The processes to collect the required data. • Whether reasonable accounting policy choices had been made. • Whether relevant finance staff are familiar with the requirements of the CIPFA Code in this area and training has been provided. • The transitional and ongoing accounting arrangements that have been established. • Systems and processes to establish and distinguish between lease remeasurements and modifications. • Based on this assessment we have noted that the Authority and the Group concluded that 29 of the 84 lease arrangements will be impacted by IFRS16 requirements. We have concluded that the Authority the Group have reasonable arrangements in place to support the adoption of IFRS 16 in 2024/25.

Appendix D – Management representation letter

Draft management representation letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young LLP
Citygate, St James' Boulevard,
Newcastle upon Tyne
NE1 4JD,
United Kingdom

This letter of representations is provided in connection with your audit of the financial statements of Police and Crime Commissioner for Northumbria Group ("the Group") for the year ended 31 March 2024.

We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Authority financial position of Police and Crime Commissioner for Northumbria Group as of 31 March 2024 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority.

Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
2. We acknowledge, as members of management of the Authority our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Appendix D – Management representation letter

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We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

6. We confirm the Authority does not have securities (debt or equity) listed on a recognized exchange.

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

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

2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.

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

4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Authority (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:

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

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

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

3. We have made available to you all minutes of the meetings of the Authority and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the 2023/24 to the most recent meeting on the following date: [list date].

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

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

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

Appendix D – Management representation letter

Draft management representation letter

7. From 1 April 2023 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

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

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

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note [X] to the financial statements all guarantees that we have given to third parties.

E. Ownership of Assets

1. Except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral, other than those that are disclosed in Note [X] to the financial statements. All assets to which the Authority has satisfactory title appear in the balance sheet.

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

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

4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. Except as disclosed in the financial statements, we have no other line of credit arrangements.

F. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the IAS 19 Pension disclosures, Property, Plant and Equipment and Investment Property valuations and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

G. Estimates

When we have identified a higher risk estimate, we include the following representation(s):

1. We confirm that the significant judgments made in making the Property, Plant and Equipment and IAS 19 Pension Valuations have taken into account all relevant information of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the Property, Plant and Equipment and IAS 19 Pension Valuations.

3. We confirm that the significant assumptions used in making the Property, Plant and Equipment and IAS 19 Pension Valuations appropriately reflect our intent and ability to carry out the assessments and valuations, and any specific courses of action on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

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5. We confirm that appropriate specialized skills or expertise has been applied in making the Property, Plant and Equipment and IAS 19 Pension Valuations.

6. We confirm that no further adjustments are required to the accounting estimate(s) and disclosures in the financial statements.

H. Retirement benefits

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

I. Reserves

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

J. Contingent Liabilities

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

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

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

2. Matters referred to in the letters dated [date] issued to you by the Authority's Monitoring Officer and the Authority's legal advisor.

K. Going Concern

1. Note [X] to the financial statements discloses all the matters of which we are aware that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

L. Subsequent Events

1. Other than..... described in Note [X] to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

M. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Annual Governance Statement and Narrative Statement.

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

3. We confirm that the Annual Governance Statement for 2023/24 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2023/24 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

Appendix D – Management representation letter

Draft management representation letter

N. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered including the impact resulting from the commitments made by the Authority and reflected in the financial statements.

2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), aligned with the statements we have made in the other information or other public communications made by us.

Yours faithfully,

Chief Financial Officer

(Police, Crime Commissioner for Northumbria / Chief Constable of Northumbria)

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