

# **The Joint Audit Findings Police and Crime Commissioner for Warwickshire and Chief Constable for Warwickshire**

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**Year ended 31 March 2019**

**July 2019**



# Contents



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## Section

1. Headlines
2. Financial statements
3. Value for money
4. Independence and ethics

## Page

- 3
- 4
- 12
- 13

## Appendices

- A. Audit adjustments
- B. Fees

- 14
- 16

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

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# Headlines

This table summarises the key findings and other matters to date arising from the statutory audits of Warwickshire Police and Crime Commissioner ('the PCC') and Warwickshire Chief Constable and the preparation of the PCC and Chief Constable's financial statements for the year ended 31 March 2019 for those charged with governance.

<b>Financial Statements</b>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the entity's (and where relevant, the group's) financial statements:</p> <ul style="list-style-type: none"> <li>• give a true and fair view of the financial position of the entity and the entity's income and expenditure for the year; and</li> <li>• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li> </ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work is being completed on site during June and July. Our findings are summarised on pages 3 to 11. To date we have identified one adjustment to the financial statements. Audit adjustments are detailed in Appendix A.</p> <p>Our work is ongoing at the time of writing this report, and there are no matters of which we are aware that would require modification of our audit opinion for the PCC's financial statements (including the group financial statements which consolidate the financial activities of the Chief Constable) or the Chief Constable's financial statements, subject to the outstanding matters listed on the following page.</p> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisations and the financial statements we have audited.</p>
<b>Value for Money arrangements</b>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, both entities have made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We are still in the process of completing our risk based reviews of the PCC's and Chief Constable's value for money arrangements.</p>
<b>Statutory duties</b>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> <li>• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li> <li>• To certify the closure of the audits.</li> </ul>	<p>We have not exercised any of our additional statutory powers or duties to date for either entity.</p> <p>We expect to be able to certify the completion of the audits when we give our audit opinion.</p>

## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

# Summary

## Overview of the scope of our audit

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

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

## Our approach to materiality

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

Materiality calculations remain the same as reported in our audit plan. For our audit testing purposes we apply the lowest of these materiality levels, which is £2,100k (PY £2,100k), which equates to 1.9% of the PCC's prior year gross expenditure:

	Group Amount (£)	Chief Constable Amount (£)	PCC Amount (£)
Materiality for the financial statements	£2,300k	£2,200k	£2,100k
Performance materiality	£1,725k	£1,650k	£1,575k
Trivial matters	£105k	£105k	£105k
Materiality for disclosures relating to:	£100k	£100k	£100k
• Senior Officer Remuneration; and			
• Exit Packages.			

## Audit approach

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

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

We have not had to alter or change our audit plan, as communicated to you in January.

## Conclusion

We have substantially completed our audits of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the satisfactory completion of our work. These outstanding items include:

- completion of our testing of samples of items of the group's income and expenditure;
- testing of standalone disclosures relating to staff pay and exit packages;
- consideration of the ongoing uncertainties for the Chief Constable and PCC following the dissolution of the strategic alliance with West Mercia;
- ongoing quality reviews by the audit manager and engagement lead;
- receipt of the signed management representation letters; and
- review of the final, approved, set of financial statements.

# Significant findings – audit risks

Risks identified in our Audit Plan	Relates to	Commentary
<p><b>1 The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>PCC and Chief Constable</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the group, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including the PCC and Chief Constable for Warwickshire, mean that all forms of fraud are seen as unacceptable</li> </ul> <p><b>Therefore we do not consider this to be a significant risk for the PCC and Chief Constable.</b></p> <p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p><b>2 Management over-ride of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The PCC and Chief Constable face external scrutiny of their spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>PCC and Chief Constable</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• evaluated the design effectiveness of management controls over journals;</li> <li>• analysed the journals listing and determine the criteria for selecting high risk unusual journals;</li> <li>• tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>We have not identified any issues in respect of management override of controls.</p>

# Significant findings – audit risks

Risks identified in our Audit Plan	Relates to	Commentary
<p><b>3 Valuation of land and buildings (Rolling revaluation)</b></p> <p>The PCC revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the PCC and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	PCC only	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert;</li> <li>communicated with the valuer to confirm the basis on which the valuation was carried out;</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;</li> <li>tested revaluations made during the year to see if they had been input correctly into the PCC's asset register; and</li> <li>evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul> <p>We have not identified any issues in respect of valuations of the PCC's property.</p>

# Significant findings – audit risks

Risks identified in our Audit Plan	Relates to	Commentary
<p><b>4 Valuation of the pension fund net liability</b></p> <p>The group's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£X million in the group's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>PCC and Chief Constable</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• updated our understanding of the processes and controls put in place by management to ensure that the group's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assessed the competence, capabilities and objectivity of the actuary who carried out the group's pension fund valuations;</li> <li>• assessed the accuracy and completeness of the information provided by the group to the actuary to estimate the liability;</li> <li>• tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and</li> <li>• undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.</li> </ul> <p>The PCC and Chief Constable requested that the actuary give consideration to the liability arising as a result of the legal ruling around age discrimination (McCloud), which were omitted from the first actuarial valuation. This resulted in increases in gross pension liabilities of £49m. The financial statements have been amended for this issue. See pages 14 and 15 for further detail.</p> <p>Our audit work in this area has not identified any other issues in respect of valuation of the Chief Constable's and group's net pension liabilities.</p>

# Significant findings – key judgements and estimates



	Relates to	Summary of management's policy	Audit Comments	Assessment																								
<b>Net pension liability</b>  Draft: £1,157.2m Final: £1,206.1m	PCC and Chief Constable	<p>The group's net pension liability at 31 March 2019 is £1,206.1m (PY £1,095.5m) comprising obligations under the Police Pension Schemes and the Warwickshire Local Government Pension Scheme.</p> <p>The group use GAD and Hymans Robertson to provide actuarial valuations of the group's assets and liabilities derived from the schemes.</p> <p>A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<ul style="list-style-type: none"><li>We have no concerns over the competence, capabilities and objectivity of the actuaries used by the group.</li><li>We have used the work of PwC, as auditors expert, to assess the actuary and assumptions made by the actuaries. See below for consideration of key assumptions in the Police Pension Fund valuation:</li></ul> <table><tr><th>Assumption</th><th>GAD's Value</th><th>PwC's expected range</th><th>Assessment</th></tr><tr><td>Discount rate</td><td>2.45%</td><td>2.45%</td><td>●</td></tr><tr><td>Pension increase rate</td><td>2.35%</td><td>2.35%</td><td>●</td></tr><tr><td>Salary growth</td><td>4.35%</td><td>4.35%</td><td>●</td></tr><tr><td>Life expectancy – Males currently aged 45 / 65</td><td>24.6 22.7</td><td>22.6 – 24.6 20.7 – 22.7</td><td>●</td></tr><tr><td>Life expectancy – Females currently aged 45 / 65</td><td>26.2 24.3</td><td>22.6 – 26.2 20.0 – 24.3</td><td>●</td></tr></table> <ul style="list-style-type: none"><li>No issues were noted with the completeness and accuracy of the underlying information used to determine the estimate.</li><li>There have been no changes to the valuation method since the previous year, other than the updating of key assumptions above.</li><li>We have confirmed that the group's share of the Local Government Pension Scheme assets is in line with expectations.</li><li>Disclosure of the estimate in the financial statements is considered adequate.</li><li>A material adjustment has been made to the financial statements as a result of the omission of liabilities relating to McCloud (see pages 14 and 15).</li></ul>	Assumption	GAD's Value	PwC's expected range	Assessment	Discount rate	2.45%	2.45%	●	Pension increase rate	2.35%	2.35%	●	Salary growth	4.35%	4.35%	●	Life expectancy – Males currently aged 45 / 65	24.6 22.7	22.6 – 24.6 20.7 – 22.7	●	Life expectancy – Females currently aged 45 / 65	26.2 24.3	22.6 – 26.2 20.0 – 24.3	●	<div>●</div>
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## Assessment





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



# Significant findings – key judgements and estimates

	Relates to	Summary of management's policy	Audit Comments	Assessment
<b>Land and Buildings</b> £74.3m	PCC	<p>The PCC has engaged PPL to complete the valuation of its properties. Approximately 90% of the PCC's Land and Building assets were subject to a full, formal valuation process at the balance sheet date, with the remaining 10% last valued in March 2018.</p> <p>The PCC's Land and buildings comprises specialised assets such as police stations, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p>	<ul style="list-style-type: none"> <li>We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate.</li> <li>We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the PCC.</li> <li>There have been no changes to the valuation method this year.</li> <li>We have considered the movements in the valuations of individual assets and their consistency with indices provided by Gerald Eve as our auditor's expert. This work has not raised any issues with the 2018/19 valuations.</li> <li>Disclosure of the estimate in the financial statements is considered adequate.</li> </ul>	
<b>Other accruals and estimates</b>	PCC and Chief Constable	The PCC and Chief Constable continue to apply estimates and judgements in a number of areas, such as accruals of income and expenditure.	<ul style="list-style-type: none"> <li>The policies for these items are in line with accounting standards and the requirements of the Code of Practice on Local Authority Accounting.</li> <li>Disclosure of the estimates in the financial statements is considered adequate.</li> <li>As part of our testing, we have reviewed the judgements applied by the PCC and Chief Constable relating to these items, and significant balances within these have been discussed with management in detail.</li> <li>We have found no material misstatements in the financial statements relating to these balances.</li> </ul>	

## Assessment

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

# Other communication requirements

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

Issue	Commentary
① <b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Joint Audit and Standards Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
② <b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
③ <b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
④ <b>Written representations</b>	Letters of representation have been requested from each of the PCC (including specific representations in respect of the group), and the Chief Constable.
⑤ <b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to the PCC's counterparties. This permission was granted and the requests were sent. Where responses were not received, we undertook alternative procedures to confirm balances with no issues noted.
⑥ <b>Disclosures</b>	Our review found no material omissions in the financial statements.
⑦ <b>Audit evidence and explanations / significant difficulties</b>	All information and explanations requested from management was provided.

# Other responsibilities under the Code

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

# Value for Money

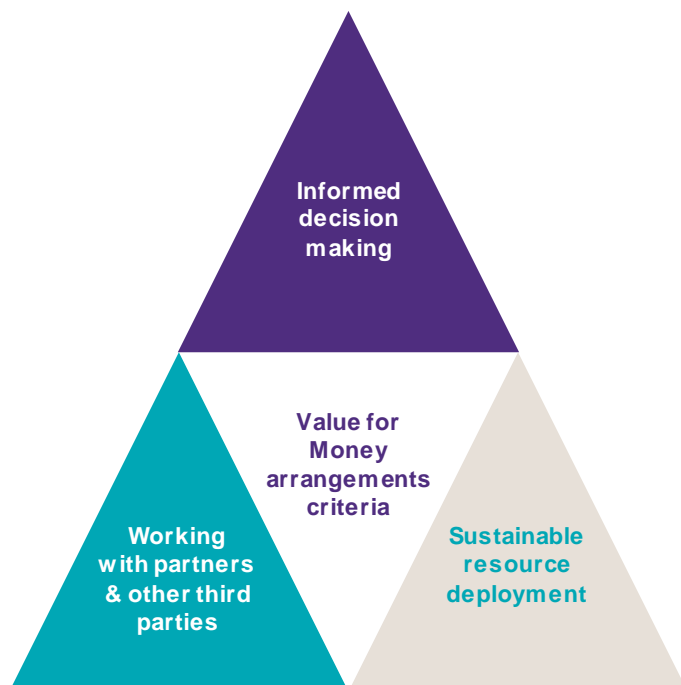
## Background to our VFM approach

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

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

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

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



## Risk assessment

We carried out an initial risk assessment in March 2019 and identified two significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our update in April:



### The dissolution of the strategic alliance

Warwickshire Police and West Mercia Police have been in a strategic alliance since 2012. On 9 October 2018, West Mercia's PCC and Chief Constable issued a joint notice to their counterparts in Warwickshire setting out that they will withdraw from the alliance agreement, as it stands, on the 9 October 2019. This allowed 12 months for each Force to plan for a smooth exit and design the services, which will be in place post October 2019.



### Project management and delivery

Internal audit's report on the alliance's fleet telematics project has raised fundamental issues relating to decision making, project management and contract management.

Although the telematics contract itself does not have a material financial value, the alliance has a number of other significant projects in train, some of which are experiencing delays and issues of their own.

We will continue our review of relevant documents up to the date of giving our report, and have not identified any further significant risks to date.

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

## Our work

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

We have focused our work on the significant risks that we identified in the PCC and Chief Constable's arrangements.

At the time of writing this report, our work to inform the value for money conclusion is ongoing.

# Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix B.

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

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

# Audit Adjustments – Chief Constable

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

## Impact of adjusted misstatements

All adjusted misstatements known at the time of drafting this report are set out in detail below along with the impact on the key statements for the year ending 31 March 2019. Adjustments in the Chief Constable's financial statements will also be adjustments in the group position in the PCC's financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000
<b>Actuarial Valuations</b>		
As discussed on page 7, our work identified an adjustment to the net pension liability as at 31 March 2019.		
The actuary's initial valuations did not give consideration to the liability arising as a result of changes relating to a legal ruling around age discrimination (McCloud).		
The Chief Constable instructed GAD (their actuary) to reperform their valuations, with the revised valuation including liabilities as a result of McCloud of £48,100k.		
The following adjustment has therefore been made to the financial statements:		
Dr Past Service Costs (Cost of Services)	48,100k	
Cr Gross Pension Liability		(48,100k)
<b>Total Adjustment</b>	<b>£48,100k</b>	<b>(£48,100k)</b>

At the time of writing our report, we are not aware of any other potential adjustments to the financial statements.

# Audit Adjustments – PCC

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

## Impact of adjusted misstatements

All adjusted misstatements known at the time of drafting this report are set out in detail below along with the impact on the key statements for the year ending 31 March 2019. In addition to adjustments in the PCC's position, adjustments in the Chief Constable's financial statements will also impact on the group position in the PCC's financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000
<b>Actuarial Valuations</b>		
As discussed on page 7, our work identified an adjustment to the net pension liability as at 31 March 2019.		
The actuary's initial valuations did not give consideration to the liability arising as a result of changes relating to a legal ruling around age discrimination (McCloud).		
The PCC instructed Mercer (their actuary) to reperform their valuations, with the revised valuation including liabilities as a result of McCloud of £810k.		
The following adjustment has therefore been made to the financial statements:		
Dr Past Service Costs (Cost of Services)	810k	
Cr Gross Pension Liability		(810k)
<b>Total Adjustment</b>	<b>810k</b>	<b>(810k)</b>
<b>Total Adjustment – Group Accounts</b>		
	<b>£48,910k</b>	<b>(£48,910k)</b>

At the time of writing our report, we are not aware of any other potential adjustments to the financial statements.

# Fees

We confirm below our fees charged for the audit to date and also confirm that there were no non-audit services charged in 2018/19.

## Audit Fees

Our Audit Plan included a PSAA published scale fee for 2018/19 of £23,897 for the PCC and £11,550 for the Chief Constable. Our audit approach, including the risk assessment, continues as the year progresses and fees are reviewed and updated as necessary as our work progresses.

## Update to our risk assessment – Additional work in respect of the audit code

The table below sets out the additional work which we have undertaken to complete the audit, along with the impact on the audit fee where possible. Please note that these proposed additional fees are estimates based on our best projection of work and will be subject to approval by PSAA in line with the Terms of Appointment.

## Additional Audit Fees

Area of work	Timing	Comment	£
Assessing the impact of the McCloud Ruling (PCC and CC)	June – July 2019	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we considered the impact on the financial statement along with any audit reporting requirements. This included consultation with our own internal actuary in their capacity as an auditor expert.	1,500
Pensions – IAS 19 (PCC and CC)	June - July 2019	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year.	1,500
PPE Valuation – work of experts (PCC only)	June - July 2019	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE Valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	1,500

We may need to give consideration to further additional fees upon completion of work performed relating to the dissolution of the alliance.

## Total Audit Fees

	2017/18 Fee	2018/19 Scale Fee	Proposed final fee
<b>PCC Audit</b>	31,035	23,897	TBC
<b>Chief Constable Audit</b>	15,000	11,550	TBC
<b>Total audit fees (excluding VAT)</b>	<b>46,035</b>	<b>£35,447</b>	<b>TBC</b>





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