



The Joint Audit Findings for the Police and Crime Commissioner for the West Midlands and Chief Constable

Year ended 31 March 2020

16 September 2020



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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.

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Headlines

This table summarises the key findings and other matters arising from the statutory audits of the Police and Crime Commissioner ('the PCC') for the West Midlands and Chief Constable and the preparation of the PCC's and Chief Constable's financial statements for the year ended 31 March 2020 for the PCC and Chief Constable.

<p>Financial Statements</p>	<p>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 entity's (and where relevant, the group's) financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the financial position of the entity and the entity's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the 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.</p>	<p>Our audit work has been undertaken remotely during June-September 2020. Our findings to date are summarised on pages 5 to 17. Our work so far has not identified any adjustments to the financial statements that will result in an adjustment to the Comprehensive Income and Expenditure Statements. Our work on the McCloud Pension issue, along with other areas of work noted below, has not been completed and may result in a material amendment to the financial statements. Until this work is completed, we are unable to confirm this.</p> <p>Audit adjustments are still being agreed with Management and will be communicated in the final version of this report. We have raised recommendations for management as a result of our audit and value for money work and will share these with the Joint Audit Committee once they are formally agreed with Management. All recommendations raised last year related to the value for money work and are being followed up as part of our review this year. This will be communicated to you separately.</p> <p>Our work is still in progress but there are no outstanding matters of which we are aware at this time that would require modification of our audit opinion for the PCC's financial statements (including the group financial statements which consolidate the financial activities of the Chief Constable) or the Chief Constable's financial statements. Our final opinion is subject to the completion of the following outstanding matters;</p> <ul style="list-style-type: none"> • completion of the work on PPE revaluations • completion of work on the pension fund liabilities (see page 9) • West Midlands Pension Fund signed off • review of the EFA note • review of the remuneration note • review of the Related parties disclosure • review of going concern considerations from management • completion of our internal quality review process • receipt of management representation letters; and • review of the final sets of financial statements. <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisations.</p> <p>Our anticipated audit report opinions will be unmodified with the PCC's including an Emphasis of Matter paragraph, highlighting the material uncertainty of the valuation of land and buildings.</p>
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Headlines

This table summarises the key findings and other matters arising from the statutory audits of West Midlands Police and Crime Commissioner ('the PCC') and West Midlands Chief Constable and the preparation of the PCC's and Chief Constable's financial statements for the year ended 31 March 2020 for the PCC and Chief Constable.

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, both entities have made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	Our risk based reviews of the PCC's and Chief Constable's value for money arrangements are still in progress. We are anticipating providing a conclusion that both the PCC for the West Midlands, and the Chief Constable have proper arrangements to secure economy, efficiency and effectiveness in their use of resources but this is subject to the work being concluded and findings agreed with Management. As part of our on-going work, we have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19.
Covid-19	The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the group. Authorities were still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.	We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 14 April 2020. In that addendum we reported an additional financial statement risk in respect of Covid-19 and highlighted the impact on our VfM approach. Further detail is set out on page 18 & 19. Restrictions for non-essential travel has meant both group's staff and audit staff have had to initiate remote working arrangements from home including the remote accessing of financial systems, the provision of working papers electronically by secure means, the use of video and telephone conferencing arrangements and using virtual technology to observe the download of data and other information to ensure its completeness and accuracy for testing. Finance staff have responded positively and communication has been good throughout the audit process. We recognise that work has taken longer and are in discussions around the financial implications of this for the PCC, the Chief Constable and where additional Covid-19 funding could be secured to support any over-runs agreed.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: <ul style="list-style-type: none"> • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audits. 	We have not exercised any of our additional statutory powers or duties for either entity. We have completed the majority of work under the Code and expect to be able to certify the completion of the audits when we give our audit opinion.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Summary

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 the PCC and Chief Constable 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

As auditor we are responsible for performing the audits, 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 the PCC and Chief Constable. The audit of the financial statements does not relieve management or the PCC and Chief Constable of their responsibilities for the preparation of the financial statements.

Audit approach

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

- An evaluation of the PCC's and Chief Constable's internal controls environment, including its IT systems and controls; and

- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you in our Audit Plan Addendum on 14 April 2020 to reflect our response to the Covid-19 pandemic, which we identified as an additional significant risk.

Conclusion

We have substantially completed our audits of your financial statements and, subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Joint Audit Committee meeting on 28 September 2020, and agreement of our findings with the Police and Crime Commissioner and Chief Constable as those charged with governance. The outstanding items are set out on page 3.

As noted on page 3, our ability to conclude and sign off the audit will be dependent on resolving all outstanding work, particularly in respect of the various pension related issues.

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/addendum.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	9,900k	Gross Expenditure on Policing Services was determined as the appropriate benchmark for determining materiality. 1.5% was deemed an appropriate rate to apply to the benchmark. The group materiality was determined using the Chief Constable's Gross Expenditure on Policing Services. We calculated materiality for the Group, PCC and Chief Constable separately. Due to the nature of the police group, where the financial statements are disaggregated from one ledger, we selected the lowest materiality benchmark (that for the Chief Constable) and applied this to our testing of balances and transactions to ensure appropriate coverage.
Trivial matters	500k	5% of materiality is deemed an appropriate level for triviality.

Significant findings – audit risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>Covid- 19</p> <p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> - Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement</p>	<p>Group, PCC and the Chief Constable</p>	<p>We:</p> <ul style="list-style-type: none"> • worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts, and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 24 June 2020; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the PCC's property valuation expert; • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and pension fund net liability valuations; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; and • discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence. <p>Management produced the draft financial statements and working papers broadly in line with the original timetable. There was a slight delay due to the finance team awaiting information from other Local Government bodies for precept data. But communication with the audit team was strong and this did not create a delay in the audit process. Producing accounts to this timescale was a significant achievement with all staff working remotely.</p> <p>We completed our audit remotely and, whilst it took longer than usual, we were able to utilise technology to corroborate information produced by the PCC and Chief Constable. The finance team have been extremely responsive to audit queries throughout the audit and we would like to express our appreciation for this.</p> <p>We did not identify any implications for our audit report resulting from Covid-19, however our report includes standard reference to the macroeconomic conditions arising from Brexit and Covid-19.</p>

Significant findings – audit risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>The revenue cycle includes fraudulent transactions (rebutted)</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Group, PCC and the Chief Constable</p>	<p>The assessment in our audit plan to rebut the presumed risk of improper revenue recognition remains appropriate. We have rebutted the presumed risk for the PCC and the Chief Constable because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of public sector bodies, including the PCC and the Chief Constable for the West Midlands, means that all forms of fraud are seen as unacceptable. <p>Conclusion</p> <p><i>We do not consider this to be a significant risk for the PCC.</i></p> <p>For the Chief Constable, revenue is recognised to fund costs and liabilities relating to resources consumed in the direction and control of day-to-day policing. This is shown in the Chief Constable's financial statements as a transfer of resources from the PCC to the Chief Constable for the cost of policing services. Income for the Chief Constable is received entirely from the PCC. <i>Therefore we have determined that the risk of fraud arising from revenue recognition is not a significant risk for the Chief Constable</i></p> <p>Conclusion</p> <p>There have been no changes to the assessment above as reported in our audit plan.</p>
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The PCC and Chief Constable face external scrutiny of their spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Group, PCC and the Chief Constable</p>	<p>As part of our audit work, we:</p> <ul style="list-style-type: none"> • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determine the criteria for selecting high risk unusual journals • are in the process of testing unusual journals recorded for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our audit work on journals to date has not identified any issues in respect of management override of controls, but remains in progress at the time of drafting this report.</p> <p>Conclusion</p> <p>Subject to the satisfactory completion of outstanding work set out on page 3, there are no material issues arising to draw to the attention of those charged with governance in respect of the identified risk.</p>

Significant findings – audit risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>Valuation of land and buildings</p> <p>The PCC (and Group) revalues land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£159 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date where a rolling programme is used</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Group and PCC</p>	<p>As part of our audit work, we:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work evaluated the competence, capabilities and objectivity of the valuation expert discussed with the valuer and confirmed in writing the basis upon which the valuations were carried out challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding engaged our own valuer (Wilks Head & Eve LLP) to assess the instructions to the group/PCC's valuer, the group/PCC's valuer's report and the assumptions that underpin the valuation tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the asset register, and are evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially difference to current value at year end. <p>At the time of drafting this report, our audit work in respect of valuation of land and buildings is in progress, with the findings being written up and subject to review.</p> <p>We will be including an emphasis of matter paragraph in our audit opinion in respect of the material uncertainty in the external valuer's report.</p>

Significant findings – audit risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>Valuation of pension fund net liability</p> <p>The Local Government Pension Scheme pension (LGPS) net liability, as reflected in the group's balance sheet, and asset and liability information disclosed in the notes to the accounts, represent significant estimates in the financial statements.</p> <p>The Police Officer Pension scheme's pension fund liability, as reflected in the balance sheet and notes to the accounts, represent significant estimates in the financial statements.</p> <p>These estimates by their nature are subject to significant estimation uncertainty, being very sensitive to small adjustments in the assumptions used.</p> <p>This estimate has been potentially impacted by the court judgement regarding McCloud / Sargeant.</p> <p>We therefore identified valuation of the group's pension fund net liabilities as a significant risk.</p>	<p>Group, PCC and the Chief Constable</p>	<p>As part of our audit work, we:</p> <ul style="list-style-type: none"> • 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 expert (the actuaries) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the actuaries who carried out the Group's pension fund valuation • assessed the accuracy and completeness of the information provided by the Group to the actuaries to estimate the liability • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report 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 <p>Our work in this area is still in progress.</p> <p>Management has requested that the actuary produce an updated report for the Police Officer's pension fund to identify the impact of the proposed restitution for the McCloud judgement on the Police Officer's pension fund liability. It is anticipated pension liabilities will be lower than in the original actuarial reports with the difference expected to be immaterial. We will need to review the updated report and ensure that the figures have been correctly reflected in the financial statements.</p> <p>This work is also partially dependent on the progress of the West Midlands Pension Fund audit, where we require assurances as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</p>

Significant findings - other issues

Issue	Relates to	Commentary
<p>IFRS 16 implementation has been delayed by one year</p> <ul style="list-style-type: none"> Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases 	PCC	The PCC complied with the requirement of IAS 8 para 31 by disclosing the title of the standard and the date of the initial application. The note states that the impact is currently unknown, which is in line with our expectations.

Significant findings – key judgements and estimates

	Relates to	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Other - £152 million	Group and PCC	<p>Other land and buildings of £152 million of which approximately £38m are specialised assets such as custody blocks, 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 (EUUV) at year end. The group / PCC has engaged Savills to complete the valuation of properties as at 31 March 2020 on a three yearly cyclical basis.</p> <p>In line with RICS guidance, the group / PCC's valuer disclosed a material uncertainty in the valuation of the group / PCC's land and buildings at 31 March 2020 as a result of Covid-19. The group / PCC has included disclosures on this issue in Note 4.</p> <p>Management has considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 1 January 2020 to determine whether the value of the properties has materially changed. Management's assessment of assets not revalued has identified no material change to the properties values.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk.</p>	<ul style="list-style-type: none"> • We reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. We then considered the competence, expertise and objectivity the valuer in their capacity as the management experts used. • There have been no changes to the valuation method this year. • Disclosure of the estimate in the financial statements is considered adequate. <p>Our work on the revaluation of land and buildings remains in progress at the time of drafting this report.</p>	●

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process and key assumptions to be reasonable

Significant findings – key judgements and estimates

	Relates to	Summary of management's policy	Audit Comments	Assessment
Net pension liability – PCC and Chief Constable Fund £7,919 million	Group, PCC and the Chief Constable	<p>The PCC's and Chief Constable's net pension liability at 31 March 2020 is £7,919m (PY £8,355 million) comprising the obligations under the West Midlands Pension Fund and the Police Pension scheme. The group/PCC and Chief Constable uses Barnet Waddingham and GAD to provide actuarial valuations of the group's assets and liabilities derived from these schemes, utilising key assumptions such as life expectancy, discount rates and salary growth. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p> <p>There has been a £734.5 million net actuarial gain during 2019/20.</p>	<p>We have:</p> <ul style="list-style-type: none"> assessed management's expert assessed the actuary's roll forward approach taken and deemed it reasonable used PwC as our auditors expert to assess the actuary and assumptions made by the actuary (Please see 'Pensions Assumptions' slide) confirmed the completeness and accuracy of the underlying information used to determine the estimate confirmed that there have been no changes to the valuation method confirmed the reasonableness of the PCC's share of LGPS pension assets. confirmed the consistency of the pension fund assets and liability disclosures in notes to the financial statements with the actuarial report from the actuary. <p>Our work in this area is still in progress, as set out previously on page 9.</p> <p>Our work in respect of assessing the assumptions used by the actuary, considering the work of our auditor's expert PwC, is complete and is reflected in the table on page 14.</p>	●

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process and key assumptions to be reasonable

Significant findings – key judgements and estimates

	Relates to	Summary of management's policy	Audit Comments	Assessment
Net pension liability – LGPS £209 million	Group and PCC	<p>The net pension liability at 31 March 2020 is £307.8 million (PY £369.8 million) comprising the obligations under the West Midlands Pension Fund Local Government defined benefit pension scheme. The group/PCC uses Barnet Waddingham to provide actuarial valuations of the group's assets and liabilities derived from these schemes, utilising key assumptions such as life expectancy, discount rates and salary growth. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p> <p>There has been a £93 million net actuarial gain during 2019/20.</p>	<p>We have:</p> <ul style="list-style-type: none"> assessed management's expert assessed the actuary's roll forward approach taken and deemed it reasonable used PwC as our auditors expert to assess the actuary and assumptions made by the actuary (Please see 'Pensions Assumptions' slide) confirmed the completeness and accuracy of the underlying information used to determine the estimate confirmed that there have been no changes to the valuation method confirmed the reasonableness of the PCC's share of LGPS pension assets. confirmed the consistency of the pension fund assets and liability disclosures in notes to the financial statements with the actuarial report from the actuary. <p>Our work in this area is still in progress, as set out previously on page 9.</p> <p>Our work in respect of assessing the assumptions used by the actuary, considering the work of our auditor's expert PwC, is complete and is reflected in the table on page 14.</p>	●

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process and key assumptions to be reasonable

Pensions Assumptions

LGPS Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.35%	2.35%	●
Pension increase rate	1.85%	1.85% - 1.95%	●
Salary growth	2.85%	Values are in line with PwC report	●
Life expectancy – Males currently aged 45 / 65	23.9 21.9	22.8 – 24.7 21.4 – 23.3	●
Life expectancy – Females currently aged 45 / 65	26.0 24.1	25.2 – 26.2 23.7-24.7	●

PPS Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.25%	2.25%	●
Pension increase rate	2.0%	2.0%	●
Salary growth	4.0%	4.0%	●
Life expectancy – Males currently aged 45 / 65	Normal health pensioners 104% of S2NXA U=2020	104% S2NA normal	●
Life expectancy – Females currently aged 45 / 65	26.0 24.1	25.2 – 26.2 23.7-24.7	●

Significant findings – Going concern

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).

Management from the PCC and the Chief Constable have provided their assessment of their going concern. We will review management’s assessment including significant assumptions and material uncertainties, and evaluate the disclosures in the financial statements. Our work is still ongoing in this area.

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 the PCC and Chief Constable for West Midlands.

	Issue	Commentary
1	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Joint Audit Committee, the Chief Constable and the PCC. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2	Matters in relation to related parties	<ul style="list-style-type: none"> We have previously discussed the arrangements in place to capture and report any related parties with the Joint Audit Committee, the Chief Constable and the PCC. From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We have previously discussed the arrangements in place to adhere to laws and regulations with the Joint Audit Committee, the Chief Constable and the PCC. 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.
4	Written representations	<ul style="list-style-type: none"> A standard letter of representation will be requested from each of the PCC and Chief Constable, including specific representations in respect of the Group. The wording of these letters will be shared with Members of the Joint Audit Committee.
5	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent. All investment letters have been received. We are still awaiting bank confirmations. We requested from management permission to send confirmation requests to the pension fund auditor. This permission was granted and the requests were sent. We have not yet received the response from the Pension Fund auditor at the time of writing this report.
6	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
7	Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none"> All information and explanations requested from management was provided promptly by management.

Other responsibilities under the Code

Issue	Commentary
1 Other information	<p>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), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
2 Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
3 Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the PCC and Chief Constable exceeds the specified group reporting threshold of £500 million we examine and report on the consistency of the WGA consolidation pack with the PCC and Chief Constable's audited financial statements.</p> <p>This work will take place following the completion of the financial statements audit. Group instructions are not yet available but are expected in September 2020. The expectation is that the audit and reporting approach will be as for 2018/19. We aim to complete the required procedures in advance of the reporting deadline.</p>
4 Certification of the closure of the audit	<p>We intend to certify the closure of the 2019/20 audit of the Police and Crime Commissioner for the West Midlands and the Chief Constable in the audit report.</p>

Value for Money

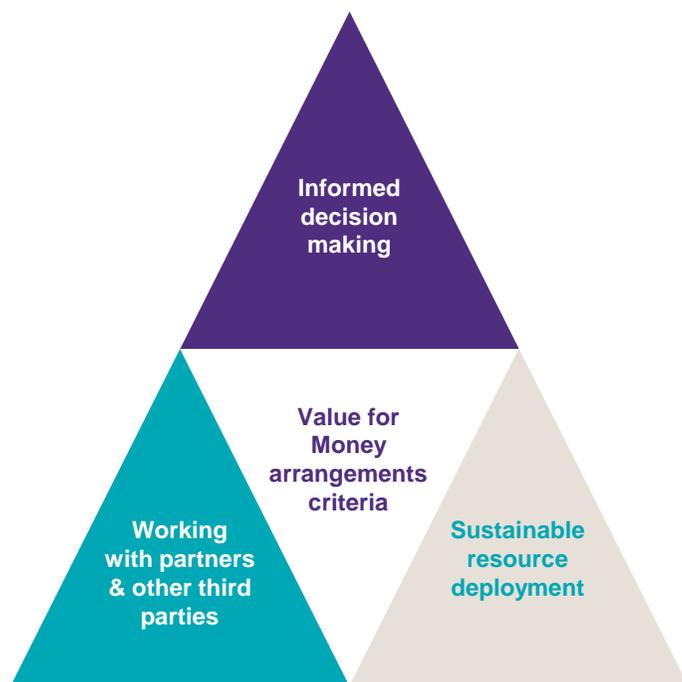
Background to our VFM approach

We are required to satisfy ourselves that the PCC and Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the PCC and Chief Constable. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in February 2020 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated March 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We have not identified any new VfM risks in relation to Covid-19. We do not consider Covid-19 to be a significant risk for the 2019/20 financial year given the date of the pandemic.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the PCC's and Chief Constable's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the PCC's and Chief Constable's arrangements, that being, Financial Sustainability.

We have not concluded our work at this time and will need to ensure that our findings are not only agreed with Management, but also understood within the wider public sector economic climate and more specifically against other Police forces.

Recommendations for improvement

We will discuss the findings arising from our work with management and will agree recommendations for improvement.

Significant difficulties in undertaking our work

We have not experienced any significant difficulties in undertaking our work on your arrangements to date which we wish to draw to your attention.

Significant matters discussed with management

There have been no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or the PCC and Chief Constable .

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix A.

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the PCC and Chief Constable. No non-audit services were identified.

Fees

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	Proposed fee	Final fee
PCC Audit	32,623	32,623
Chief Constable Audit	17,325	17,325
Fee Variations	10,150	TBC
Total audit fees (excluding VAT)	£60,098	TBC

We set out in our audit plan how the Financial Reporting Council has set its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. This, coupled with the recent impact of Covid-19 and the increased time taken in managing the audit in a more remote working environment, has clearly impacted our work. We will need to review the actual audit inputs required at the conclusion of our work to assess any fee implications arising from this. We will advise management of any proposed variations to our fees once reviewed.

The proposed fees of £60,098 reconciles to the group financial statements (Note 13) as follows.

Audit Cost	£
Fee payable by the PCCWM for the audit of the PCC and Group Accounts	32,623
Fee payable by the Chief Constable of West Midlands Police for the audit	17,325
Additional fees charged by Grant Thornton for work relating to the 2018/19 accounts	4,500
Refunds from PSAA	(6,050)
Total as per Note 13	48,398
Additional fee relating to 2019/20 to be charged to 2020/21	TBC

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



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