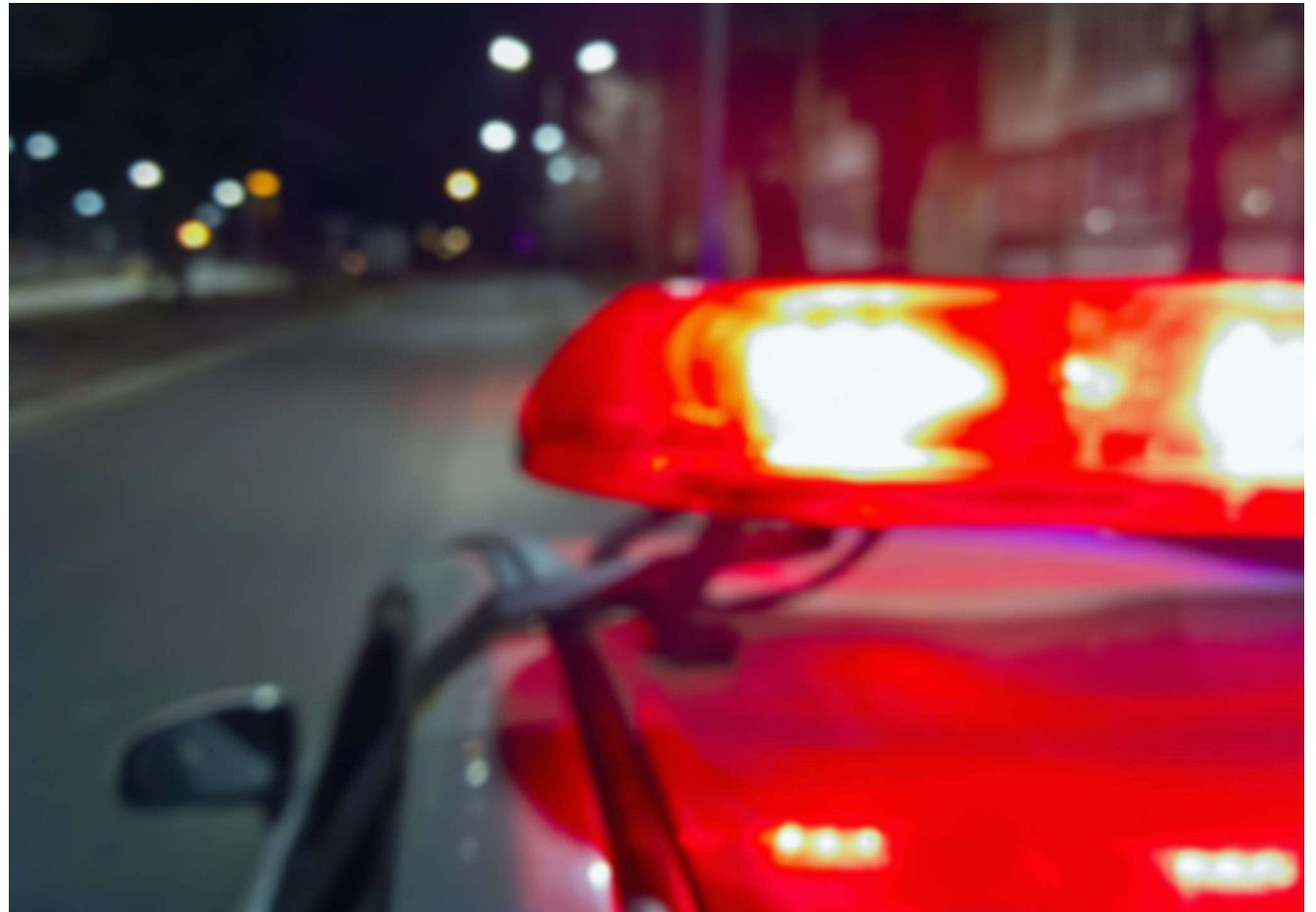


# The Joint Audit Findings for West Mercia Police

**Year ended 31 March 2022**

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

December 2022



# Contents



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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 will be discussed with management and the Joint Audit and Standards Committee.

## Jackson Murray

Name: Jackson Murray

For Grant Thornton UK LLP

Date: November 2022

## Page

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 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.

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audits of West Mercia Police and Crime Commissioner ('the PCC') and West Mercia Chief Constable and the preparation of the PCC's and Chief Constable's financial statements for the year ended 31 March 2022 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 each set of audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed with a hybrid of on-site and remote working between July and November. Our findings are summarised within this report.

We have identified a number of issues relating to Property, Plant and Equipment valuations within the Group accounts. Our work in this area is ongoing and we await the updated valuations for assets valued prior to 2021/22. This work will result in a material prior period adjustment to the financial statements, as well as having a material impact on the 2021/22 Property, Plant and Equipment figures. Audit adjustments are detailed in Appendix B.

Our follow up of recommendations from the prior year's audits are detailed in Appendix A.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion for the PCC's financial statements (including the financial statements which consolidate the financial activities of the Chief Constable) or the Chief Constable's financial statements Appendices D and E, subject to the following outstanding matters;

- completion of our audit procedures on land and buildings valuations, in particular in respect of the additional work undertaken by the valuer on floor areas;
- final quality review of the audit file.

Following the satisfactory completion of all of the above, we will then be in a position to conclude the audit and issue our audit opinions following our:

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

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 in our opinion, both entities have put in place proper arrangements to secure economy, efficiency and effectiveness in its 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 pages 17-18, 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 audits.

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

We expect to certify the completion of the audits upon the completion of our work on the PCC and Chief Constable's Whole of Government Accounts submission. The auditor guidance for 2021/22 has yet to be issued.

## 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 the audits that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be 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 are directed towards forming and expressing an opinion on each set of 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 PCC and Chief Constable's business and is risk based, and in particular included:

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

## Conclusion

We have substantially completed our audits of your financial statements and, subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion on the financial statements of both the PCC and the Chief Constable following the Joint Audit and Standards Committee meeting on 17 November 2022. These outstanding items are included on page 3.

### Acknowledgements

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

## 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 audit plan on 22 June 2022.

We detail in the table to the right our determination of materiality.

### (£) Qualitative factors considered

Materiality for the financial statements	5,300,000	We considered materiality from the perspective of the users of the financial statements. The body prepares an expenditure based budget for the financial year and monitors spend against this, therefore gross expenditure was deemed as the most appropriate benchmark. This benchmark was used in the prior year. We deemed that 1.9% was an appropriate rate to apply to the expenditure benchmark.
Performance materiality	3,975,000	The body does not have a history of significant deficiencies or a large number of misstatements.
Trivial matters	265,000	Calculated as a percentage of headline materiality and in accordance with auditing standards.
Materiality for senior officer remuneration	20,000	Due to public sensitivity.



## 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>	<p>Group, PCC and CC</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated the design effectiveness of management controls over journals;</li> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals;</li> <li>identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; and</li> <li>gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness.</li> </ul> <p>We have concluded on this work and no issues have been identified.</p>



## 2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
<p><b>ISA240 revenue and expenditure recognition risk</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>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.</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>	<p>Group, PCC and CC</p>	<p>We rebutted this risk within the Joint Audit Plan because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue or expenditure recognition;</li> <li>• opportunities to manipulate revenue or expenditure recognition are very limited; and</li> <li>• the culture and ethical frameworks of public sector bodies, including at the PCC, CC and Group, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>There have been no changes to the above assessment reported in the Joint Audit Plan. Therefore we do not consider the fraudulent recognition of revenue or expenditure to be a significant risk for the PCC, CC or Group.</p> <p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p><b>Valuation of land and buildings</b></p> <p>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.</p> <p>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.</p> <p>We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Group and PCC</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;</li> <li>• evaluated the competence, capabilities and objectivity of the valuation expert;</li> <li>• discussed with the valuer the basis on which the valuations were carried out to ensure that the requirements of the Code were met;</li> <li>• challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;</li> <li>• tested, 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 were input correctly into the PCC (and group's) asset register; and</li> <li>• evaluated the assumptions made by management for any assets not revalued during the year and how management satisfied themselves that these were not materially different to current value.</li> </ul> <p>Note that our work on this remains in progress and we have included a further detailed assessment in section '2. Financial Statements – key judgements and estimates' on page 10.</p>

## 2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
<p><b>Valuation of the net defined benefit pension liability</b></p> <p>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.</p> <p>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.</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 (LGPS only) 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. 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 therefore identified valuation of the net defined benefit pension liability as a significant risk.</p>	Group and CC	<p>We have:</p> <ul style="list-style-type: none"> <li>• updated our understanding of the processes and controls put in place by management to ensure that the Group’s pension fund net liability is not materially misstated and evaluated the design of the associated controls;</li> <li>• evaluated the instructions issued by management to their management experts (actuaries) for this estimate and the scope of their work;</li> <li>• assessed the competence, capabilities and objectivity of the actuaries who carried out the Group’s pension fund valuation;</li> <li>• assessed the accuracy and completeness of the information provided by the Group to the actuaries to estimate the liabilities;</li> <li>• tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports;</li> <li>• undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor’s expert) and performing any additional procedures suggested within the report; and</li> <li>• 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 (LGPS only).</li> </ul> <p>Note that our work in this area has concluded. We have included a further detailed assessment in section ‘2. Financial Statements – key judgements and estimates’ on pages 11-12.</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 – £56.191m	Group and PCC	<p>Land and buildings comprises of specialised assets such as the Constabulary's 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 and Chief Constable has engaged with their internal valuation team to complete the valuation of properties as at 31 March 2022, with the full portfolio valued on a cyclical basis. 78% of total assets were revalued during 2021/22.</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 2022. 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 the assets remains the same.</p> <p>The total year end valuation of land and buildings was £56.191m, a net increase of £1.905m from 2020/21 (£54.286m).</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"> <li>an assessment of the management's expert, who we found to have relevant experience and professional qualifications;</li> <li>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;</li> <li>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;</li> <li>assessing the impact of any changes to valuation method; and</li> <li>an assessment of the adequacy of disclosure of estimate in the financial statement.</li> </ul> <p>Our work to date has identified an material understatement of land and buildings due to calculation errors in a number of the building valuations. The valuation calculations had used incorrect floor areas, with certain floors/levels omitted from the original calculations in some instances. We requested that management review the floor areas used in the calculation of all of their buildings to confirm the total error amount. The errors were present in prior year calculations and so a prior period adjustment will need to be processed.</p> <p>Our work remains ongoing and we await details of the updated 2020/21 valuations and an amended set of financial statements to review the adjustments that have been made.</p> <p>See Appendix B for more information and related amendments to the accounts.</p>	Work is ongoing

## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability (LGPS) – £209m  <b>Consisting:</b> <ul style="list-style-type: none"> <li>Chief Constable LGPS: £200m</li> <li>Police and Crime Commissioner LGPS: £9m</li> </ul>	Group, PCC and CC	<p>The PCC and Chief Constable's total net pension liability in respect of the LGPS at 31 March 2022 is £209m (PY £222m) comprising the Worcestershire Pension Fund Local Government Pension Scheme obligations. The PCC and Chief Constable use Mercer to provide actuarial valuations of the PCC's and Chief Constable's 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"> <li>the actuary's experience, competence and professional qualifications;</li> <li>the actuary's approach, through the use of PwC as an auditor's expert, used to assess the methods and assumptions used (see below table for consideration of assumptions adopted);</li> <li>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;</li> <li>the impact of any changes to valuation method (none were noted);</li> <li>the assurances provided by the auditor of Worcestershire Pension Fund over the processes and controls in place at the Fund over the information provided to the actuary;</li> <li>the adequacy of disclosures of estimates in the financial statements; and</li> <li>the reasonableness of the PCC and CC's shares of LGPS pension assets.</li> </ul> <p>The actuary used an estimated return on the scheme assets for March 2022, as they have in prior years. We did not identify any material issues arising as a result of this estimation uncertainty.</p> <table border="1"> <thead> <tr> <th>LGPS Assumptions</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.80%</td> <td>2.7% - 2.8%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>3.30%</td> <td>3.0% - 3.5%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>4.80%</td> <td>3.8% - 5.8%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>24.1 / 22.6</td> <td>22.2 – 24.8 / 20.7 – 23.3</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>27.0 / 25.0</td> <td>25.7 – 27.5 / 23.8 – 25.5</td> <td>●</td> </tr> </tbody> </table>	LGPS Assumptions	Actuary Value	PwC range	Assessment	Discount rate	2.80%	2.7% - 2.8%	●	Pension increase rate	3.30%	3.0% - 3.5%	●	Salary growth	4.80%	3.8% - 5.8%	●	Life expectancy – Males currently aged 45 / 65	24.1 / 22.6	22.2 – 24.8 / 20.7 – 23.3	●	Life expectancy – Females currently aged 45 / 65	27.0 / 25.0	25.7 – 27.5 / 23.8 – 25.5	●	No issues identified
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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																								
Net pension liability (Police Pension Schemes) - £2,697m	Group and CC	<p>The Chief Constable's total net pension liability in respect of the Police Pension Scheme at 31 March 2022 is £2,697m (PY £2,674m). 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 liabilities derived from this scheme.</p>	<p>In assessing the estimate, we have considered the following:</p> <ul style="list-style-type: none"> <li>the actuary's experience, competence and professional qualifications;</li> <li>the actuary's approach, through the use of PwC as an auditor's expert, used to assess the methods and assumptions used (see below table for consideration of assumptions adopted);</li> <li>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;</li> <li>the impact of any changes to valuation method (none were noted); and</li> <li>the adequacy of disclosures of estimates in the financial statements.</li> </ul> <table border="1"> <thead> <tr> <th>Police Pension Scheme Assumptions</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.65%</td> <td>2.65%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>3%</td> <td>3%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>4.75%</td> <td>3.5% - 5.5%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>23.8 / 22.1</td> <td>23.2 – 23.8 / 21.5 – 22.1</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>25.4 / 23.8</td> <td>23.2 – 25.4 / 21.5 – 23.8</td> <td>●</td> </tr> </tbody> </table>	Police Pension Scheme Assumptions	Actuary Value	PwC range	Assessment	Discount rate	2.65%	2.65%	●	Pension increase rate	3%	3%	●	Salary growth	4.75%	3.5% - 5.5%	●	Life expectancy – Males currently aged 45 / 65	23.8 / 22.1	23.2 – 23.8 / 21.5 – 22.1	●	Life expectancy – Females currently aged 45 / 65	25.4 / 23.8	23.2 – 25.4 / 21.5 – 23.8	●	No issues identified
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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 - £3.6m	Group and PCC	<p>The PCC is responsible on an annual basis for determining the amount charged for the repayment of debt known as 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 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>The year end MRP charge was £3.6m, a net increase of £1.3m from 2020/21.</p>	<p>We consider that:</p> <ul style="list-style-type: none"> <li>the MRP has been calculated in line with the PCC's policy on MRP and this is in line with the statutory guidance; and</li> <li>the increase in the MRP charge is reasonable.</li> </ul> <p>Government have consulted on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. Government will issue a full response to the consultation in due course.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

## 2. Financial Statements - other communication requirements

We set out here 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	Letters of representation has been requested from both the PCC and the Chief Constable, which are included in the Joint Audit and Standards Committee papers.
Confirmation requests from third parties	We requested from management 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. All responses have been received with no issues noted.
Accounting practices	We have evaluated the appropriateness of the PCC's and Chief Constable's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
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



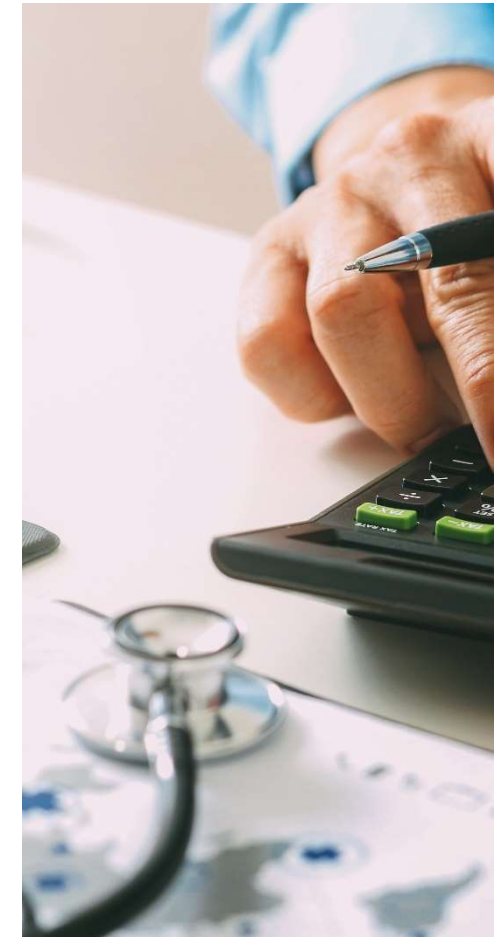
### Our responsibility

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"> <li>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</li> <li>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.</li> </ul> <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"> <li>the nature of the PCC and Chief Constable and the environment in which they operate;</li> <li>the PCC's and Chief Constable's financial reporting framework; and</li> <li>the PCC's and Chief Constable's system of internal control for identifying events or conditions relevant to going concern.</li> </ul> <p>We noted in 2020/21 that management did not undertake a documented going concern assessment on an annual basis and we recommended that this was undertaken in future years. We have not seen evidence in 2021/22 that a sufficient documented assessment has been completed. This has been retained as a recommendation in Appendix A.</p> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified for either the PCC or the Chief Constable</li> <li>management's use of the going concern basis of accounting in the preparation of both sets of financial statements is appropriate.</li> </ul>

## 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 each set of audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
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"> <li>• if the Annual Governance Statements do not comply with disclosure requirements set out in CIPFA/SOLACE guidance or are misleading or inconsistent with the information of which we are aware from our audits;</li> <li>• if we have applied any of our statutory powers or duties; and/or</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <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.</p> <p>The 2021/22 audit guidance has yet to be issued. As such, we will hold the certificates for our audits until we are able to complete the required procedures once these are known.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2021/22 audits of West Mercia PCC and Chief Constable in the audit reports, as detailed in Appendices D and E, due to incomplete WGA work as noted above.</p>



# 3. Value for Money arrangements

## Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for 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

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## 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 and Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness. We are satisfied that the PCC and Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources.



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# 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 C.

## 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. Follow up of prior year recommendations

We identified the following issues in the audits of West Mercia PCC and Chief Constable's 2020/21 financial statements, which resulted in one recommendation being reported in our 2020/21 Audit Findings report. We have followed up on the implementation of our recommendations and note two are still to be completed.

## Assessment

- ✓ Action completed
- X Not yet addressed

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
x	<p><b>Going Concern Assessment</b></p> <p>Management do not prepare a formally documented going concern assessment each year as part of the financial statements process. 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 organization.</p> <p>We recommended that management prepare an annual going concern assessment to support their use of the going concern assumption.</p>	<p>We have not seen evidence in 2021/22 that a sufficient documented assessment has been completed. We have therefore retained this as a recommendation.</p>
x	<p><b>Asset Register</b></p> <p>This recommendation was made in 2019/20 and noted as not yet addressed in 2020/21.</p> <p>Our audit work has identified that the PCC does not hold a register of all its Plant, Furniture &amp; 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 held or in use.</p> <p>Our testing in 2020/21 and 2021/22 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 they remain appropriate.</p>

# B. Audit Adjustments - PCC

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

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

<b>Detail</b>	<b>Comprehensive Income and Expenditure Statement £'000</b>	<b>Statement of Financial Position £' 000</b>	<b>Impact on total net expenditure £'000</b>
PPE amendments	TBC	TBC	TBC
Overall impact	TBC	TBC	TBC



# B. Audit Adjustments - PCC

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The PCC is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement	Statement of Financial Position	Impact on total net expenditure	Reason for not adjusting
Our audit identified errors in the valuation calculations of land and buildings. The value of Property, Plant and Equipment is understated, with the total value yet to be determined. The Body are proposing to amend only material issues and therefore there will be an unadjusted misstatement amount relating to this. Given the statutory overrides in place for capital valuations, this additional gain would have been recognised in the Revaluation Reserve in the Balance Sheet.	TBC	TBC	TBC	Materiality
Our review identified that the Short Term Debtors balance (£23.7m) and inventories (£0.7m) 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.	Nil	Cr Short Term Debtors £0.7m Dr Inventories £0.7m	Nil	Materiality
Overall impact	TBC	TBC	TBC	

# B. 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.

## 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?
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. Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

<b>Audit fees</b>	<b>Proposed fee</b>	<b>Final fee</b>
PCC Audit	£44,036	TBC*
Chief Constable Audit	£23,082	TBC*
Total audit fees (excluding VAT)	£67,118	TBC*

\*Fees remain TBC until the audits have been fully completed.

No non-audit or audited related services have been undertaken for the group/PCC and Chief Constable.



# D. Audit opinion – Group and PCC

Our audit opinion 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 2022 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 Sheets 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 2021/22.

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 2022 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 2021/22; 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 Commissioner'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.

# D. Audit opinion – Group and PCC

In our evaluation of the Treasurer to the Commissioner'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 2021/22 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.

In auditing the financial statements, we have concluded that the Treasurer to the Commissioner'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 Commissioner with respect to going concern are described in the 'Responsibilities of the Police and Crime Commissioner and the Treasurer to the Commissioner for the financial statements' section of this report.

## Other information

The Treasurer to the Commissioner 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.

# D. Audit opinion – Group and PCC

## 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 Commissioner 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 Commissioner. The Treasurer to the Commissioner 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 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Treasurer to the Commissioner 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 Commissioner is responsible for assessing the Police and Crime 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](http://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).

# D. Audit opinion – Group and PCC

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 2021/22, 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. 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 and the net pensions liability.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Treasurer to the Commissioner 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 in respect of land and building valuations and the net defined benefit pension liability valuation; 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. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as 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



# D. Audit opinion – Group and PCC

estimates related to land and building valuations, the net defined pension liability valuation and expenditure accruals.

- Our 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, LASAAC and 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**

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 its use of resources for the year ended 31 March 2022.

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 in 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 its use of resources are operating effectively.

# D. Audit opinion – Group and PCC

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 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 Commissioner uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented 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 have considered 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 2022 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 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

## 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.

# E. Audit opinion – Chief Constable

Our audit opinion 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 for West Mercia

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of the Chief Constable for West Mercia (the ‘Chief Constable’) for the year ended 31 March 2022 which comprise the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MIRS), 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2022 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 2021/22; 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 Director 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 Director 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 2021/22 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



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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 Director of Commercial Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

## Other information

The Director 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

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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 Director 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 Director of Commercial Services. The Director 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 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Director 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 Director 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

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](http://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 2021/22, 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

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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 defined benefit pension liability.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Director 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 in respect of the valuation of the net defined benefit pension liability; 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. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as 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.
  - Our assessment of the appropriateness of the collective competence and capabilities of 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:

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- the provisions of the applicable legislation
  - guidance issued by CIPFA, LASAAC and 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 2022.

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 have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 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 have documented 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 have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

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## 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 for the year ended 31 March 2022 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 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

## 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.

