West Mercia Police Joint Audit Plan

Year ending 31 March 2022

Police and Crime Commissioner for West Mercia

and Chief Constable for West Mercia

May 2022

Contents

Your key Grant Thornton team members are:

Jackson Murray
Key Audit Partner
T 0117 305 7859
E Jackson.Murray@uk.gt.com

Siobhan Barnard
Audit Manager
T 0121 232 5121
E Siobhan.Barnard@uk.gt.com

Oyin Yemidale
Audit In-Charge
T 0121 232 5270
E Oyin.O.Yemidale@uk.gt.com

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 Police and Crime Commissioner and 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.

Key matters

Factors	Our response
Audit Quality On 29 October 2022, the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits. A summary of the findings from these reviews was reported to the Joint Audit and Standards Committee (JASC) in March 2022 through our Audit Progress Report and Sector Update.	As a firm we remain absolutely committed to audit quality and financial reporting in the local government sector. We continue to review lessons learned from quality reviews and implement these in to our audit approach. We will continue to provide you with sector updates via our Audit Committee updates.
Delivery and team changes We have previously discussed the challenges in local audit at JASC meetings, which have been caused by a number of factors. This led to the completion of the 2020/21 financial year audit in January 2022, later than originally planned. For 2021/22, the national deadline for publication of audited financial statements or a notice that the audit is still underway is 30 November 2022. Both the audit team and the finance team have experienced turnover in key personnel for the 2021/22 financial year which may introduce challenges with the audit processes. We continue to liaise with management over delivery plans to ensure that the audits can be completed as efficiently as possible and in a timely manner.	We will continue to liaise with management and the JASC over the draft accounts production and audit timetable to ensure that all parties have a clear understanding of proposed plans.
Demise of Place Partnership Limited The demise of Place Partnership Limited (PPL) was reported through the 2020/21 financial statements, with the company wound up from 31 March 2021. This will have an impact on the 2021/22 financial statements, with previous pension liabilities being recalculated by actuaries based upon where former PPL staff have transferred. PPL were also responsible for conducting the valuation of the PCC's land and buildings. In 2021/22 management have engaged their internal experts, which comprise some of the former PPL employees, to undertake valuations of the PCC's estate.	We will consider the relevant accounting entries and treatment of the change to pension liabilities following the demise of PPL. We will review the valuation methodologies and assumptions of the valuation expert, paying particular attention to any changes in valuation methodology or key assumptions between years.

Introduction and headlines

Purpose

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

Respective responsibilities

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

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the PCC, Chief Constable and group's financial statements that have been prepared by management with the oversight of those charged with governance (the PCC and the Chief Constable); and we consider whether there are sufficient arrangements in place at each body for securing economy, efficiency and effectiveness in your use of resources.

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

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

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls (presumed risk under ISA 240);
- Valuation of land and buildings; and
- Valuation of the net defined benefit liability.

We will communicate significant findings on these areas as well as any other significant matters arising from the audits to you in our Joint Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £5.3m (PY £4.95m) for the group, the PCC and the Chief Constable, which equates to approximately 1.9% of the PCC's prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.265m (PY £0.248m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money undertaken to date has not identified any risks of significant weakness. We will continue to keep our risk assessment updated and follow up improvement recommendations identified as part of the 2020/21 audit as part of our 2021/22 audit.

Audit logistics

Our interim visit took place in March and April and our final visit will take place from June 2022. Our key deliverables are this Joint Audit Plan, our Joint Audit Findings Report and our Auditor's Annual Report.

Our proposed audit fee at the planning stage is £40,786 (PY: £40,745) for the PCC and £21,332 (PY: £21,073) for the Chief Constable, subject to the bodies delivering a good set of financial statements and working papers. We note that should we be required to complete our final accounts audit remotely rather than on-site, there will be an additional fee to reflect the additional time that this can take. Currently we note this could result in an additional £5,000 fee.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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..

Group audit scope and risk assessment

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

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Police and Crime Commissioner for West Mercia	Yes	Audit of the financial information of the component using component materiality	See pages 6 to 8	Full scope audit performed by Grant Thornton UK LLP
Chief Constable for West Mercia	Yes	Audit of the financial information of the component using component materiality	See pages 6 to 8	Full scope audit performed by Grant Thornton UK LLP

Significant risks identified

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.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 revenue and expenditure recognition risk	Group, PCC and the Chief Constable	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. In the public sector, in line with the requirements of Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, we also consider whether expenditure may be misstated due to the improper recognition of expenditure. 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.	Having considered the risk factors set out in ISA240 and the nature of the revenue and expenditure streams of the Group, the PCC and the Chief Constable, we have determined that the risk of fraud arising from revenue and expenditure recognition can be rebutted, because: • there is little incentive to manipulate revenue or expenditure recognition; • opportunities to manipulate revenue or expenditure recognition are very limited; and • the culture and ethical frameworks of public sector bodies, including at the PCC, Chief Constable and group, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider the fraudulent recognition of revenue or expenditure to be a significant risk for the PCC, Chief Constable or Group.
Management over-ride of controls	Group, PCC and the Chief Constable	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. 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.	We will: • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	Group and PCC	The PCC (and group) revalue land and buildings on an annual basis to ensure that their 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, with a full valuation undertaken at least once every five years in accordance with the CIPFA Code requirements. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of the estimates to changes in key assumptions. We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • discuss with the valuer the basis on which the valuations were carried out to ensure that the requirements of the Code are met; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • test, on a sample basis, revaluations made during the year to ensure they were based on accurate underlying data (such as build rates used as the basis of the valuation) and have been input correctly into the PCC (and group's) asset register; and • evaluate 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.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the net defined benefit pension liability	Group and Chief Constable	The net defined pension fund net liability, reflecting the assets and liabilities of the Local Government Pension Scheme (for Police Staff) and the liabilities for the Police Pension Schemes (for Police Officers) represents a significant estimate in the financial statements. The 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. 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. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities (LGPS only) and employers. We do not consider this to be a significant risk as this is easily verifiable. 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. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the net defined benefit pension liability as a significant risk.	We will: • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain 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.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- how management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- how the entity's risk management process identifies and addresses risks relating to accounting estimates;
- the entity's information system as it relates to accounting estimates;
- the entity's control activities in relation to accounting estimates; and
- how management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do the PCC and the Chief Constable:

- understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- evaluate how management made the accounting estimates?

Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audits for the year ended 31 March 2022.

Based on our knowledge of the PCC and the Chief Constable, we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings;
- Valuation of defined benefit net pension fund liabilities;
- Depreciation;
- Year end provisions and accruals;
- Fair value estimates; and
- Credit loss and impairment allowances (if material).

The PCC and the Chief Constable's Information systems

In respect of the PCC and the Chief Constable's information systems, we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the bodies use management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- all accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate; and
- there are adequate controls in place at the bodies (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- how management understands the degree of estimation uncertainty related to each accounting estimate; and
- how management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- what the assumptions and uncertainties are;
- how sensitive the assets and liabilities are to those assumptions, and why;
- the expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- an explanation of any changes made to past assumptions if the uncertainly is unresolved.

Planning enquiries

As part of our planning risk assessment procedures we have made enquiries of management and those charged with governance via our “Informing the Risk Assessment” document, and this is included as a separate agenda item.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council’s website:

https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf

Other matters

Other work

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

- We read your Narrative Report[s] and Joint Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the PCC and the Chief Constable.
- We carry out work to satisfy ourselves that disclosures made in your Joint Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
  - issuing a report in the public interest or written recommendations to the PCC or the Chief Constable under section 24 of the Local Audit and Accountability Act 2014 (the Act);
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act; and/or
  - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audits.

Other material balances and transactions

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

Materiality

The concept of materiality

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

Materiality for planning purposes

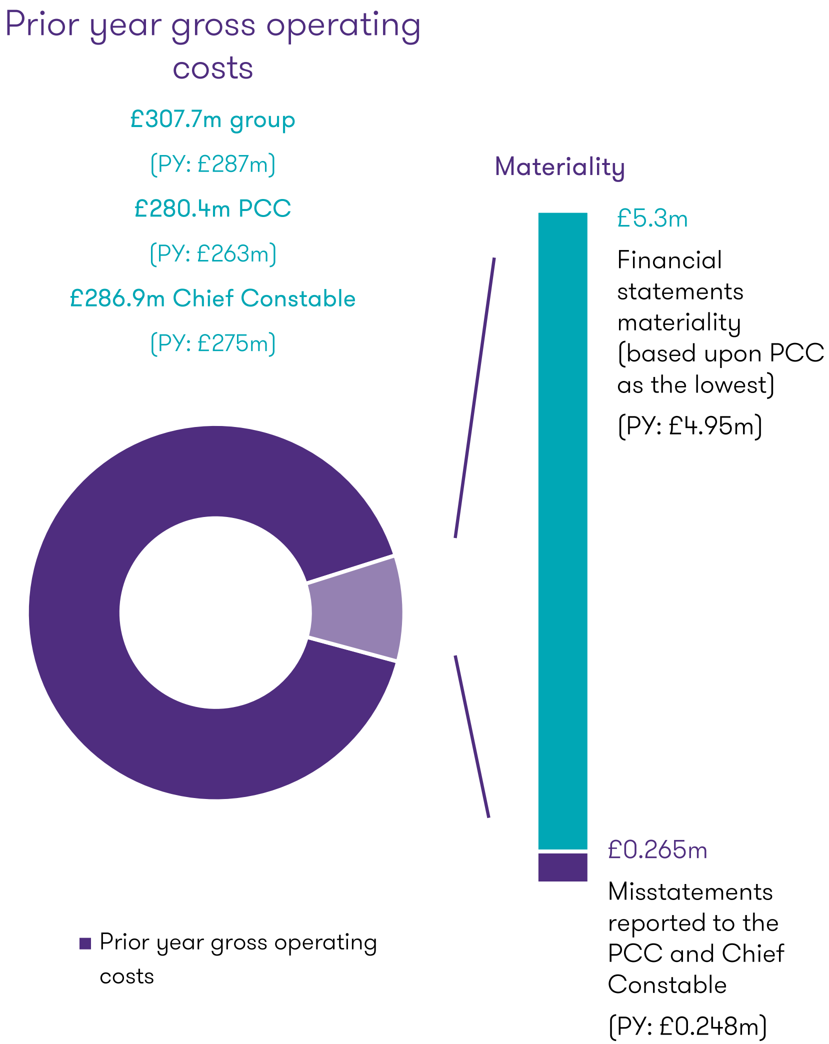
We have determined financial statement materiality based on a proportion of the gross expenditure of the group, the PCC and the Chief Constable for the financial year. In the prior year we used the same benchmark. For our audit testing purposes we apply the lowest of these materiality's, which is £5.3m (PY £4.95m), which equates to approximately 1.9% of the PCC's prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £20k for senior officer remuneration.

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

Matters we will report to the PCC and the Chief Constable

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the PCC and the Chief Constable any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group, the PCC and the Chief Constable, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.265m (PY £0.248m).

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



IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The below IT systems have been judged to be in scope for our audit, along with the indicated level of assessment. The audit team will undertake this review as part of the audit process and we do not consider that specialist IT audit support will be required in 2021/22.

IT system	Audit area	Planned level IT audit assessment
E-financials	Financial reporting	Documentation and understanding of ITGC

Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office(NAO) issued its guidance for auditors in April 2020. The Code requires 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 three specified reporting criteria. These are as set out below:

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

Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. We have not identified any significant risks as part of our planning work. We will continue to keep our planning assessment updated. We may need to make recommendations following the completion of our work and the potential different types of recommendations we could make are set out below. We will follow up the improvement recommendations that we made as part of the 2020/21 audit.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, 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

Audit logistics and team

Jackson Murray, Key Audit Partner

Responsible for overall client relationship, quality control, provision of accounts opinions, meeting with key internal stakeholders and final authorisation of reports. Attendance at Joint Audit and Standards Committee meetings supported by Manager as required.

Siobhan Barnard, Audit Manager

Responsible for overall audit management over the course of the year, support and review of work performed by audit in-charge and junior team members. Attendance at Joint Audit and Standards Committee meetings alongside Engagement Lead as required.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Reports and the Annual Governance Statements;
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you;
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the financial statements, in order to facilitate our selection of samples for testing;
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audits; and
- respond promptly and adequately to audit queries.

Audit fees

.

In 2017, PSAA awarded a contract of audit for West Mercia PCC and CC to begin with effect from 2018/19. The original scale fee was £26,380 for the PCC and £14,438 for the Chief Constable. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which continue to be relevant for the 2021/22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on pages 9 to 11 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

The pandemic has led to considerable changes to how we all work and how we have carried out our audits over the last two years. Many local authorities are exploring new ways of working to support their officers, through use of remote and hybrid working environments. We see the positive benefits this can bring to the PCC and CC, and the workforce, both in providing more flexibility and reducing its environmental impact.

Whilst there are many efficiencies to remote working, having the ability to work together with officers face to face in conducting our audit work provides many advantages to the timely progression of the audit; both in minimising inefficiencies in gathering audit evidence, and in discussing key issues with officers and resolving and concluding outstanding queries.

As part of our planning for 2021/22, we have been engaging with finance officers to explore completing some elements of our work on-site over the summer. With Covid restrictions now lifted, this is the appropriate thing to do. We have been discussing this with PSAA and propose that where clients continue to have a preference to undertake audits remotely, that audit fees would be uplifted to reflect the inefficiencies that this would cause. For the PCC and Chief Constable audits, we estimate this uplift to be in the region of £5,000 at our planning stage. Following our initial discussions we expect that on-site audit work will be possible and that any additional fees for remote audit costs would not be required for the PCC or CC for 2021/22. We will report our final proposed fees to JASC at the conclusion of our audits.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fees for 2021/22, as set out below, is detailed overleaf.

	Actual Fee 2019/20	Actual Fee 2020/21	Proposed fee 2021/22
PCC Audit	£36,932	£40,745	£40,786
Chief Constable Audit	£20,584	£21,073	£21,332
Total audit fees (excluding VAT and remote working fee)	£57,516	£61,818	£62,118

Assumptions

In setting the above fees, we have assumed that the PCC and Chief Constable will:

- prepare a good quality set of financial statements, supported by comprehensive and well presented working papers which are ready at the start of the audits;
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements; and
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

	Proposed PCC 21/22	Proposed Chief Constable 21/22	Proposed TOTAL 21/22
Original scale fee published by PSAA*	£26,380	£14,438	**£40,818**
Raising the bar/regulatory factors	£2,019	£1,106	**£3,125**
Enhanced audit procedures for Property, Plant and Equipment	£2,187.50	£0	**£2,187.50**
Enhanced audit procedures for Pensions	£0	£2,187.50	**£2,187.50**
New standards and developments (inc new ISAs, Journals etc)	£3,200	£1,600	**£4,800**
Additional work on Value for Money (VfM) under new NAO Code	£7,000	£2,000	**£9,000**
Total audit fees (excluding VAT)	**£40,786**	**£21,332**	**£62,118**
Uplift for remote working (if required)	£3,250	£1,750	**£5,000**
Total audit fees including remote working if required (excluding VAT)	**£44,036**	**£23,082**	**£67,118**

Independence and non-audit services

Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) 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.

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

Other services

No other services provided by Grant Thornton were identified.

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

Grant Thornton

grantthornton.co.uk