

The Joint Audit Findings for West Mercia Police & Crime Commissioner and Chief Constable

Year ended 31 March 2021

November 2021



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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 and/or Chief Constable or all 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.

This Audit Findings presents the observations arising from the audit 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. Its contents have been discussed with management and will be reported to the Joint Audit and Standards Committee.

Jackson Murray

For Grant Thornton UK LLP

November 2021

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of West Mercia Police & Crime Commissioner ('the PCC') and West Mercia Chief Constable's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

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 financial statements:

- give a true and fair view of the financial positions of the PCC and Chief Constable's income and expenditure for the year; and
- 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.

We are also required to report whether other information published together with the audited financial statements (including the Joint Annual Governance Statement (AGS) and Narrative Reports), are materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Our audit work has been completed remotely, beginning in August 2021. Our findings are summarised on pages 5 to 16.

Adjustments identified in respect of the audit are detailed in Appendix C.

We have also raised a recommendation for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audits are detailed in Appendix B.

Our work is substantially complete, and at the time of drafting the following audit work remains outstanding:

- ~~receipt of the final confirmation of year end borrowing from the counter party;~~
- ~~completion of our review of system reports being run by the finance systems team to ensure that they have not been subject to any manipulation (to be completed in person);~~
- completion of our audit procedures on the valuation of the net defined benefit pension liability;
- ~~receipt of evidence to support our sampled land and building valuations and satisfactory completion of this testing; and~~
- completion of final quality reviews and satisfactory responses to any questions arising from these.

Following satisfactory completion of the above procedures, we will be in a position to issue the audit opinions following:

- receipt and review of the final signed sets of financial statements; and
- receipt and review of the management representation letters.

We have concluded that the other information to be published with each set of financial statements is consistent with our knowledge of your organisations and the financial statements we have audited.

Our anticipated audit report opinions will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the PCC and Chief Constable have put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources. Auditors are now required to report in more detail on the overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the arrangements under the following specified criteria:

- improving economy, efficiency and effectiveness;
- financial sustainability; and
- Governance.

We have completed our VFM work, which is summarised on page 17, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the PCC and Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Group's Whole of Government Accounts return.

At the date of this report, the data collection tool has not been issued to management and the National Audit Office have not yet released the auditor guidance for Whole of Government Accounts returns for 2020/21. As a result, we will delay the audit certificates until such time that we are able to complete the work required. This is an issue that affects all Local Government organisations.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Joint Audit Findings Report presents the observations arising from our 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 the Joint Audit and Standards Committee.

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

Audit approach

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

- an evaluation of the PCC's and Chief Constable's internal controls environment, including 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 our Joint Audit Plan, as communicated to you in June 2021.

Conclusion

We have substantially completed our audits of your financial statements and subject to outstanding queries on page 3 being resolved, we anticipate issuing unqualified audit opinions on the financial statements of both the Group & PCC and the Chief Constable following the Joint Audit and Standards Committee meeting on 22 November 2021. The draft opinions are detailed in Appendix E and F.

Acknowledgements

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

The impact of the pandemic has meant that our audit team faced audit challenges again this year, such as remote access working arrangements including remote accessing financial systems, video calling, and additional procedures to verify the completeness and accuracy of information provided remotely.

In addition to the extended time that this has placed on the audit, increased regulatory expectations and focus have meant that both teams have spent significant amounts of time completing the audit for the 2020/21 financial year.

2. 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 levels remain the same as reported in our Joint Audit Plan in June 2021.

We detail in the table the materiality used for our audits. As previously reported, we use the lowest of the group, PCC and Chief Constable audits for our testing purposes to ensure sufficient assurance is obtained.

	PCC Amount (£)
Materiality for the financial statements	4,950,000
Performance materiality	3,465,000
Trivial matters	248,000
Materiality for disclosures relating to remuneration of senior officers, due to their sensitive nature	20,000

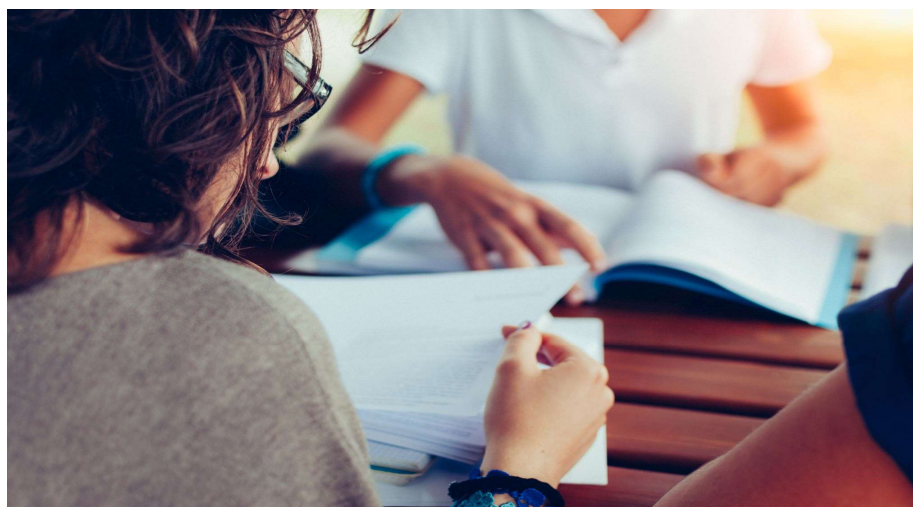


2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Relates to	Commentary
<p>Management override of controls</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.</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>	PCC, Chief Constable and Group	<p>We have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determined the criteria for selecting high risk unusual journals; identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; and gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. <p>Our sample testing to date has not identified any significant issues in respect of journals posted in year. As set out on page 3, we are awaiting the evidence for the final three items of our sample to allow us to conclude this work.</p> <p>More information on key estimates and judgements in respect of PPE and pensions valuations can be found on pages 10 to 13.</p>



2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>Improper revenue recognition</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>These risks can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue or expenditure recognition.</p>	PCC, Chief Constable and Group	<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; and • the culture and ethical frameworks of local authorities, including the PCC, 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>We also considered the Chief Constable, and given that revenue is received in the form of a budget allocation from the PCC, we are satisfied that the risk of improper revenue recognition can also be rebutted for the Chief Constable.</p> <p>Our audit work has not identified any issues in respect of revenue recognition.</p> <p>We considered the risk of fraudulent expenditure recognition at both the PCC and Chief Constable, and were satisfied that this risk could also be rebutted.</p>
<p>Valuation of land and buildings</p> <p>The PCC (and group) revalue land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, via full valuations or on a desktop basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£80.2 million at 31 March 2020) and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified the valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	PCC and Group	<p>We have:</p> <ul style="list-style-type: none"> • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts, and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • discussed with the valuer the basis on which the valuations were carried out to ensure that the requirements of the CIPFA Code are met; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the PCC (and group's) asset register; and • evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. <p>More information on our review of the valuation of land and buildings can be found on page 10.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>Valuation of pension fund net liability</p> <p>The Group, PCC and Chief Constable's pension fund net liabilities, as reflected in the balance sheets 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 and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.</p>	<p>PCC, Chief Constable and Group</p>	<p>We have:</p> <ul style="list-style-type: none"> • 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 evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the group's pension fund valuation; • assessed the accuracy and completeness of the information provided by the group to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as an auditor's expert) and performed any additional procedures suggested within the report; and • obtained assurances from the auditor of Worcestershire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. <p>Note that our work in this area remains outstanding, and more information can be found on pages 11 and 12.</p>

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £77.1m	Group & PCC	<p>Land and buildings comprises of specialised assets such as the Constabulary's main regional police centres, 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 other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>The PCC has engaged Place Partnership Ltd (PPL) to complete the valuation of properties as at 31 March 2021, with the full portfolio valued on a cyclical basis. 40% of total assets were revalued during 2020/21.</p> <p>Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 March 2021. Management have concluded that there has not been a material movement in the value of these properties. This is due to there not being a significant amount of time passing since the items were last revalued, and is based upon the experience of the valuer and the fact that the use of all the assets remains the same.</p> <p>The total year end valuation of land and buildings was £77.1m, a net decrease of £3.1m from 2019/20 (£80.2m).</p>	<p>We have reviewed the detail of your assessment of the estimate, considering the revised requirements of ISA 540. Our work included:</p> <ul style="list-style-type: none"> an assessment of management's expert, who we found to have relevant experience and professional qualifications; review of the completeness and accuracy of the underlying information used to determine the estimate, including the re-calculation of valuation figures using national indices to determine specific asset valuations that warrant further review; review and challenge of the inputs and assumptions applied in the valuation to ensure that these appeared to be reasonable and appropriate based upon source data or other corroborative evidence; assessing the impact of any changes to valuation method; and an assessment of the adequacy of disclosure of estimate in the financial statements. <p>The valuer has concluded that the valuation report produced is not subject to a material valuation uncertainty as it was in 2019/20. This follows RICs guidance being updated since the last balance sheet date, and is in accordance with our understanding.</p> <p>Our work remains outstanding and we await evidence of the calculation sheets for some of our sampled assets from the valuer. As part of our testing we will also need to corroborate the inputs (such as floor areas) and assumption (such as yields) to supporting evidence. Our work to date has identified a £0.8m understatement of land and buildings due to a calculation error in two of the building valuations. See Appendix C for more information.</p> <p>We also need to complete our challenge of management's assessment that the assets not valued in year are not carried at a value in the Balance Sheet that is materially different to their current value, had they been subject to valuation at 31 March 2021.</p>	<p>Testing is currently ongoing</p>

2. Financial Statements - key judgements and estimates

Significant estimate	Summary of management's approach	Audit Comments	Assessment																								
<p>Net pension liability (LGPS) – £221.6m</p> <p>Consisting:</p> <p>Chief Constable LGPS - £212.5m</p> <p>Police & Crime Commissioner LGPS - £9.1m</p>	<p>The Group and Chief Constable's total net LGPS pension liability at 31 March 2021 is £221.6m (PY £187.5m) comprising the Worcestershire Pension Fund Local Government defined benefit pension scheme obligations.</p> <p>The Group, PCC and Chief Constable use Mercer to provide actuarial valuations of the assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<p>In assessing the estimate, we have considered the following:</p> <ul style="list-style-type: none"> the actuary's experience, competence and professional qualifications; the actuary's approach, through the use of PwC as an auditors expert, used to assess the methods and assumptions used (see below table for consideration of the assumptions adopted); the completeness and accuracy of the underlying information used to determine the estimate by comparing it to source records and other data provided through the audit; the impact of any changes to valuation method – none were noted; the assurances provided by the auditor of Worcestershire Pension Fund over the process and controls in place at the Fund over the information provided to the actuary; the adequacy of disclosures of estimate in the financial statements; and the reasonableness of the PCC and Chief Constable's share of LGPS pension assets. <p>The actuary used an estimated return on the scheme assets for March 2021, as they have in prior years. We did not identify any material issues arising as a result of this estimation uncertainty.</p> <table> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>PCC – 2.2% CC – 2.1%</td><td>2.1% - 2.2%</td><td>●</td></tr> <tr> <td>Pension increase rate</td><td>2.7%</td><td>2.7%</td><td>●</td></tr> <tr> <td>Salary growth</td><td>4.2%</td><td>1.5% above CPI (equal to 4.2%)</td><td>●</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>22.7 / 24.4</td><td>20.9 – 23.2 / 22.5 – 24.7</td><td>●</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>25.1 / 27.1</td><td>24 – 25.8 / 25.9 – 27.7</td><td>●</td></tr> </table> <p>Our work remains outstanding in this area and we need to conclude our work on the review of the data sent to actuary and comparing this to full year actuals, understanding the reasons for significant variances between years, querying any identified significant events and further understanding the reason for experience items.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	PCC – 2.2% CC – 2.1%	2.1% - 2.2%	●	Pension increase rate	2.7%	2.7%	●	Salary growth	4.2%	1.5% above CPI (equal to 4.2%)	●	Life expectancy – Males currently aged 45 / 65	22.7 / 24.4	20.9 – 23.2 / 22.5 – 24.7	●	Life expectancy – Females currently aged 45 / 65	25.1 / 27.1	24 – 25.8 / 25.9 – 27.7	●	Testing is currently ongoing
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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability (Police Pensions) – £2,674.4m	<p>The Group and Chief Constable's total net police pension liability at 31 March 2021 is £2,674.4m (PY £2,416.6m). As unfunded schemes, the Police Pension Schemes do not have any assets, and in-year, any shortfall in the Police Officer Pension Fund is balanced by a grant from the Home Office.</p> <p>The Group and Chief Constable use GAD to provide actuarial valuations of the assets and liabilities derived from this scheme.</p>	<p>In assessing the estimate, we have considered the following:</p> <ul style="list-style-type: none"> the actuary's experience, competence and professional qualifications; the actuary's approach, through the use of PwC as an auditors expert, used to assess the methods and assumptions used (see below table for consideration of the assumptions adopted); the completeness and accuracy of the underlying information used to determine the estimate by comparing it to source records and other data provided through the audit; the impact of any changes to valuation method – none were noted; and the adequacy of disclosures of estimate in the financial statements. <table> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>2%</td><td>2%</td><td>●</td></tr> <tr> <td>Pension increase rate</td><td>2.4%</td><td>2.4%</td><td>●</td></tr> <tr> <td>Salary growth</td><td>4.15%</td><td>4.15%</td><td>●</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>22 / 23.7</td><td>21.4 – 22 / 23.1 – 23.7</td><td>●</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>23.7 / 25.3</td><td>21.4 – 23.7 / 23.1 – 25.3</td><td>●</td></tr> </table> <p>Through central review, it was identified that GAD's individual assumption for CPI fell outside of expectations for all of GAD's reports. Our actuaries considered this individual assumption alongside the other assumptions used in the calculation, including the duration of the liabilities and the discount factor, and this allowed us to conclude it was a reasonable assumption when considered in isolation.</p> <p>Our work remains outstanding in this area and we need to conclude our work on the review of significant variances between years, querying any identified significant events and further understanding the reason for experience items.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2%	2%	●	Pension increase rate	2.4%	2.4%	●	Salary growth	4.15%	4.15%	●	Life expectancy – Males currently aged 45 / 65	22 / 23.7	21.4 – 22 / 23.1 – 23.7	●	Life expectancy – Females currently aged 45 / 65	23.7 / 25.3	21.4 – 23.7 / 23.1 – 25.3	●	Testing is currently ongoing
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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £2.4m	Group & PCC	<p>The PCC is responsible on an annual basis for determining the amount charged for the repayment of debt, known as the Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>We consider that management's MRP Policy is in line with statutory guidance. MRP on assets is charged based upon the life of the asset and the respective unfinanced element of that asset. We confirmed that none of the assets had a life higher than 50 years, which is the top end of useful life as set out in the statutory guidance.</p> <p>Management's approach is set out in the Annual Treasury Strategy.</p>	<p>We consider that the MRP charge has been appropriately calculated and that the policy is in line with the statutory guidance.</p> <p>We undertook benchmarking of the Group and PCC's MRP charge as a percentage of the Capital Financing Requirement, and also the level of borrowings as a percentage of the Capital Financing Requirement. In both cases, and for both 2019/20 and 2020/21, the indicators were RAG rated as green, providing us with further assurance that a prudent charge appears to have been made.</p>	Green

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Joint Audit and Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	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.
Written representations	Standard letters of representation have been requested from both the PCC and the Chief Constable. These make reference to the adjustments and unadjusted items reported in Appendix C.
Confirmation requests from third parties	We requested permission to send confirmation requests to the PCC's bank and related investment and borrowings entities. This permission was granted and the requests were sent. We await one final borrowing confirmation to allow us to conclude our testing.
Accounting practices	<p>We have evaluated the appropriateness of the PCC's and Chief Constable's accounting policies, accounting estimates and financial statement disclosures. We suggested some updates to improvement the clarity and understanding, and management have agreed to make these.</p> <p>We do not believe that the critical judgment disclosed in respect of 'Post employment benefits (pension liability)' meets the definition of a critical judgement, and this appears to relate to estimation uncertainty.</p>
Audit evidence and explanations/ significant difficulties	The majority of information and explanations requested from management have been provided, noting that our work continues in certain areas.

2. Financial Statements - other communication requirements



Our responsibility

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

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities; and for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the PCC's and Chief Constable's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the PCC and Chief Constable meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the PCC and Chief Constable and the environment in which they operate; the PCC's and Chief Constable's financial reporting framework; and the PCC's and Chief Constable's system of internal control for identifying events or conditions relevant to going concern. <p>We note that management do not undertake a documented going concern assessment on an annual basis and would recommend that this is undertaken in future years [see Appendix A]. Management also updated the financial statements to make it clear that they were prepared on a going concern basis.</p> <p>On the basis of our work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified for either the PCC or the Chief Constable; and management's use of the going concern basis of accounting in the preparation of both sets of financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Joint Annual Governance Statement and Narrative Reports) are materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appear to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<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"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit; • if we have applied any of our statutory powers or duties; and/or • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<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 audit instructions. Note that work is not yet completed as we are awaiting the audit instructions from the NAO and management are yet to receive the centrally provided data collection tool. We understand that the WGA consolidation pack is not expected to be provided to audited bodies for completion prior to audit review until December 2021 at the earliest.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2020/21 audits of West Mercia PCC and Chief Constable in the audit reports, due to the WGA consolidation procedures remaining outstanding as outlined above.</p>



3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the PCC's and Chief Constable's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the PCC or Chief Constable's arrangements for securing economy, efficiency and effectiveness in their use of resources. We did not identify any risk of significant weakness in our Joint Audit Plan and have not identified any through our detailed work. We are satisfied that the PCC and Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources.

4. 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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

Appendices

A. Action plan – Audit of Financial Statements

We have identified a recommendation for the group as a result of findings during the course of our audits. We have agreed our recommendation with management and we will report on progress on this recommendation during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Low	<p>Going concern assessment</p> <p>Management do not prepare a formally documented going concern assessment each year as part of the financial statements process.</p> <p>Although we gained sufficient assurance over the use of the going concern basis of accounting, compliance with best practice would mean completion of an annual assessment for each organisation.</p>	<p>We recommend that management prepare an annual going concern assessment to support their use of the going concern assumption.</p> <p>Management response</p> <p>We will document an annual going concern assessment as part of the of the preparation of the financial statements.</p>

B. Follow up of prior year recommendations

We identified the following issues in the audit of West Mercia Group & Chief Constable's 2019/20 financial statements, which resulted in two recommendations being reported in our 2019/20 Audit Findings report. We have followed up on the implementation of our recommendations and note that one recommendation still needs to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
x	<p>Asset Register</p> <p>Our audit work has identified that the PCC does not hold a register of all its Plant, Furniture & Equipment assets.</p> <p>Although we are satisfied that this does not give rise to a risk of material misstatement in the financial statements, we consider this a fundamental gap in management's record keeping.</p> <p>There is a risk that there are assets in the financial statements that no longer belong to the PCC, or that useful economic lives assigned to these assets are not appropriate, but management do not have the information available to assess this.</p>	<p>We identified that management are still unable to identify a list of equipment assets still held or in use.</p> <p>Our testing in 2020/21 identified that after five years, equipment assets are de-recognised from the financial statements as the assets are deemed to have been fully depreciated. However, some of these assets could still be in use and others could have been removed from use in previous years.</p> <p>Whilst we would still conclude that the risk of material misstatement remains remote for this group of assets, management should consider what other assurance may be able to be obtained over the continued use of equipment assets, perhaps via year end confirmations from relevant managers as part of the accounts production process.</p> <p>As we reported in previous years, this record keeping may lead to incorrect assumptions over the useful lives of assets or requirements for the capital programme.</p> <p>Our review of the fixed asset register identified a number of other fully depreciated assets, and these should also be reviewed to ensure that they remain in use. If they do, consideration should be given to the useful lives of assets being purchased to ensure that remain appropriate.</p>
✓	<p>Financial sustainability</p> <p>As noted in our VFM work, we consider that there is a risk that the group's available reserves will drop below management's current assessment of the minimum required level during the 2022/23 financial year.</p> <p>This minimum required level was determined to be £10.5m in February 2020.</p>	<p>See the detailed consideration of financial sustainability in the separate Auditor's Annual Report.</p>

Assessment

- ✓ Action completed
- x Not yet addressed

C. Audit Adjustments

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

We have not identified any non-trivial misstatements that impact on the key financial statements and reported net expenditure for the year ending 31 March 2021.

Misclassification and disclosure changes

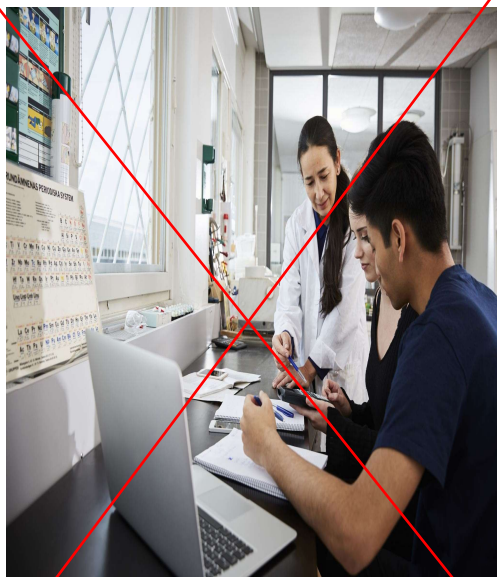
The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Disclosure of Debtors within Financial Instruments Note	During the agreement of the financial instruments testing, we identified that debtors held at amortised were overstated by £401k. This adjustment impacted upon financial instrument disclosures only and not the Balance Sheet.	✓
Senior Officers Remuneration	Our testing identified that benefits in kind for two senior officers' were incorrectly classified, and should have been shown under salary in line with the relevant guidance.	✓
Disclosure of Equipment & Vehicles in the Revaluations table	The revaluations table disclosed within the Property, Plant & Equipment Note disclosed a figure of £12,356k carried at current value at 31 March 2021 for Vehicles, Plant, Furniture & Equipment. We recommend this disclosure should be classified against historic cost as these items are not formally revalued following their purchase.	✓
Operating Leases Note	Our testing of the operating leases note identified that the figures in the draft 2020/21 financial statement incorrectly showed the 2019/20 values. The 2020/21 figures were updated to reflect the correct values.	✓
Various	A number of other minor changes have been made to disclosure notes and accounting policies throughout the financial statements to improve accuracy, clarity and user understanding.	✓

C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of proposed adjustments and issues identified during the 2020/21 audit which have not been made within the final set of financial statements. The PCC and Chief Constable are required to approve management's proposed treatment of all items recorded within the table below.



Detail	Reason for not adjusting
Our review identified that the Debtors balance (19.1m) and inventories (£0.6m) have been included together in the balance sheet, and inventories have been recognised within prepayments in the accompanying note. In our view we would expect inventory to be disclosed as a separate line item on the balance sheet in accordance with the CIPFA Code.	Given the low value of inventory it is felt that separate disclosure on the balance sheet is not required. Note 26 of the accounts provides sufficient narrative detail to understand the disclosure on the balance sheet.
Our testing of payments made from the bank account after the Balance Sheet date identified one sample item that related to the 2020/21 financial year that was incorrectly omitted from year end accruals and hence not shown within the 2020/21 financial statements. The sample item in question totalled £21k, and when extrapolated over the total of our sampled items and the population of post year-end payments this gives a projected error of £620k. This allowed us to conclude that we had sufficient audit evidence over the completeness of expenditure recognised within the financial statements.	Given that this is an extrapolated error, we would not expect the financial statements to be adjusted.
Our audit identified errors in the valuation calculations of two buildings that we revalued in 2020/21. The two errors totalled £0.8m, with the value of Property, Plant and Equipment understated by this value. Given the statutory overrides in place for capital valuations, this additional gain would have been recognised in the Revaluation Reserve in the Balance Sheet.	Given that this is not a material error on an estimate of the valuation of Land & Buildings, and does not impact on the reported revenue position in 2020/21 we have not amended the statements. The error in the valuation of these two buildings will be updated in the 2021/22 accounts.

There were no adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements

D. Fees

We confirm below our fees for the audit

Audit fees	Proposed fee	Final fee
PCC audit	£40,745	TBC*
Chief Constable audit	£21,073	TBC*
Total audit fees (excluding VAT)	£61,818	TBC*

*fees remain TBC until the audits have been fully completed.

There are no non-audit or audited related services have been undertaken for the Group, PCC or Chief Constable.

E. Audit opinion – Group and PCC

Our draft audit opinion wording is included below.

We anticipate we will provide the Group and PCC with an unmodified audit report.

DRAFT Independent auditor's report to the Police and Crime Commissioner for West Mercia

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of the Police and Crime Commissioner for West Mercia (the 'Police and Crime Commissioner') and its subsidiary the Chief Constable (the 'group') for the year ended 31 March 2021 which comprise the Comprehensive Income and Expenditure Statement (CIES) for the Group, the Comprehensive Income and Expenditure Statement (CIES) for the PCC, the Movement in Reserves Statement (MIRS) for the Group, the Movement in Reserves Statement (MIRS) for the PCC, the Balance Sheet for the Group and the PCC, the Cash Flow Statements for the Group and the PCC and notes to the financial statements, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Police Pension Fund Account and notes to the Police Pension Fund Account. 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Police and Crime Commissioner as at 31 March 2021 and of the group's expenditure and income and the Police and Crime Commissioner's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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 Police and Crime Commissioner and 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 we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Treasurer to the Police and Crime Commissioner for West Mercia's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Police and Crime Commissioner and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Police and Crime Commissioner and the group to cease to continue as a going concern.

In our evaluation of the Treasurer to the Police and Crime Commissioner for West Mercia's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Police and Crime Commissioner and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Police and Crime Commissioner and the group. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Police and Crime Commissioner and group and the Police and Crime Commissioner and group's disclosures over the going concern period.

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 Police and Crime Commissioner's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

E. Audit opinion – Group and PCC

In auditing the financial statements, we have concluded that the Treasurer to the Police and Crime Commissioner for West Mercia's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Treasurer to the Police and Crime Commissioner for West Mercia with respect to going concern are described in the 'Responsibilities of the Police and Crime Commissioner and the Treasurer to the Police and Crime Commissioner for West Mercia for the financial statements' section of this report.

Other information

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Police and Crime Commissioner, the other information published together with the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Police and Crime Commissioner under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Police and Crime Commissioner and the Treasurer to the Police and Crime Commissioner for West Mercia for the financial statements

As explained more fully in the Statement of Responsibilities the Police and Crime Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Treasurer to the Police and Crime Commissioner for West Mercia. The Treasurer to the Police and Crime Commissioner for West Mercia is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Treasurer to the Police and Crime Commissioner for West Mercia 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 to the Police and Crime Commissioner for West Mercia is responsible for assessing the Police and Crime

E. Audit opinion – Group and PCC

Commissioner's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Police and Crime Commissioner and the group will no longer be provided.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Police and Crime Commissioner and the group and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Police Reform and Social Responsibility Act 2011). We

also identified the following additional regulatory frameworks in respect of the police pension fund; the Public Service Pensions Act 2013, The Police Pension Fund Regulations 2007, The Police Pensions Regulations 2006 and the Police Pensions Regulations 2015.

- We enquired of senior officers and the Police and Crime Commissioner concerning the Police and Crime Commissioner and group's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers and the Police and Crime Commissioner, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Police and Crime Commissioner and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit]. We determined that the principal risks were in relation to:
 - large and unusual journal entries posted during the year and post year end; and
 - the significant accounting estimates in the financial statements, including those related to the valuation of property, plant and equipment, the net pensions liability and significant year-end accruals.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Treasurer to the Police and Crime Commissioner for West Mercia has in place to prevent and detect fraud;
 - journal entry testing, with a focus on large and unusual journal entries posted during the year and post year end;
 - challenging assumptions and judgements made by management in its significant accounting estimates including in respect of land and building valuations, the net defined benefit pension liability valuation and expenditure accruals; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the

E. Audit opinion – Group and PCC

financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and building valuations, the net defined benefit pension liability valuation and expenditure accruals.

- Assessment of the appropriateness of the collective competence and capabilities of the Police and Crime Commissioner and group's engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

- knowledge of the police sector

- understanding of the legal and regulatory requirements specific to the Police and Crime Commissioner and group including:

- the provisions of the applicable legislation

- guidance issued by CIPFA and LASAAC/SOLACE

- the applicable statutory provisions.

- In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Police and Crime Commissioner and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Police and Crime Commissioner and group's control environment, including the policies and procedures implemented by the Police and Crime Commissioner and group to ensure compliance with the requirements of the financial reporting framework.

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

Matter on which we are required to report by exception – the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in their use of resources for the year ended 31 March 2021.

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

Responsibilities of the Police and Crime Commissioner

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

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Police and Crime Commissioner plans and manages its resources to ensure it can continue to deliver its services;

- Governance: how the Police and Crime Commissioner ensures that it makes informed decisions and properly manages its risks; and

- Improving economy, efficiency and effectiveness: how the Police and Crime

E. Audit opinion – Group and PCC

Commissioner uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Police and Crime Commissioner has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Police and Crime Commissioner for West Mercia for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Police and Crime Commissioner for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2021.

Use of our report

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

F. Audit opinion – Chief Constable

Our draft audit opinion wording is included below.

We anticipate we will provide the Chief Constable with an unmodified audit report.

DRAFT Independent auditor's report to the Chief Constable of West Mercia Police Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of the Chief Constable of West Mercia Police (the 'Chief Constable') for the year ended 31 March 2021 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Police Pension Fund Account and Notes to the Police Pension Fund Account. 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2021 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 2020/21; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Chief Constable in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Head of Commercial Services' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Chief Constable's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Chief Constable to cease to continue as a going concern.

In our evaluation of the Head of Commercial Services' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Chief Constable's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Chief Constable. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Chief Constable and the Chief Constable's disclosures over the going concern period.

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's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

The responsibilities of the Head of Commercial Services with respect to going concern are described in the 'Responsibilities of the Chief Constable and the Head of Commercial Services for the financial statements' section of this report.

Other information

F. Audit opinion – Chief Constable

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Chief Constable, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Chief Constable under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Chief Constable and the Head of Commercial Services for the financial statements

As explained more fully in the Statement of Responsibilities the Chief Constable is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Head of Commercial Services. The Head of Commercial Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Head of Commercial Services 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 Head of Commercial Services is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Chief Constable will no longer be provided.

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

Auditor's responsibilities for the audit of the financial statements

F. Audit opinion – Chief Constable

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Chief Constable and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Police Reform and Social Responsibility Act 2011. We also identified the following additional regulatory frameworks in respect of the police pension fund; the Public Service Pensions Act 2013, The Police Pension Fund Regulations 2007, The Police Pensions Regulations 2006 and the Police Pensions Regulations 2015.
- We enquired of senior officers and the Chief Constable, concerning the Chief Constable's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and

- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of senior officers and the Chief Constable, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Chief Constable's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- large and unusual journal entries posted during the year and post year end; and

- the significant accounting estimates in the financial statements, including those related to the valuation of the net pensions liability and significant year-end accruals.

- Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Head of Commercial Services has in place to prevent and detect fraud;

- journal entry testing, with a focus on large and unusual journal entries posted during the year and post year end;

- challenging assumptions and judgements made by management in its significant accounting estimates including in respect of the valuation of the net defined benefit pension liability valuation and expenditure accruals; and

- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of the net defined benefit pension liability valuation and expenditure accruals.

- Assessment of the appropriateness of the collective competence and capabilities of

F. Audit opinion – Chief Constable

the engagement team included consideration of the engagement team's;

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the police sector
- understanding of the legal and regulatory requirements specific to the Chief Constable including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC/SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Chief Constable's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Chief Constable's control environment, including the policies and procedures implemented by the Chief Constable to ensure compliance with the requirements of the financial reporting framework.

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

Matter on which we are required to report by exception – the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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

Responsibilities of the Chief Constable

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

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Chief Constable plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Chief Constable ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Chief Constable uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Chief Constable has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Chief Constable of West Mercia Police for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Chief Constable for the year ended 31 March 2021.

F. Audit opinion – Chief Constable

We are satisfied that this work does not have a material effect on the financial statements.

Use of our report

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

