

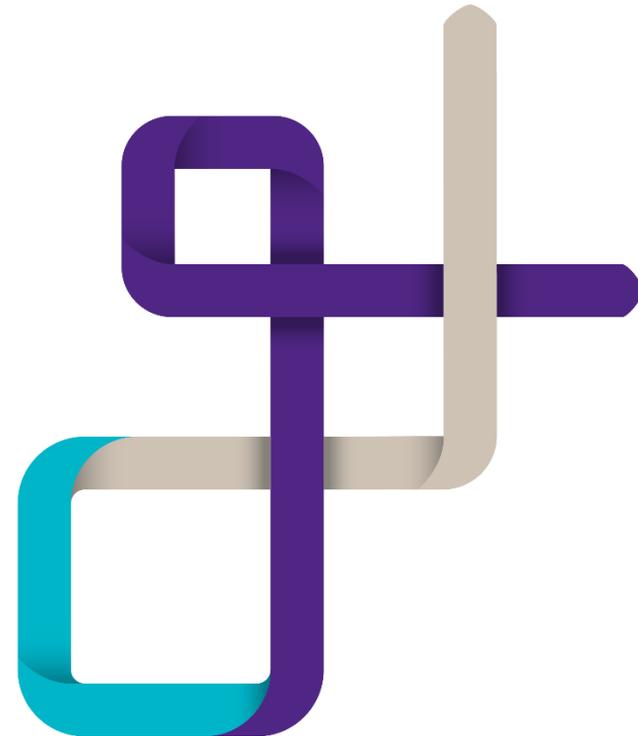
Joint External Audit Plan

Year ending 31 March 2018

Police and Crime Commissioner for West Mercia
and Chief Constable for West Mercia
March 2018

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report. This draft has been created from the template dated DD MMM YYYY



Contents



Your key Grant Thornton team members are:

Alex Walling

Associate Director

T: (0117) 305 7600

E: alex.j.walling@uk.gt.com

Joan Barnett

Manager

T: (0121) 232 5399

E: joan.m.barnett@uk.gt.com

Martin Stevens

Executive

T: (0121) 232 5313

E: martin.p.stevens@uk.gt.com

Section	Page
1. Introduction & headlines	3
2. Deep business understanding	4
3. Significant risks identified	5
4. Reasonably possible risks identified	7
5. Other matters	9
6. Materiality	10
7. Group audit scope and risk assessment	11
8. Value for Money arrangements	12
9. Audit logistics, team & audit fees	13
10. Early close	14
11. Independence & non-audit services	15
Appendices	
A. Revised ISAs	17

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the PCC or the Chief Constable or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audits of both the Police and Crime Commissioner for West Mercia ('the PCC') and the Chief Constable for West Mercia ('the Chief Constable') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of both the PCC and the Chief Constable. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements of the PCC, the Chief Constable and the Group (including the Annual Governance Statements for both entities) that have been prepared by management with the oversight of those charged with governance (the PCC and the Chief Constable); and
- Value for Money arrangements in place at the each body for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management, the PCC or the Chief Constable of your responsibilities. It is the responsibility of the bodies to ensure that proper arrangements are in place for the conduct of their business, and that public money is safeguarded and properly accounted for. We have considered how the PCC and the Chief Constable are fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the PCC's and Chief Constable's business and is risk based.

Significant risks	<p>Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:</p> <ul style="list-style-type: none"> • Management override of controls • Valuation of the pension fund net liability • Valuation of property, plant and equipment <p>We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Joint Audit Findings (ISA 260) Report.</p>
Materiality	<p>We have determined planning materiality to be £4.5m (PY £4.4m), which equates to 2% of your forecast gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. 'Clearly trivial' has been set at £225k (PY £219k).</p>
Value for Money arrangements	<p>Our risk assessment across both entities regarding your arrangements to secure value for money has identified the following VFM significant risk:</p> <ul style="list-style-type: none"> • Alliance response to HMIC PEEL Legitimacy Inspection grading of "requires improvement". (This risk will also apply to the forthcoming PEEL inspection outcome for Effectiveness should the grading be below "good")
Audit logistics	<p>Our interim visits will take place in January and March, and our final visit will take place between June and July. Our key deliverables are this Joint Audit Plan and our Joint Audit Findings Report.</p> <p>Our fee for the audit will be no less than £34,260 (PY: £34,260) for the PCC and no less than £18,750 (PY: £18,750) for the Chief Constable.</p>
Independence	<p>We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express objective opinions on the financial statements for both entities and the Group.</p>

Deep business understanding

Changes to service delivery

Blue light collaboration

The provisions of the Policing and Crime Act 2017 came into effect on 3 April 2017. These provisions included:

- introducing the duty to collaborate on all three emergency services;
- enabling PCCs to take on FRA functions where a local case is made;
- enabling PCCs to create a single employer for police and fire staff; and
- where PCCs do not become responsible for fire and rescue, enabling representation on the FRA with voting rights where the FRA agrees

The PCC has submitted a case to the Home Office to take on FRA functions. The outcome is not known at the time of writing this report.

Transformation plans

A number of PCCs and Forces across the country are undergoing service transformations of varying degrees.

The Alliance is undergoing a Transformation Programme “Looking to 2020” which aims to transform the way policing is delivered to ensure that, with partners, the alliance continues to best protect people living in your communities from harm. Your ambition is also to become great at protecting the most vulnerable people.

You appointed a Transformation Director in July 2017 and work is ongoing to deliver the Transformation Programme.

A major project – go live of the two OCCs - is scheduled to happen in August 2018.

Changes to financial reporting requirements

Accounts and Audit Regulations 2015 (the Regulations)

A review of the Regulations is currently being undertaken by the Department of Communities and Local Government (DCLG), meaning that they may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.

Should any changes be made to the Regulations which would impact on the 2017/18 financial year, we will discuss the potential effects of these with you as soon as possible.

Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by Tuesday 31 July 2018.

Changes to the 2017/18 CIPFA Code of Practice on Local Authority Accounting

CIPFA have introduced minor changes to the 2017/18 Code which:

- introduce key reporting principles for the Narrative Report;
- clarify the reporting requirements for accounting policies and going concern reporting; and
- update the relevant sections regarding reporting requirements for Leases, Service Concession arrangements and Financial Instruments.

Key challenges

Future funding uncertainties

At the beginning of 2016, the implementation of the revised police funding formula in England and Wales was delayed.

Revisions to police funding may still be implemented, and for some forces this may represent a significant reduction in annual funding, having an impact on forward planning.

The funding settlement for the 2018/19 financial year was announced on 19 December 2017. This confirmed the settlement was frozen for 2018/19 and 2019/20 at the same amount as 2017/18.

Financial position

The Quarter 3 “Money Matters” report for 2017/18 forecasts an underspend of £1.2m for the year ending 31 March 2018.

The Medium Term Financial Plan to 2021/22 is balanced. It is anticipated that reserves at the end of this period will be £13.042m which is above the minimum level of general reserves of £10.5m advised by the PCC’s treasurer.

Our response

- We will consider your arrangements at each entity for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusions.
- We will consider whether your individual and group financial positions lead to uncertainty about the going concern assumption and will review any related disclosures in the financial statements. This is a new requirement of the revised ISAs rather than a specific concern for the PCC and Chief Constable. Further detail is provided in Appendix A.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinions on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	PCC or Chief Constable?	Reason for risk identification	Key aspects of our proposed response to the risk
<p>The revenue cycle includes fraudulent transactions</p>	Both	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the PCC, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including the PCC for West Mercia, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for the PCC.</p> <p>For the Chief Constable, revenue is recognised to fund costs and liabilities relating to resources consumed in the direction and control of day-to-day policing. This is shown in the Chief Constable’s financial statements as a transfer of resources from the PCC to the Chief Constable for the cost of policing services. Income for the Chief Constable is received entirely from the PCC.</p> <p>Therefore we have determined that the risk of fraud arising from revenue recognition is not a significant risk for the Chief Constable.</p>
<p>Management override of controls</p>	Both	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The PCC and Chief Constable face external scrutiny of their spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> • gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness • evaluate the rationale for any changes in accounting policies or significant unusual transactions.

Significant risks identified

Risk	PCC or Chief Constable?	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of property, plant and equipment	PCC	<p>The PCC revalues land and buildings on a rolling 5-yearly basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; consider the competence, expertise and objectivity of any management experts used; hold discussions with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions; review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding; test revaluations made during the year to ensure they are input correctly into the PCC's asset register; and evaluate the assumptions made by management for those assets not revalued during the year and consider how management has satisfied themselves that these are not materially different to current value.
Valuation of pension fund net liability	Both	<p>The Local Government Pension Scheme (LGPS) pension net liability as reflected in the balance sheet, and asset and liability information disclosed in the notes to the accounts, represent significant estimates in the financial statements.</p> <p>The Police Officer Pension schemes pension fund liability as reflected in the balance sheet and notes to the accounts represent significant estimates in the financial statements.</p> <p>These estimates by their nature are subject to significant estimation uncertainty, being very sensitive to small adjustments in the assumptions used.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement; evaluate the competence, expertise and objectivity of the actuaries who carried out your pension fund valuations. We will gain an understanding of the basis on which the valuations are carried out; undertake procedures to confirm the reasonableness of the actuarial assumptions made; and check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial reports from your actuaries.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Joint Audit Findings Report in July 2018.

Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	PCC or Chief Constable?	Reason for risk identification	Key aspects of our proposed response to the risk
Employee remuneration	Both	<p>Payroll expenditure represents a significant percentage of the Chief Constable's (and therefore the group's) operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the PCC's and the Chief Constable's accounting policies for recognition of payroll expenditure for appropriateness; • gain an understanding of the entities' system for accounting for payroll expenditure, and evaluate the design of the associated controls; • obtain year-end payroll reconciliation and ensure amounts in the accounts can be reconciled to the ledger and through to payroll reports. Investigate any significant adjusting items; • agree payroll related accruals (e.g. unpaid leave accrual) to supporting documentation and review any estimates for reasonableness. Consider whether this may be understated and whether any omissions to the accruals exist; and • perform substantive analytical procedures on payroll data disaggregated by month. Ensure the audit team have gained assurance over the completeness of staff FTEs before undertaking this work.
Operating expenses	Both	<p>Non-pay expenses on other goods and services also represents a significant percentage of the Chief Constable's (and therefore the group's) operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the PCC's and Chief Constable's accounting policies for recognition of non-pay expenditure for appropriateness; • gain an understanding of the PCC's and Chief Constable's systems for accounting for non-pay expenditure and evaluate the design of the associated controls; • test the reconciliation of creditors ledger to the general ledger; • document the accruals process and the controls management have put in place, including GRNI. Challenge any key underlying assumptions, the appropriateness of source data used and the basis for calculations; and • obtain a listing from the cash book of non-pay related payments made in April. Test a sample and ensure that any payments have been charged to the appropriate year and any accruals which should have been accrued, have been.

Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	PCC or Chief Constable?	Reason for risk identification	Key aspects of our proposed response to the risk
Police pension schemes benefits payable	Chief Constable (and group)	<p>The Chief Constable administers three police pension schemes, with the Police Pension Fund Account being included in the Chief Constable's and therefore the group's financial statements.</p> <p>We identified completeness and accuracy of pension benefits payable as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> • gain an understanding of the Chief Constable's systems for calculating, accounting for and monitoring pension benefit payments and evaluate the design of the associated controls; • test the reconciliation of pension benefit payments recorded in the general ledger to subsidiary systems; and • undertake substantive testing of pension benefit lump-sum payments made in the year.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statements are in line with the guidance issued and consistent with our knowledge of both the PCC and the Chief Constable.
- We will read your Narrative Reports and check that they are consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the PCC or the Chief Constable, copied to the Secretary of State.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

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

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

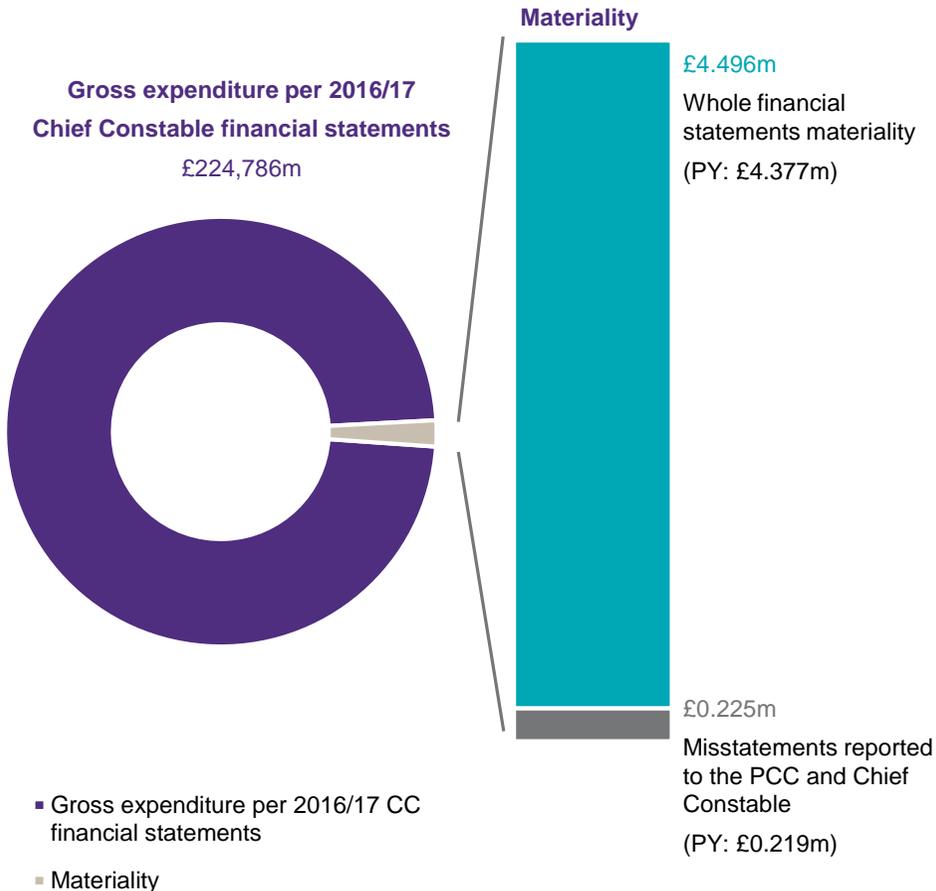
We propose to calculate financial statement materiality based on a proportion of gross expenditure for the financial year. We will use the lowest of the gross expenditures of the PCC, the Chief Constable and the group for this calculation. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £4.5m (PY £4.4m), which equates to 2% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the PCC and the Chief Constable

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the PCC and the Chief Constable any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the PCC and the Chief Constable, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £225k (PY £219k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the PCC and the Chief Constable to assist them in fulfilling their governance responsibilities.



Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA (UK and Ireland) 600	Risks identified	Planned audit approach
Police and Crime Commissioner (parent)	Yes	Comprehensive	See pages 5 to 8	Full scope UK statutory audit performed by Grant Thornton UK LLP
Chief Constable (subsidiary)	Yes	Comprehensive	See pages 5 to 8	Full scope UK statutory audit performed by Grant Thornton UK LLP

Audit scope:

Comprehensive – the component is of such significance to the group as a whole that an audit of the components financial statements is required

Targeted – the component is significant to the Group, audit evidence will be obtained by performing targeted audit procedures rather than a full audit

Analytical – the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level

Value for Money arrangements

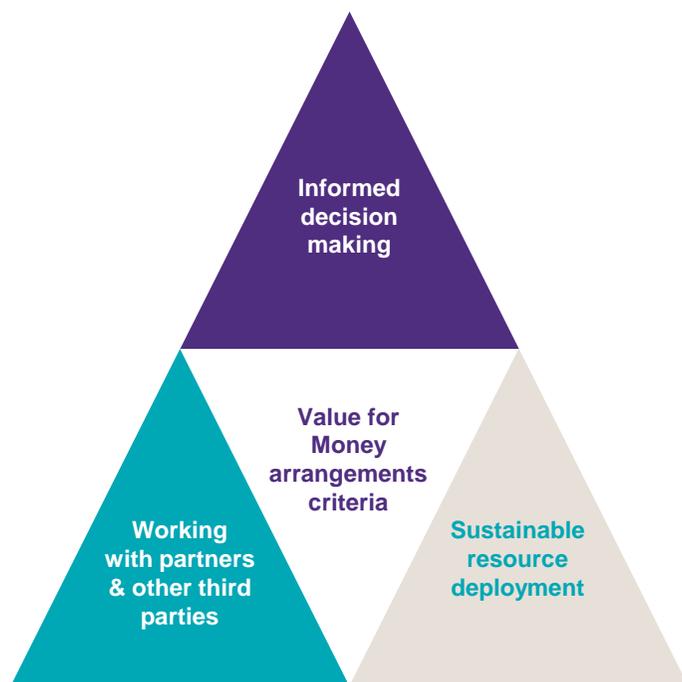
Background to our VFM approach

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

The guidance identifies one single criterion for auditors to evaluate:

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

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



Significant VFM risks

Those risks requiring specific audit consideration and procedures to address the likelihood that proper arrangements are not in place at the PCC and/or the Chief Constable to deliver value for money. This significant VFM risk we have identified relates to the Chief Constable.

Alliance Response to HMIC Inspection findings

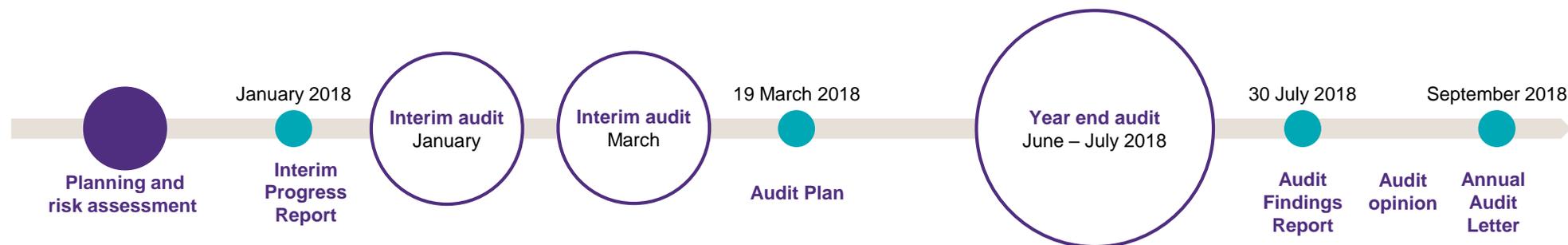
 HMICFRS' PEEL inspection 2017 rated West Mercia as "requiring improvement" in the area of legitimacy. (HMICFRS is due to grade the force re Effectiveness in March 2018; and its overall PEEL assessment in Spring 2018).

Work is ongoing to address the findings of this and previous HMICFRS inspections. And progress in delivering improvements is regularly reported to the Alliance Governance Group, the Executive Board and the Joint Audit Committee.

We are required to consider the findings of HMIC as part of our VFM work.

In response to this risk we will review how the Force continues to implement and monitor delivery of plans to address the findings of HMICFRS.

Audit logistics, team & audit fees



Alex Walling, Engagement Lead

Alex's role will be to lead our relationship with you. She will take overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value.



Joan Barnett, Audit Manager

Joan's role will be to be a key contact with the Chief Finance Officer and the Joint Audit Committee.



Martin Stevens, Audit Incharge

Martin's role will be to be the day to day contact for finance staff. He will take responsibility for ensuring there is effective communication and understanding by the finance team of audit requirements.

Audit fees

The planned audit fees are no less than £34,260 (PY: £34,260) for the financial statements and vfm audits for the PCC, and no less than £18,750 (PY: £18,750) for the financial statements and vfm audits for the Chief Constable.

In setting your fee, we have assumed that the scope of the audit, and the PCC and the Chief Constable and their activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the early close timeframe

Bringing forward the statutory date for publication of audited police accounts to 31 July this year, across the whole sector, is a significant challenge for audited bodies and auditors alike. For audited bodies, the time available to prepare the accounts and secure an audit opinion is curtailed.

Successful delivery of early close depends on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible
- working with you to agree detailed plans, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audits in sufficient time to meet the earlier deadline. We completed the audit on 30 July 2017 last year so you are well placed to meet the deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time. We will therefore conduct audits in line with the timetable set out in the audit plan (as detailed on page 12). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we may not be able to maintain a team on site. Similarly, where additional audit time is needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after, the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- are able to respond promptly to the interim audit and facilitate the provision of all evidence and supporting information to enable early testing to be completed during the interim audit
- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative reports and the Annual Governance Statements
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and regular meetings during the interim and final accounts audits
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the PCC or the Chief Constable.

Non-audit services

No non-audit services were identified

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

Appendices

A. Revised ISAs

Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	We will be required to conclude and report whether: <ul style="list-style-type: none"> • The directors' use of the going concern basis of accounting is appropriate • The directors have disclosed identified material uncertainties that may cast significant doubt about either the PCC's or the Chief Constable's ability to continue as going concerns.
Other information	We will be required to include a section on other information which includes: <ul style="list-style-type: none"> • Responsibilities of management and auditors regarding other information • A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation • Reporting inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Format of the report	The opinion section appears first followed by the basis of opinion section.



© 2018 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.