



west midlands
police and crime
commissioner



AGENDA ITEM 07

**JOINT AUDIT COMMITTEE
28 September 2017**

STATEMENT OF ACCOUNTS 2016/17

PURPOSE OF REPORT

- 1 This report updates the Committee on the Statement of Accounts following the statutory external audit. The changes noted in this report have been incorporated in the final version of the PCC/Group and Chief Constable Statement of Accounts which are attached to this report and will be published by 30th September on the Police and Crime Commissioner's and Police Force websites respectively.

BACKGROUND

- 2 The draft Statement of Accounts were presented to the Committee on 8th June 2017. Since then the external auditors, Grant Thornton UK LLP, have concluded the audit and are expected to issue an unqualified opinion on the accounts of the Police and Crime Commissioner for the West Midlands and Group and the Chief Constable of West Midlands Police on the basis that all remaining issues in the audit findings report are satisfactorily discharged.
- 3 A number of changes to the financial statements and the associated notes have been agreed with the auditors during the audit and these are summarised in the following paragraphs. It is normal for the audit to identify some items in the accounts which are required to be changed and members should note that the majority of these changes are relatively minor and relate principally to technical accounting issues. The overall revenue outturn of the Group and the general reserves position has not changed.

AMENDMENTS TO THE PCC AND GROUP ACCOUNTS

- 4 The Debtors and Creditors balances on the face of the Balance sheet on page 35 have been adjusted by £4.185m each as these values were both overstated following transactions relating to non-domestic rates payments relating to 2017/18 feeding through the Finance system at the end of March 2017.
- 5 The PCC's Comprehensive Income and Expenditure Statement has been adjusted to show that all income received into the Organisation flows through the PCC's bank account before it forms part of the Financial contribution made to the Chief Constable for resources consumed under his direction and control. Note 14 relating to Grant income has also been updated to identify all significant grants and where they are consumed.
- 6 The Annual Governance Statement has been augmented in some sections to provide additional disclosures as required by the Audit, including statements relating to IT security and other potential risks.
- 7 The Pensions note 19 has been amended to split or combine items within some disclosure tables to better clarify actuarial data. One figure has been adjusted for a £797k balance relating to GAD v Milne which had not been included in that table.
- 8 It was noted that no disclosure had been made in any publication with respect to allowances granted to Members of the Strategic Policing and Crime Board or the Joint Audit Committee. These allowances can be published within the Statement of Accounts to meet that requirement so an additional table is included on page 64.
- 9 Note 28 detailing Property Plant and Equipment transactions in the year has been adjusted to correct depreciation adjustments which had been included against the wrong lines in the draft Accounts.
- 10 Following the introduction of Fair Value disclosures for Financial Instruments under IFRS13, the disclosure for the Fair Value of the PWLB debt has been adjusted in Note 33 to use New Loan rate valuations.
- 11 The Termination Benefits note 12 has been adjusted to reflect a delayed Pension Strain payment for a retirement taken at the end of 2015/16 which moved the individual into a different disclosure band. There have also been some banding adjustments made to the 2016/17 disclosures.
- 12 Note 11 detailing Senior Officers' remuneration has been updated to reflect the actual P11D information as submitted to HMRC in July. The amendments are to the benefit in kind column within this note.
- 13 Adjustments have been made between the new Expenditure and Funding analysis note 6 and the Management account disclosures within the Narrative Statement on page 10 to ensure consistency between the statements.
- 14 It was noted that ongoing court cases had not been included in the Contingent Liabilities disclosures within the Narrative Report and note 22. An additional paragraph has been added to provide an update to readers.

- 15 Within the Audit costs disclosure, note 13, costs relating to work Grant Thornton were doing concerning a national tax action against HMRC did not include a final payment due at the end of 16/17. This additional £3k is now included.
- 16 A declaration made under the Related Party disclosures, note 15, has been updated to include the value of the grant made to the Foundation as at £11k this was deemed to be material to the recipient organisation.
- 17 Other minor amendments have been made to wording to provide consistency within the Accounts and some additional wording has been provided for clarification where it was felt that this would aid the understanding of readers.

AMENDMENTS TO THE CHIEF CONSTABLE ACCOUNTS

- 18 A figure within the Comprehensive Income and Expenditure table of Pensions note 17 has been adjusted for a £797k balance relating to GAD v Milne which had not been included.
- 19 The Annual Governance Statement has been augmented in some sections to provide additional disclosures as required by the Audit, including statements relating to IT security and other potential risks.
- 20 The Termination Benefits note 11 has been adjusted to reflect a delayed Pension Strain payment for a retirement taken at the end of 2015/16 which moved the individual into a different disclosure band. There have also been some banding adjustments made to the 2016/17 disclosures.
- 21 Note 10 detailing Senior Officers' remuneration has been updated to reflect the actual P11D information as submitted to HMRC in July. The amendments are to the benefit in kind column within this note.
- 22 It was noted that ongoing court cases had not been included in the Contingent Liabilities disclosures within the Narrative Report and note 19. An additional paragraph has been added to provide an update to readers.
- 23 Within the Audit costs disclosure, note 12, costs relating to work Grant Thornton were doing concerning a national tax action against HMRC did not include a final payment due at the end of 16/17. This additional £3k is now included.
- 24 Other minor amendments have been made to wording to provide consistency within the Accounts and some additional wording has been provided for clarification where it was felt that this would aid the understanding of readers.

FINANCIAL IMPLICATIONS

- 25 There are no financial implications arising from this report.

LEGAL IMPLICATIONS

- 26 There are no legal implications contained in this report

EQUALITIES IMPLICATIONS

- 27 The PCC's spending provides for the continuation and development of policing services for all people in the West Midlands, irrespective of colour, race, religion, gender or sexual orientation. Both the PCC and the Chief Constable are committed to delivering the principles, strategies and priorities of their respective Race Equality Schemes and there is nothing in this report which would have an adverse impact on that.

RECOMMENDATIONS

- 28 The Committee is asked to note the changes to the Statement of Accounts for 2016/17.
- 29 The Police and Crime Commissioner and Chief Constable, as those charged with governance, are asked to sign the accounts in readiness for their publication by 30th September

Mark Kenyon
Chief Finance Officer
Police and Crime Commissioner for the West Midlands

Neil Chamberlain
Chief Finance Officer
Chief Constable for West Midlands Police

Draft Letter of Representation WMP Chief Constable

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

29th September 2017

Dear Sirs

West Midlands Police Chief Constable Financial Statements for the year ended 31 March 2017

This representation letter is provided in connection with the audit of the financial statements of the Midlands West Police Chief Constable for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of 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 2016/17 ("the Code") which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Chief Constable and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Chief Constable has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Chief Constable has been assigned, pledged or mortgaged

- c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix In particular, we are satisfied that the issue noted in respect of Police Pension Scheme Member Data submitted to the Government Actuary's Department does not lead to a material risk to the financial statements of the Chief Constable.
- x Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- xi All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xii Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xiii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiv We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Chief Constable and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xvi We believe that the Chief Constable's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Chief Constable's needs. We believe that no further disclosures relating to the Chief Constable's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xvii We have provided you with:
 - a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b additional information that you have requested from us for the purpose of your audit; and
 - c unrestricted access to persons within the Chief Constable from whom you determined it necessary to obtain audit evidence.
- xviii We have communicated to you all deficiencies in internal control of which management is aware.
- xix All transactions have been recorded in the accounting records and are reflected in the financial statements.

- xx We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Chief Constable involving:
 - a management;
 - b employees who have significant roles in internal control; or
 - c others where the fraud could have a material effect on the financial statements.
- xxii We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Chief Constable's financial statements communicated by employees, former employees, regulators or others.
- xxiii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv We have disclosed to you the identity of all the Chief Constable's related parties and all the related party relationships and transactions of which we are aware.
- xxv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvi We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Chief Constable's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvii The disclosures within the Narrative Report fairly reflect our understanding of the Chief Constable's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was discussed by the Joint Audit Committee on 28th September 2017 which was attended by the Deputy Chief Constable. This was following discussion with the Chief Constable on 17th July 2017 and 18th September 2017.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Chief Constable

Draft Letter of Representation West Midlands Police and Crime Commissioner

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

29 September 2017

Dear Sirs

West Midlands Police and Crime Commissioner Group Financial Statements for the year ended 31 March 2017

This representation letter is provided in connection with the audit of the group financial statements of the West Midlands Police and Crime Commissioner (the 'PCC') and its subsidiary undertaking, the West Midlands Chief Constable, for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the group and parent PCC financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the group and parent PCC 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 2016/17 ("the Code") which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the group and parent PCC and these matters have been appropriately reflected and disclosed in the group and parent PCC financial statements.
- iii The PCC has complied with all aspects of contractual agreements that could have a material effect on the group and parent PCC financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the group and parent PCC financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi We are satisfied that the material judgements used in the preparation of the group and parent PCC financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii Except as disclosed in the financial statements:

- a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the group or parent PCC has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
 - ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
 - x All events subsequent to the date of the group and parent PCC financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
 - xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
 - xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent PCC financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
 - xiii We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the group and parent PCC financial statements for these misstatements brought to our attention as they are immaterial to the results of the group and parent PCC and the group and parent PCC's financial position at the year-end.
 - xiv In particular, we are satisfied that the issue noted in respect of Police Pension Scheme Member Data submitted to the Government Actuary's Department does not lead to a material misstatement in the financial statements of the group. The group and parent PCC financial statements are free of material misstatements, including omissions.
 - xv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent PCC financial statements.
 - xvi We believe that the group and parent PCC's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent PCC's needs. We believe that no further disclosures relating to the group and parent PCC's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xvii We have provided you with:
 - a access to all information of which we are aware that is relevant to the preparation of the group and parent PCC financial statements such as records, documentation and other matters;
 - b additional information that you have requested from us for the purpose of your audit; and
 - c unrestricted access to persons within the group and parent PCC from whom you determined it necessary to obtain audit evidence.
- xviii We have communicated to you all deficiencies in internal control of which management is aware.

- xix All transactions have been recorded in the accounting records and are reflected in the group and parent PCC financial statements.
- xx We have disclosed to you the results of our assessment of the risk that the group and parent PCC financial statements may be materially misstated as a result of fraud.
- xxi We have disclosed to you all our knowledge of fraud or suspected fraud affecting the group and parent PCC involving:
 - a management;
 - b employees who have significant roles in internal control; or
 - c others where the fraud could have a material effect on the group and parent PCC financial statements.
- xxii We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the group and parent PCC's financial statements communicated by employees, former employees, regulators or others.
- xxiii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the group and parent PCC's financial statements.
- xxiv We have disclosed to you the identity of all the group and parent PCC's related parties and all the related party relationships and transactions of which we are aware.
- xxv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent PCC financial statements.

Annual Governance Statement

- xxvi We are satisfied that the Annual Governance Statement (AGS) fairly reflects the PCC's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxvii The disclosures within the Narrative Report fairly reflect our understanding of the group and parent PCC's financial and operating performance over the period covered by the group and parent PCC financial statements.

Approval

The approval of this letter of representation was discussed by the Joint Audit Committee on 28th September 2017 and further discussed with the PCC on 28th September 2017.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the PCC and Group