The Joint Audit Findings for Northamptonshire Police, Fire and Crime Commissioner and Northamptonshire Chief Constable

Year ended 31 March 2024

22 November 2024

Private and Confidential

Northamptonshire Police, Fire and Crime Commissioner and Northamptonshire Chief Constable
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November 2024

Dear Joint Independent Audit Committee Members,

Audit Findings for Northamptonshire Police, Fire and Crime Commissioner and Northamptonshire Chief Constable for the year ended 31 March 2024

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 and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

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

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

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

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

Laurelin Griffiths

Director
For Grant Thornton UK LLP

Contents

Your key Grant Thornton team members are:

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

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management, and will be discussed with the PFCC and Chief Constable as those charged with governance, and the Joint Independent Audit Committee.

Laurelin Griffiths
For Grant Thornton UK LLP
20 November 2024

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Northamptonshire Police, Fire and Crime Commissioner ('the PFCC') and Northamptonshire Chief Constable and the preparation of the PFCC's and Chief Constable's financial statements for the year ended 31 March 2024 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 PFCC and Chief Constable and of their 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 has been completed during the period October to December 2024. Our findings are summarised on pages 9 to 21. We have identified a number of adjustments to the financial statements of the Group, PFCC, and Chief Constable. These audit adjustments are detailed in Appendix C.

We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B.

Unfortunately, owing to the challenges of undertaking an audit where the previous audits are expected to be disclaimed due to the local authority backstop, this year we have been unable to regain full assurance and it has not been possible for us to undertake sufficient work to support an unmodified audit opinion in advance of the proposed backstop date of 28 February 2025. The limitations imposed by not having assurance on opening balances mean that we need to modify our opinion on the financial statements.

Our work on the other information to be published with the financial statements, is ongoing.

Our work on the PFCC's and Chief Constable's value for money (VFM) arrangements is nearing completion. The outcome of our VFM work will be reported in our commentary on the PFCC's and Chief Constable's arrangements in our Auditor's Annual Report (AAR).

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	Our work on the PFCC and Chief Constable's value for money (VFM) arrangements will be reported in our commentary on the group's arrangements in our Auditor's Annual Report (AAR). We did not identify any risks of significant weakness within our Audit Plan. Our work to date in this area has not highlighted any new risks of significant weakness. Our VFM work is ongoing at the time of writing this report, and will be reported in our Auditor's Annual Report (AAR) at the December JIAC meeting.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. Although we have completed the majority of work on the 2023/24 financial year under the Code, we do not expect to be able to certify the completion of the audits when we give our audit opinions due to changes in the NAO's procedures for the WGA.
Significant matters	Aside from the expected disclaimers on prior year audits, we did not encounter any significant difficulties or identify any significant matters arising during our audit.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions. By the end of May 2024, Grant Thornton had signed 65% of our 2022/23 audits. This compared with 7% for other firms. We are on course to sign 80% before the local authority backstop is introduced for 2022/23. We have also made good progress with our 2023/24 audits and are pleased to present this report to you on a timely basis.

Over the course of the last year, Grant Thornton has been working constructively with MHCLG, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated.

Government proposals around the backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament Written statements - Written questions, answers and statements - UK Parliament. This confirmed the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. As a consequence of this, the authority's accounts for 2021/22 and 2022/23 are expected to be backstopped and a disclaimer of opinion is expected to be issued by 13 December 2024. The previous audits are expected to be backstopped by Ernst & Young. We are pleased to confirm that we anticipate concluding your audit in advance of the backstop date for 2023/24. Our intention is that over time we will re-build assurance in respect of prior years across all backstopped audits, taking account of guidance from the National Audit Office and the Financial Reporting Council.

New National Audit Office Code

As part of ongoing reforms to local audit, the National Audit Office has also laid a new Code before Parliament. One of the objectives is the new Code is to ensure more timely reporting of audit work, including Value for Money. The Code requires that from 2025, auditors will issue their Annual Auditor's Report by November each year. We have already put resource plans in place to ensure we achieve this deadline across all audited bodies.

National context – level of borrowing

All PFCCs and Chief Constables continue to operate in an increasingly challenging financial context. With inflationary pressures placing increasing demands on budgets, there are concerns as PFCCs and Chief Constables look to alternative ways to generate income. We have not identified any issues with the level of borrowing undertaken by the PFCC during our audit work or during our VFM work so far.

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 have been discussed with management, the PFCC and Chief Constable as those charged with governance, and the Joint Independent Audit Committee.

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

Audit approach

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

- an evaluation of the PFCC's and Chief Constable's internal controls environment, including their 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.

Acknowledgements

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

Conclusion

The circumstances resulting in the application of the local authority backstop to prior year audits are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. We will follow relevant guidance including from the NAO and the FRC to work with you, as we seek to rebuild audit assurance.

We have substantially completed our audit of your financial statements and, subject to outstanding queries being resolved, we anticipate issuing an audit opinion on the financial statements of both the PFCC and the Chief Constable following the Joint Independent Audit Committee meeting on 4 December 2024. The form of this opinion is still to be confirmed.

Outstanding items include:

- receipt of and review of IAS 19 assurance letter from Pension Fund auditors;
- clearing of final sample queries;
- consistency reviews of both the EFA and MiRS;
- completion of quality reviews by both the Audit Manager and Engagement Lead;
- receipt of management representation letters; and
- review of the final sets of financial statements.

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.

We set out in this table our determination of materiality for the PFCC, Chief Constable and group.

	Group (£)	PFCC (£)	Chief Constable (£)	Qualitative factors considered
Materiality for the financial statements	4,600,000	3,000,000	4,100,000	We determined that total expenditure in year was the most appropriate benchmark. Our risk assessment led us to set materiality at approximately 1.8% of prior year gross expenditure.
Performance materiality	2,990,000	1,950,000	2,665,000	Based on the internal control environment at the Authority we determined that 65% of headline materiality would be an appropriate benchmark.
Trivial matters	230,000	150,000	205,000	We decided that matters below 5% of materiality were trivial.
Materiality for senior officer remuneration	30,000	30,000	30,000	We identified senior officer remuneration as a sensitive item and set a lower materiality of £30,000 for testing these items which is approximately 1.8% of expenditure in this area.

We have determined financial statement materiality based on a proportion of the gross expenditure of the group, the PFCC and the Chief Constable for the financial year. For our audit testing purposes we apply the lowest of these materialities, which is £3,000,000, which equates to 1.8% of the PFCC's prior year gross expenditure for the year.

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 Joint Audit Plan.

Risks identified in our Audit Plan	Relates to	Commentary
Presumed risk of fraud in revenue recognition ISA (UK) 240	N/A	Having considered the risk factors set out in ISA (UK) 240, and the nature of the revenue streams of each of the PFCC and the Chief Constable, we have determined that the presumed risk of material misstatement due to the improper recognition of revenue can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; • revenue received by the Chief Constable comes from the PFCC; and • the culture and ethical frameworks of public sector bodies, including the PFCC and Chief Constable, mean that all forms of fraud are seen as unacceptable. Therefore, we did not consider this to be a significant risk for the Chief Constable, PFCC or Group. There were no changes to our assessment as reported in the audit plan that we need to bring to your attention. Whilst not a significant risk, as part of our audit work, we have undertaken work on material revenue items. Our work has not identified any matters that would indicate our rebuttal was incorrect.
Risk of fraud related to expenditure recognition PAF Practice Note 10	N/A	Having considered the risk factors set out in Practice Note 10 and the nature of the expenditure streams of each of the PFCC and the Chief Constable, we determined that there is not a risk of fraud within expenditure recognition, because: • there is little incentive to manipulate expenditure recognition; • opportunities to manipulate expenditure recognition are very limited; and • the culture and ethical frameworks of public sector bodies, including the PFCC and Chief Constable, mean that all forms of fraud are seen as unacceptable. Therefore, we did not consider this to be a significant risk for the Chief Constable, PFCC or Group. There were no changes to our assessment as reported in the audit plan that we need to bring to your attention. Whilst not a significant risk, as part of our audit work, we have undertaken testing on material expenditure items. Our work has not identified any matters that would indicate our assessment was incorrect, however, we did identify a small number of errors within our testing of payments made and invoices received after year end. The extent of the error identified was trivial and we are therefore satisfied from our testing that this is not indicative of a material error within the financial statements. We have made a related recommendation within Appendix B.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
Management over-ride of controls Under ISA (UK) 240 there is a non-rebuttable presumption that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of controls, and in particular journals, management estimates, and transactions outside the normal course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	Chief Constable, PFCC & Group	We have: • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and after the draft accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. We did not identify any issues with the journals selected for testing. However, our work identified a recommendation for the Group to implement around journal authorisation processes and controls. This is detailed within Appendix B.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
Valuation of land and buildings The PFCC revalues its land and buildings on an annual basis to ensure that the carrying value is not materially different from current value (or the fair value for surplus assets) at the financial statements date. This is done via full valuations, or on a desktop basis, with a full valuation undertaken at least once every five years in accordance with the requirements of the CIPFA Code. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£84 million as at 31 March 2024) and the sensitivity of the estimate to changes in key assumptions. The valuation also depends on the completeness and accuracy of source data such as floor areas and subjective inputs such as obsolescence factors. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.	PFCC & Group	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuer, and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; • challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding; • tested, on a sample basis, revaluations made during the year, agreeing key source data used such as floor areas and build costs to suitable independent evidence and confirming that the valuation methodology has been correctly applied; and • tested revaluations made during the year to see if they had been input correctly into the asset register. Our audit work has not identified any issues in respect of valuation of land and buildings. Further detail is included in the key judgements and estimates on page 13.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
Closing Valuation of pension fund net liability The PFCC's and Chief Constable's 's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and is made up of the Local Government Pension Scheme (LGPS) and Police Pension Scheme (PPS). The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£1,055m in the PFCC's and Chief Constable's balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified the valuation of the liability related to defined benefit pension schemes as a significant risk, which was one of the most significant assessed risk of material misstatement. 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. However, for the first time since IFRS have been adopted the Authority has had to consider the potential impact of IFRIC 14 - IAS 19 - the limit on a defined benefit asset on the LGPS. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. 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 Authority's pension fund net liability as a significant risk.	Chief Constable, PFCC & Group	We have: • updated our understanding of the processes and controls put in place by management to ensure that the group's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management experts (the actuaries for the LGPS and PPS) for this estimate and the scope of the actuaries' work; • assessed the competence, capabilities and objectivity of the actuaries who carried out the pension fund valuations; • assessed the accuracy and completeness of the information provided by the Authority to the actuaries to estimate the liabilities; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuaries; • 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 • obtained assurances from the auditor of the Northamptonshire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary, and the fund assets valuation in the pension fund's financial statements. The Authority had considered the potential impact of IFRIC 14 before audit challenge, and our work in response to this is ongoing. We are awaiting IAS19 assurances from the auditor of the Northamptonshire Pension Fund. We cannot conclude our audit until we have received and considered the IAS19 letter from the Pension Fund auditor. Our audit work in this area remains in progress but we have not identified any issues in respect of valuation of the pension fund liability to date. Further detail is included in the key judgements and estimates on pages 14 and 15.

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £84.289m	PFCC & Group	Other land and buildings comprises of operational buildings such as police stations, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The PFCC has engaged Wilks Head & Eve LLP to complete the valuation of properties as at 31 March2024. All of the assets were revalued during 2023/24. In reporting a valuation for land and buildings, the valuer has considered a range of relevant sources of information. Management maintain regular dialogue with the valuer and review the valuation certificates provided and challenge where required. The total year end valuation of land and buildings was £84.289m, a net decrease of £4.082m from 2022/23 (£80.207m).	We have: • assessed the competence, capabilities and objectivity of the valuation expert used by management; • documented and are satisfied with our understanding of the Authority's processes and controls over property valuations; • determined the completeness and accuracy of the underlying information used to determine the estimate; • considered the appropriateness of any alternative site assumptions; and • considered the movements in valuations of individual assets and their consistency with market data. Amendments identified from our work our outlined in Appendix C.	Work in this area is in progress

2. Financial Statements: key judgements and estimates

<table>
<thead>
<tr><th>Significant judgement or estimate</th><th>Relates to</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
</thead>
<tbody>
<tr>
<td>LGPS Net pension asset / liability – £Nil

IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.

IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.</td>
<td>Group, PFCC and Chief Constable</td>
<td>The PFCC and Chief Constable's Local Government Pension Scheme net pension asset / liability at 31 March 2024 is £Nil (PY £1.325m asset) comprising the Northamptonshire Local Government Scheme obligations.

The PFCC and Chief Constable use Hymans Robertson to provide actuarial valuations of the PFCC and Chief Constable's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £1.325m net actuarial loss during 2023/24.</td>
<td>

We are satisfied that management's expert is competent, capable and objective.
We have documented and are satisfied with our understanding of the Authority's processes and controls over pension valuations.
We have considered the completeness and accuracy of the underlying information used to determine the estimate.
We have analysed the method, data and assumptions used by management and their expert to derive the estimate, including using PwC as our auditors expert – the table below compares the actuary's assumptions with our expectations:

<table>
<thead>
<tr><th>Assumptions</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
</thead>
<tbody>
<tr><td>Discount rate</td><td>4.85%</td><td>4.80% - 4.85%</td><td></td></tr>
<tr><td>Pension increase rate</td><td>2.75%</td><td>2.75% - 2.80%</td><td></td></tr>
<tr><td>Salary growth</td><td>3.25%</td><td>3.1% - 5.1%</td><td></td></tr>
<tr><td>Life expectancy – Males currently aged 45/65</td><td>PFCC – 23.1 years / 21.3 years
CC – 21.7 years / 20.9 years</td><td rowspan="2">The potential difference in range can be around 8-10 years at the extremes of individual employer level life expectancies.</td><td></td></tr>
<tr><td>Life expectancy – Females currently aged 45/65</td><td>PFCC – 25.7 years / 24.0 years
CC – 25.5 years / 23.7 years</td><td></td></tr>
</tbody>
</table>

We are awaiting a response to our letter to the West Northamptonshire Pension Fund auditor and need to conclude on our work around IFRIC 14.

</td>
<td>Work in this area is in progress</td>
</tr>
</tbody>
</table>

2. Financial Statements: key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Relates to</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Police Pension Scheme net liability - £1,055m</td>
<td>Group & Chief Constable</td>
<td>The Chief Constable's Police Pension Scheme liability at 31 March 2024 is £1,055m (PY £1,020m). The Chief Constable operates three pension schemes for police officers, these are the 1987,2006 and 2015 Police Pension Schemes.

The Chief Constable uses GAD to provide actuarial valuations of their Police Pension Scheme liabilities. A full actuarial valuation is required every four years.

Whist the last full actuarial valuation was completed in 2020, the estimate of the pension liability at 31 March 2024 is based on up-to-date membership data and assumptions. Delays in the finalisation of the 2020 full quadrennial valuation have no impact on the amounts disclosed in the financial statements (teams to confirm with actuary).

Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £35m net actuarial loss during 2023/24.</td>
<td>

We are satisfied that management's expert is competent, capable and objective.
We have documented and are satisfied with our understanding of the Authority's processes and controls over pension valuations.
We have considered the completeness and accuracy of the underlying information used to determine the estimate.
We have analysed the method, data and assumptions used by management and their expert to derive the estimate, including using PwC as our auditors expert – the table below compares the actuary's assumptions with our expectations:

<table>
<tr><th>Assumptions</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>4.75%</td><td>4.75%</td><td></td></tr>
<tr><td>Pension increase rate</td><td>2.60%</td><td>2.60%</td><td></td></tr>
<tr><td>Salary growth</td><td>3.85%</td><td>3.10% - 5.10%</td><td></td></tr>
<tr><td>Life expectancy – Males currently aged 45/65</td><td>23.6 years / 21.9 years</td><td>21.3 – 21.9 years / 22.9 – 23.6 years</td><td></td></tr>
<tr><td>Life expectancy – Females currently aged 45/65</td><td>25.1 years / 23.6 years</td><td>21.3 – 23.6 years / 22.9 – 25.1 years</td><td></td></tr>
</table>

We are awaiting a response to our final queries in this area.

</td>
<td>Work in this area is in progress</td>
</tr>
</table>

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
Unit 4 Agresso	ITGC assessment (design and implementation effectiveness only)	● [green]	● [green]	● [green]	● [green]	Management override of controls

Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

2. Financial Statements: matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary
Significant events or transactions that occurred during the year.	From our work during the audit of the financial statements and from discussions with management and those charged with governance, we are not aware of any significant events or transactions that occurred during the period.
Conditions affecting the PFCC, Chief Constable, and Group and business plans and strategies that may affect the risks of material misstatement.	From our work during the audit of the financial statements and from discussions with management and those charged with governance, we are not aware of any business conditions that would significantly affect the PFCC, Chief Constable or Group.
Concerns about management's consultations with other accountants on accounting or auditing matters	From our work during the audit of the financial statements and from discussions with management and those charged with governance, we are not aware that the PFCC or Chief Constable has consulted with any other accountants.
Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information	We have not identified any such disagreements.
Prior year adjustments identified	No prior year adjustments have been identified.
Other matters that are significant to the oversight of the financial reporting process.	We have not identified any other such matters.

2. Financial Statements: other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Joint Independent Audit 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	A letter of representation will be requested from both the PFCC and Chief Constable upon completion of our work.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the banks where the PFCC holds accounts. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the PFCC, Chief Constable and Group's accounting policies, accounting estimates and financial statement disclosures. A number of minor amendments were made to the accounting policies to enhance transparency of the disclosures within the accounts, which are documented within Appendix C.
Audit evidence and explanations/ significant difficulties	No significant difficulties have been noted.

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	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. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • 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 • 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 PFCC's and Chief Constable's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. 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 PFCC 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: • the nature of the PFCC and Chief Constable and the environment in which they operate • the PFCC's and Chief Constable's financial reporting framework • the PFCC's and Chief Constable's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. This work remains ongoing at the time of writing this report.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statements and Narrative Reports, are materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. This work remains ongoing at the time of drafting this report.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statements does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported any number of significant weaknesses. We have nothing to report on these matters at this stage.
Specified procedures for Whole of Government Accounts	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. Detailed work is not required as the PFCC, Chief Constable and Group do not exceed the threshold. We note that the NAO has changed its approach to WGA for 2023/24.
Certification of the closure of the audit	Although we have completed the majority of work on the 2023/24 financial year under the Code, we do not expect to be able to certify the completion of the audits when we give our audit opinions due to changes in the NAO's procedures for the WGA.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

Our VFM work is ongoing at this stage. As part of our work, we have considered whether there are any risks of significant weakness in the PFCC or Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources. So far, we have not identified any areas of particular risk for this work, and we have not identified any significant weaknesses.

Our detailed commentary will be set out in a separate Auditor's Annual Report, which is expected to be presented to the December 2024 JIAC meeting.

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 and consider that an objective reasonable and informed third party would take the same view. 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 in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Group that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff that would exceed the threshold set in the Ethical Standard.

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Joint Audit Plan	Joint Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Matters in relation to the group audit	•	•
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan– Audit of Financial Statements

We have identified two recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

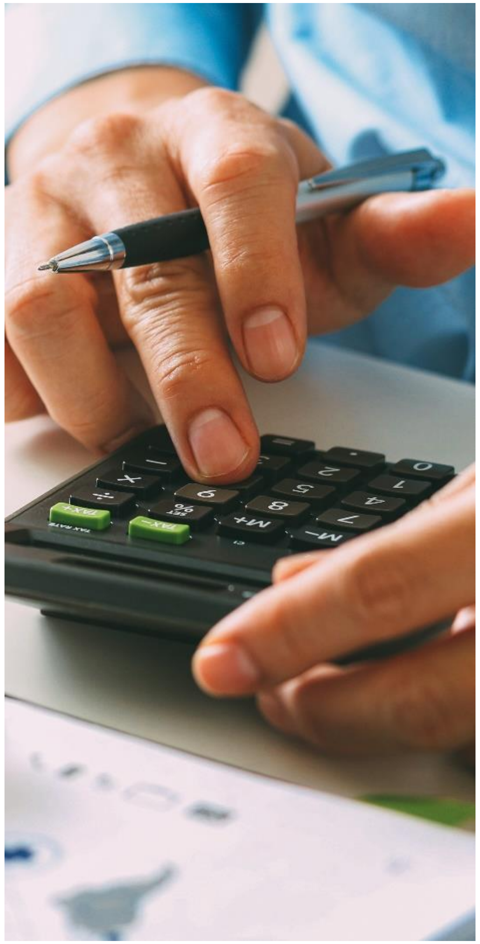
Assessment	Issue and risk	Recommendations
Effect on control system	Approval process for journals not working correctly Journals require two separate individuals to approve. However, we identified an instance of a journal not requiring a second approval. We also identified instances of a senior officer approving journals. As a second approval is required, this is not a deficiency, however it could become one if a journal can be posted without a second approval as in the instance identified.	We recommend that the Group identify why the journal was able to avoid the usual approval processes and whether this has happened elsewhere. **Management response** Senior managers are included as journal authorisers for resilience purposes and would only be asked to action workflow tasks if others were unavailable. A quarterly journal review is undertaken (by a member of staff not involved in journal entry or authorisation) which would highlight any journals authorised by senior management and backing documentation would be checked for assurance. We recognise a risk in this approach but are content there are controls in place to mitigate the risks.
Effect on control system	Understatement of accrual Within our payments made after year end testing, we identified a number of payments related to 2023/24 which were not accrued for correctly. This resulted in the understatement of accruals at 31 March 2024 and understatement of expenditure for the year ended 31 March 2024. We also identified that finance team members were not aware of there being a de minimis level policy.	We recommend that the Group improve their closedown processes to ensure all expenditure items related to the financial statements year are identified and correctly accounted for. Finance officers responsible for accruals should be reminded of their responsibilities in this area. We also recommend that finance staff are reminded of the de minimis policy for accruals. **Management response** Noted. Action will be taken with finance personnel for clarity on procedures, training needs and enhanced check at closedown in the future.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Audit Adjustments – Chief Constable

We have not identified any non-trivial misstatements in the Chief Constable's CIES or Balance Sheet.



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	Issue or omission	Adjusted?
Accounting Policies	We requested for a small number of policies to be updated to provide clarification or to be removed on the basis of materiality.	✓
Note 4 Officers' Remuneration	We identified an understatement of £4k in the employer pension contributions for one individual.	✓
Various	A number of other minor changes have been made to disclosure notes and accounting policies throughout the financial statements to improve accuracy, clarity and user understanding.	✓

C. Audit Adjustments – PFCC

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

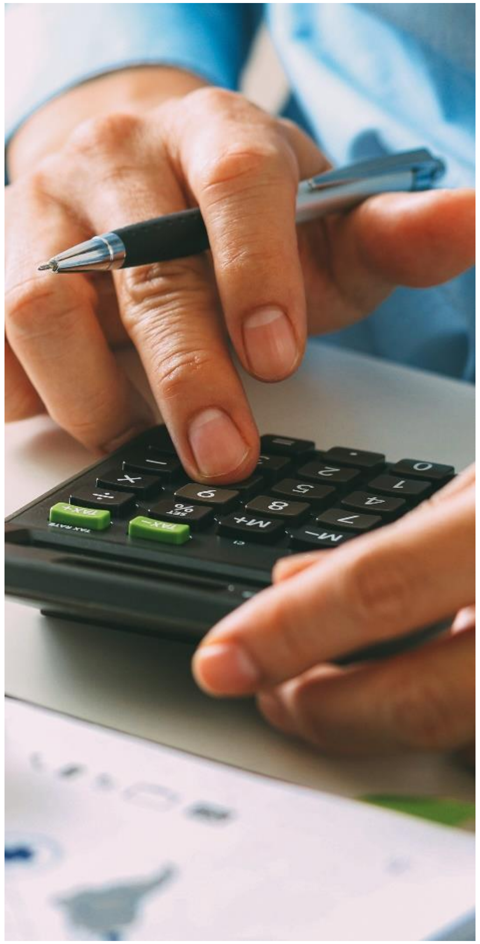
All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2024.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
Our review of account code mappings identified a number of errors in these mappings.	Dr Other services expenses 1,565 Cr Employee expenditure 1,472 Cr Depreciation and impairment 93			
We identified that half of the Uplift Grant has been misclassified as taxation and non-specific grant income, but should have been within cost of services.	Dr Taxation and non-specific grant income 1,312 Cr Cost of services 1,312			
Overall impact	Nil	Nil	Nil	Nil

Impact of unadjusted misstatements

No unadjusted misstatements have been identified.

C. Audit Adjustments - PFCC (continued)



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. The items listed above for the Chief Constable's accounts will also impact on the group accounts.

Disclosure	Issue or omission	Adjusted?
Accounting Policies	We requested that policies around borrowings, receivables, useful economic lives of assets and depreciation be added to the accounts. We requested for a small number of policies to be updated to provide clarification or to be removed on the basis of materiality.	✓
Note 4 Officers' Remuneration	We identified an overstatement of £1k in the employer pension contributions for one individual. We also identified an understatement of £23k in total remuneration for one individual and are still concluding our work on this at the time of writing this report.	✓
Note 4 Officers' Remuneration	OPFCC Staff were not included in Group figures for the employees exceeding £50,000 table. The total employees column has now increased by 12, which is the OPFCC staff. We also identified one individual who was included within the incorrect banding.	✓
Note 9 Note 14	Related to the unadjusted misstatement for the Uplift Grant, grant income has been overstated in both note 9 and note 14, resulting in these notes not reconciling to the primary statements. This amount of £1,312k has been removed from these notes to show the correct amounts.	✓
Note 23 Property, Plant and Equipment	A number of formulae within the note were incorrect.	✓
Note 36 Termination Benefits	Our review of the GL identified an amount on the termination benefits code that was not included within Note 36. The note has been amended to include this figure of £12k.	✓
Note 39 Financial Instruments	Our review of the financial instruments identified that the disclosures were not fully compliant with the Code. All required amendments have been made.	✓
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.	✓

D. Fees and non-audit services

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

Audit fees	PFCC	Chief Constable	Total
Scale fee	£102,418	£47,542	£149,960
ISA 315	£4,710	£4,710	£9,420
Total audit fees (excluding VAT)	**£107,128**	**£52,252**	**£159,380**

The scale fee above is reflected in the audit fee within the financial statements. Additional fees have not been recognised in the accounts.

E. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

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