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JOINT INDEPENDENT AUDIT COMMITTEE

12

26 JANUARY 2021

SUBJECT	**FINANCIAL STATEMENTS 2020/21**
REPORT BY	**JULIE FLINT, PCC CHIEF FINANCIAL OFFICER, AND SHARON CLARK, DIRECTOR OF FINANCE AND CORPORATE SERVICES**
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SUMMARY AND PURPOSE OF REPORT Following the audit of 2020/21 accounts the Committee is requested to review: • the responses to the report produced by the auditors; • the final version of the Accounts including the Annual Governance Statement and • Letters of Representation	
1. RECOMMENDATION	That the Committee: 1. Reviews the responses to the Report to those charged with Governance (ISA260) on the 2020/21 Accounts. 2. Reviews the Accounts and Annual Governance Statement for publication (Appendices A1 and A2) 3. Reviews the Letters of Representation (Appendices B1 and B2)

A. SUPPORTING INFORMATION

1. Introduction

1.1 At the May 2021 workshop of this Committee, in accordance with good practice, the 2020/21 draft accounts for both the Police and Crime Commissioners (PCC) Group and the Chief Constable were presented. Following the meeting the Chief Financial Officers (CFOs) for the PCC and Chief Constable, in accordance with the Accounts and Audit Regulations 2015 (regulation 9), signed and dated their respective accounts and certified that they presented a true and fair view of the financial position of the Group at the end of financial year to which they related, and of its income and expenditure for that year.

1.2 Copies of the accounts were published on the PCC and CC's websites, along with a declaration that the accounts were unaudited and may be subject to change. The accounts were open for public inspection between 1 August 2021 and 12 September 2021. During this period, a local government elector for any area to which the accounts relate, or their representative, may question the auditor about the accounts, or make an objection to the accounts as set out in section 26 and 27 of the Local Audit and

Accountability Act 2014. Any objections must be provided in writing; at the date of submission of this report no objections have been notified.

1.3 The planned date for completion and audit certificate issue was 30 September 2021. Unfortunately, resourcing pressures experienced by the external auditor, Ernst & Young LLP (EY), resulted in delays in the external audit work and it was not completed in the expected timeframe. This delay is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015.

1.4 Revised accounts are now submitted to this Committee following audit for review prior to the final signing by the PCC and CC and their Statutory Officers.

1.5 The external auditor, EY, is required by the statutory Code of Audit Practice for Local Government bodies (the Code) to issue a report to those charged with governance (PCC & CC) summarising the conclusion of the audit work. This Audit Results Report, in accordance with ISA260, has been provided to the Committee for review on this agenda.

1.6 EY is also required to report on certain matters before it can give its opinion on the financial statements. These include significant risks, qualitative aspects of the accounts and the audit's independence. These are all included within the report.

1.7 The Audit Results Report covering the audit will be presented by EY. The principal purposes of the report are to:

- Reach a mutual understanding of the scope of the audit and respective responsibilities of the auditor and those charged with governance;
- Share information to assist both the auditor and those charged with governance to fulfil their respective responsibilities; and
- Provide recommendations for improvements from the audit process.

1.8 An important part of this report is the Letters of Representations which are discussed at Section 6.

1.9 The report is positive, EY indicated they intend to issue an unqualified audit opinion on both sets of accounts and that the Annual Governance Statements comply with the guidance issued by CIPFA/LASAAC for 2020/21. Importantly, the report also concludes that the PCC and CC have made proper arrangements to ensure they took properly informed decisions and deployed resources to achieved planned and sustainable outcomes for the taxpayers and local people. EY have concluded that there are no matters to report on the PCC and CC's arrangements to sure economy, efficiency and effectiveness in its use of resources. It is therefore anticipated that an unqualified value for money conclusion will be issued.

2. Accounting practice and financial reporting

2.1 Section 4 of the EY Audit Results Report for the year ended 31 March 2021 (ARR) details the audit differences which have been identified in the draft 2020/21 financial statements,

2.2 Key audit differences identified in the PCC and Group statements that have since been adjusted in the accounts (page 31, ARR) were as follows:

- Identification of a cost amounting to £647k relating to the G4S contract which should have been recognised in 2020/21. £647k was identified as the gross amount including VAT, the accounts have been adjusted to recognise the net accrual impact of £539k and adjustments to the related finance lease transactions. Further details are available at Appendix A3.
- The omission of a going concern disclosure note from within the draft financial statements. Note 4 Going Concern has therefore been added to both the CC and the PCC/Group sets of accounts.
- EY also identified a limited number of misstatements within the disclosures which were amended during the course of the audit to correct disclosure and presentational matters in the final version of the statements.

2.2 Other amendments to the draft accounts include:

- Pension adjustment of £3.068m following the receipt of September 2021 LGPS actuary report which gives the valuation of all assets held by the pension fund at 31 Mar 2021.
- Property revaluation of £121k in relation to the Force Control Room following the identification of a floor area issue the valuers carried out a site visit and revised their 2021 valuation based on correct area.

All changes to the Comprehensive Income & Expenditure Accounts and Balance Sheets are summarised in Appendix A3.

3. Key issues and recommendations

3.1 The EY review of the PPE valuations identified errors to the discrepancies in the floor areas used for a small group of properties in the Force estate when comparing to internal floor plans and site areas. EY have recommended that the external valuers reports are subject to a quality review internally with particular scrutiny with regards to floor areas of the properties.

3.2 The split of the Local Government Pension Scheme (LGPS) liability between the PCC and CC has been historically calculated using a percentage of the membership figures. EY recommend that going forward two separate reports are produced for the valuation of IAS19 new pension liability for LGPS considering there are two separate financial statements for the two entities.

4. Statement of Accounts

4.1 Revised PCC and Chief Constable Accounts are included in the papers for this Committee. These include all the changes noted above from the accounts reviewed in June 2021. Appendix A3 provides a reconciliation of the changes made between the draft and final sets of accounts.

5. Post Balances Sheet Events

5.1 Accounting standards require that relevant Post Balance Sheet Events be recognised in the Financial Statements up to the formal signing of the accounts. This is noted within Note 50 in the PCC/Group accounts and Note 27 in the CC accounts. If events arise

after the Committee but prior to the signing of the accounts appropriate disclosures will be made in the accounts and the Committee notified at the next meeting.

6. **Letters of Representations**

6.1 As part of the finalisation of the audit, a letter of representation must be provided to the auditor for the PCC and CC. Draft letters are included in Appendix B1 and B2. These letters will be signed by the PCC and Chief Constable and their respective S151 CFO. It includes declarations regarding the financial statements and governance arrangements which have been employed.

B. FINANCIAL CONSIDERATIONS

The Financial Statements show the PCC's and CC's stewardship for the year 2020/21

C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS

The statements are prepared so as to comply with all relevant accounting requirements and audited in accordance with those requirements.

D. PERSONNEL, EQUAL OPPORTUNITIES AND DIVERSITY ISSUES (Including any impact or issues relating to Children and Young People.)

None specific.

E. REVIEW ARRANGEMENTS

The accounts are complete and are scheduled to be formally signed shortly after the date of this meeting. The addition of any post Balance Sheet events required during the period between this meeting and formal sign off will be reported to the next meeting of the Committee.

F. RISK MANAGEMENT

There are risks associated with ensuring that the disclosures made in the accounts are in accordance with the legislation and codes of practice. External Auditors have highlighted issues as part of their reporting which have been corrected in the accounts. There are however residual risks of non-compliance which have been mitigated by the checks undertaken.

G. PUBLIC ACCESS TO INFORMATION

Information in this report, along with any supporting material, is subject to the Freedom of Information Act 2000 and other legislation.