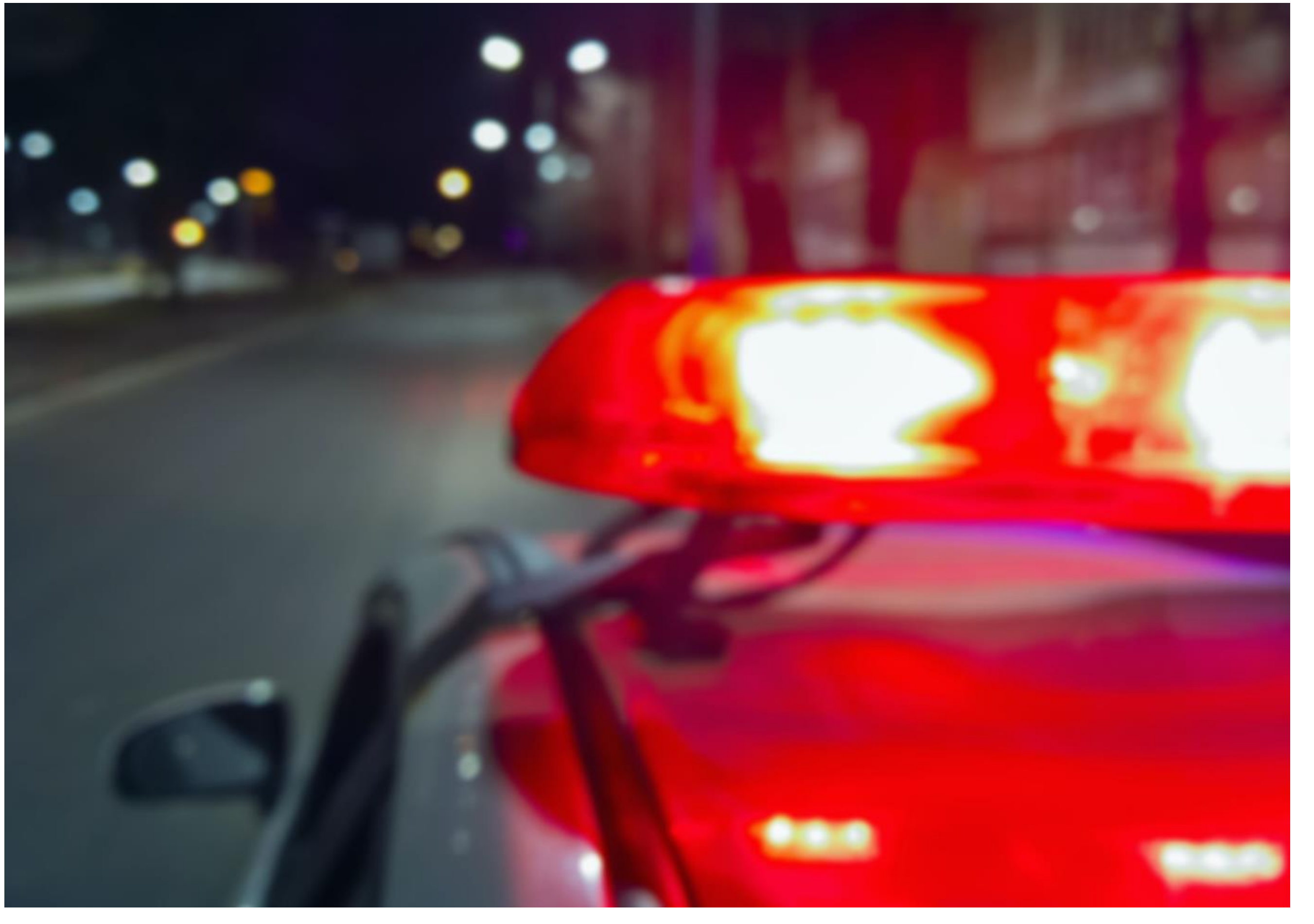
The Joint Audit Findings for

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

Year ended 31 March 2022



September 2022

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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 will be discussed with management and the Joint Audit Committee.

Name : Iain Murray
For Grant Thornton UK LLP
Date : September 2022.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audits 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 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion the financial statements:

- give a true and fair view of the financial positions of the PCC and Chief Constable's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with each set of audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was started in July and is currently ongoing. We expect to complete our work in October, and issue our opinion in November 2022. Our findings to date are summarised in this report.

We have not yet identified any agreed adjustments to the financial statements of the Chief Constable or PCC.

We have not yet raised recommendations for management as a result of our audit but our follow up of recommendations from the prior year's audits are detailed in Appendix A.

Our work is ongoing but there are currently no matters of which we are aware that would require modification of our audit opinion for the Chief Constable's financial statements or the PCC's financial statements (including the financial statements which consolidate the financial activities of the Chief Constable) or material changes to the financial statements. See page 5 for the outstanding areas of the audit.

We have concluded that the other information to be published with each set of financial statements is consistent with our knowledge of your organisations and the financial statements we have audited.

Our anticipated audit report opinions will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether in our opinion, both entities have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix H to this report. We expect to issue our Auditor's Annual Report by January 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the PCC and Chief Constable's arrangements for securing economy, efficiency and effectiveness in their use of resources. We have not identified any risks at the time of writing this report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audits.

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

We expect to certify the completion of the audits upon the completion of our work on the PCC and Chief Constable's VFM arrangements, which will be reported in our Annual Auditor's report in January 2023.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit to date.

2. Financial Statements

Overview of the scope of our audit

This Joint Audit Findings Report presents the observations arising from the audits that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Joint Audit Committee.

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

Audit approach

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

- An evaluation of the PCC's and Chief Constable's internal controls environment, including its IT systems and controls;
- 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 not had to alter our audit plan, as communicated to you in June 2022.

Conclusion

We have substantially completed our audits of your financial statements and, subject to the areas yet to be completed below and outstanding queries being resolved, we anticipate issuing an unqualified audit opinion on the financial statements of both the PCC and the Chief Constable. These outstanding items include:

- Completion of our work on property revaluations
- Completion of our work on the pension funds, including receipt of the assurance letter from the pension fund auditor
- Trade Payables
- Employee benefits expenditure
- Receipt of the letter of assurance from the West Midlands Pension Fund Auditor.
- Journals
- receipt of management representation letter; and
- review of the final set of financial statements.

Acknowledgements

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

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan in June 2022.

	Group (£)	PCC (£)	Chief Constable Amount (£)	Qualitative factors considered
Materiality for the financial statements (for testing purposes we use the lowest materiality)	13,500	11,700	13,175	Materiality equates to approximately 1.5% of your prior year gross operating costs for the year. We did not change materiality on receipt of your accounts. This assessment reflects the fact that the Council operates in a stable, publicly funded environment and no significant control deficiencies have been identified.
Performance materiality	10,125	8,775	9,881	75% of materiality, this reflects that there is no history of deficiencies or large number of misstatements.
Trivial matters	675	585	659	5% of materiality
Materiality for senior officer remuneration disclosures		£100k		This reflects public sensitivity in the pay of senior officers in the public sector.

We have determined financial statement materiality based on a proportion of the gross expenditure of the group, the PCC and the Chief Constable for the financial year. In the prior year we used the same benchmark. For our audit testing purposes we apply the lowest of these materialities, which is £11.7 (PY £10.27), which equates to 1.5% of the PCC's prior year gross expenditure or 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 Audit Plan.

Risks identified in our Audit Plan	Relates to	Commentary
Management override 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 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. We therefore identified management override of control, and 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.	Group, PCC and Chief Constable	We: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. We have not identified any instances of management override of controls during our audit procedures.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
Improper revenue recognition: Under ISA (UK) 240 there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA 240, and the nature of the revenue streams of each of the PCC and the Chief Constable, we have determined that the presumed risk of material misstatement due to the improper recognition of revenue can be rebutted.	N/a	We have not identified any further matters that require us to change our assessment as reported in the audit plan. Our work on income and grants is currently ongoing however no significant matters have arisen to date in relation to improper revenue recognition.
Risk of fraud related to Expenditure recognition PAF Practice Note 10 In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition. Having considered the nature of the expenditure streams of each of the PCC and the Chief Constable, we have determined that there is no significant risk of material misstatement arising from improper expenditure recognition.	N/a	Our testing of expenditure has not identified any new matters that lead us to conclude that there is a risk of material improper expenditure recognition. We have once again raised a matter in the unadjusted misstatements on seized cash. In the 2020/21 audit findings report we suggested that the balance which is currently recognised in creditors would more properly be reflected as a provision. We note that the year end balance has reduced from £3m to £2.7m and in the year management has undertaken a review and over £720k has been released to income, recognising that it would not be paid over. As the balance is not a true creditor we remain of the view that the balance would be more appropriately reflected as provision in the financial statements.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
Valuation of land and buildings The PCC revalues its land and buildings on a five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved £173,161m as at 31 March 2022 (PY £138.2 m) and the sensitivity of this estimate to changes in key assumptions. Management will need to ensure that the carrying value in the PCC's and group financial statements is not materially different from the current value or the fair value [for surplus assets] at the financial statements date. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.	Group, and PCC	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, 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; • engaged our own valuer to assess the instructions issued by the PCC to their valuer, the scope of the PCC's valuers' work, the PCC's valuers' reports and the assumptions that underpin the valuations; • tested revaluations made during the year to see if they had been input correctly into the PCC's asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end This work is currently ongoing however we have not identified any issues or errors through our work on the valuation of the PCC's land and buildings, see key judgment and estimates for further detail.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
Valuation of pension fund net liability The PCC'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. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£xxm in the PCC's and Chief Constable's 's balance sheet) and the sensitivity of the estimate to changes in key assumptions. 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. 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 PCC's and Chief Constable's 's pension fund net liability as a significant risk.	Group, PCC and CC	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 Local Government Pension Scheme and Police Pension Scheme] for this estimate and the scope of the actuaries' work; • assessed the competence, capabilities and objectivity of the actuaries who carried out the group's pension fund valuations; • assessed the accuracy and completeness of the information provided by the group 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; • undertook 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 West Midlands Pension Fund [WMPF] as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the WMPF and the fund assets valuation in the WMPF financial statements. Our work is currently ongoing, in particular we are awaiting the work of the pension fund auditor. In the prior year his work identified an unadjusted error of £3.9m in relation to the valuation of pension fund assets.

This section provides commentary on matters arising from the audit that did not relate to the significant risks but are sufficiently important to be reported to those charged with governance

Issue	Commentary	Auditor view
PCC/Group: Provisions £9,869 (PY £878) Earmarked reserves (self funded insurance reserve) £623 (PY £8,883)	The 2021/22 accounts reflect £8m within the PCC/Group insurance reserve. Management has taken the view that these would be more correctly classified as provision and thus have classified as such within the 2021/22 accounts (note 20) and can be seen as a transfer out of earmarked reserves into General Fund (note 26). This has the impact of increasing in-year expenditure by this amount and reducing earmarked reserves by a corresponding amount.	We have reviewed the basis of this provision against IAS37 criteria and concluded that these ongoing claims are appropriately classified as provisions. The balance is not material.
Hillsborough – contingent liability. The Hillsborough legal case is ongoing and is one of a number of historical inquiries that are at various stages which potentially could have a financial impact on West Midlands Police.	The 2020/21 accounts reflect an unadjusted misstatement of £1.2m. This is because we considered that a number of the level 1 claims were sufficiently progressed that they met the IAS37 criteria to be reflected as a provision in the accounts rather than as a contingent liability as per the draft accounts. We have confirmed that £1.17m claims have been paid during 2021/22 and thus this confirms that it was appropriate to reflect a liability within the 2020/21 accounts.	We have yet to conclude whether further liabilities should be reflected in the 2021/22 accounts as our discussions with management are still ongoing on this matter.

2. Financial Statements – new issues and risks (continued)

Issue	Commentary	Auditor view
IT Control deficiencies: To support the financial statement audit of West Midlands Police (the 'Force') for year-ended 31 March 2022, Grant Thornton has completed a design and implementation effectiveness review of the IT General Controls (ITGC) for applications identified as relevant to the audit.	Oracle **Weakness:** finance users have access to Financial Application Administrator and we noted that Users are self- assigning roles without formal approval **Audit Response:** named individuals were noted as higher risk due to their level of access and specific checks were undertaken on the journals posted by these individuals that were regarded as 'unusual' We also raised our assessed risk around the journals environment which has resulted in extended sample testing. This work is currently ongoing. Altair **Weakness:** A number of users have privileged access **Audit Response:** agreed 25 of each Starters, Leavers and Deferrals into the Pension Scheme to the source data. No issues from this work. iTrent **Weakness:** A number of users have privileged access **Response:** to support the payroll analytical review we extended our sample from 12 to 25 starters, leavers, and amendments. This work is currently ongoing	Our IT report is currently being drafted and we recommend that management considers and addresses the areas of weakness identified.

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £173.1 (PY 138m)	Group, PCC and CC	Other land and buildings comprises approximately £73.6m of 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 (£98m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. This year the PCC has engaged Lambert Smith Hampton (LSH) to undertake a volution of the assets that have transferred from assets under construction in year, namely Park Lane, valued at £39.9m. Management has considered the year end value of non-valued properties 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	We reviewed your assessment of the estimate considering: • the revised ISA540 requirements; • the competence, capability and objectivity of management's expert; • the completeness and accuracy of the underlying information used to determine the estimate; • the appropriateness of your alternative site assumptions which remain consistent with previous years; • the reasonableness of increase/decrease in estimates on individual assets; • the consistency of estimate against the Gerald eve report on property market trends, and reasonableness of the decrease in the estimate; and • the adequacy of disclosure of estimate in the financial statements. The increase in the net book value of other land and buildings this year is due to the completion of the Park Lane facility, adding a £39m asset to other land and buildings. These were reflected at cost in AUC in the prior year. No revaluations of any other assets have been undertaken in year. In the prior year the valuation was issued with a material valuation uncertainty that was refenced within the financial statements. No such uncertainty has been issued this year, although the valuer has refenced that the uncertainty caused by the war in Ukraine is likely to impact on the BCIS data during 2022/23 and that this will be kept under review. .	We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations (continued)	Group, PCC and CC		We note that the last full valuation of all but the largest items of land and buildings was undertaken by an independent valuer in December 2018, with management's assessment of the risk of material movements since that date being based on an impairment review at March 2022 and a review of indices. This indices review was undertaken at audit request, which identified an approximate undervaluation of C£2m, as a consequence of adopting this rolling approach. As part of our work we considered the assets not valued using Gerald Eve indices and this indicated a potential over statement of valuation of C£0.5 of the same assets. As referenced, the Code allows a rolling approach although it does highlight an expectation that management will undertake sufficient review to be assured that this approach will not result in a material understatement of the valuation of land and buildings. An annual review against published indices is a key tool in that assessment and we would recommend that management undertake this exercise as a matter of course (rather than at audit request) to demonstrate compliance with the Code. Also, in view of the uncertainty flagged by the external valuer in relation to BCIS indices in 2022/23, we recommend that as a minimum management undertake the review early to establish whether there is a need to undertake further valuations. This year Lambert Smith Hampton (LSH) have been employed to value the new Park Lane facility, which was valued at £39.9m (£6.9m land £32.9m building). The building was previously included in AUC at £28.3m, with an additional spend of £3.35m in year. We have yet to finalise our review of the assumptions that have formed the basis of the valuation. In summary, both the in-house and audit exercise have both confirmed that there is not a material matter in relation to the adoption of a rolling programme in the 2021/22 accounts.	We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Net pension liability – **LGPS : £436.3m**	both	The PCC and Chief Constable's net pension liability in the Local Government Pension Scheme comprises the elements of the assets and liabilities of the West Midlands Pension Fund that are attributable to each of the PCC and Chief Constable The net liability at 31 March 2022 is £5.0m (PY £5.5m) for the PCC and £430.8 (PY £545.8m). The PCC and Chief Constable use Hymans Robertson to provide actuarial valuations of the PCC's and Chief Constable's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	• We have no concerns over the competence, capabilities and objectivity of the actuary used by the Pension Fund. • We have used the work of PwC, as auditors expert, to assess the actuary and assumptions made by the actuary. See below for consideration of key assumptions in the West Midlands Pension Fund valuation: (see table below) • There have been no changes to the valuation method since the previous year, other than the updating of key assumptions above, and no issues were noted with the completeness and accuracy of the underlying information used to determine the estimate. • We have confirmed that the group's share of the pension scheme assets is in line with expectations. We have yet to finalise our work on the local government pension fund, including awaiting further assurances from the WMPF auditor. We note that in the prior year his letter resulted in a non material unadjusted error.	TBC

LGPS Assumptions	Actuary Value	PwC range	Assessment
Discount rate	2.75%	2.70% to 2.75%	●
Pension increase rate	3.15%	3.15% - 3.3%	●
Salary growth	4.15%	4.15-4.3%	●
Life expectancy – Males currently aged 45 / 65	Pensioner - 21.2 Non Pensioner - 22.9	Pensioners - 20.1 – 22.7 Non Pensioners - 21.4 – 24.3	●
Life expectancy – Females currently aged 45 / 65	Pensioner - 23.6 Non Pensioner - 25.4	Pensioners - 22.9 – 24.9 Non Pensioners - 24.8 – 26.7	●

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Net pension liability Police Pension Scheme £8,290.8m	Chief Constable (and group)	The Chief Constable's pension liability in the Police Pension Scheme at 31 March 2021 is £8,290.8m (PY £8,025.0m) comprises the Police Pension Scheme 2015, the 2006 New police Pension Scheme and the Police Pension Scheme, all of which are unfunded defined benefit pension schemes. The PCC and Chief Constable use the Government Actuaries Department (GAD) to provide actuarial valuations of the Chief Constable's liabilities derived from this scheme. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	• We have no concerns over the competence, capabilities and objectivity of the actuary used by the Chief Constable. • We have used the work of PwC, as auditors expert, to assess the actuary and assumptions made by the actuary. See below for consideration of key assumptions in the Police Pension Scheme valuation:	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Police Pension Scheme Assumptions	Actuary Value	PwC range	Assessment
Discount rate	2.65%	2.65%	●
Pension increase rate	3.00%	3.00%	●
Salary growth	4.75%	4.75%	●
Life expectancy – Males currently aged 45 / 65	Pensioner - 22.1 Non Pensioner - 23.8	Pensioners -21.5 – 22.1 Non Pensioners - 23.2 – 23.8	●
Life expectancy – Females currently aged 45 / 65	Pensioner - 23.8 Non Pensioner - 25.4	Pensioners - 21.5 – 23.8 Non Pensioners - 23.2 – 25.4	●

We have yet to finalise our work however we note that here have been no changes to the valuation method since the previous year, other than the updating of key assumptions above, and no issues were noted with the completeness and accuracy of the underlying information used to determine the estimate.

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 not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	Letters of representation has been requested from both the PCC and the Chief Constable, including specific representations in respect of the group, which are appended to this report.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the group's bank, investment and borrowing counterparties. 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 PCC's and Chief Constable's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements

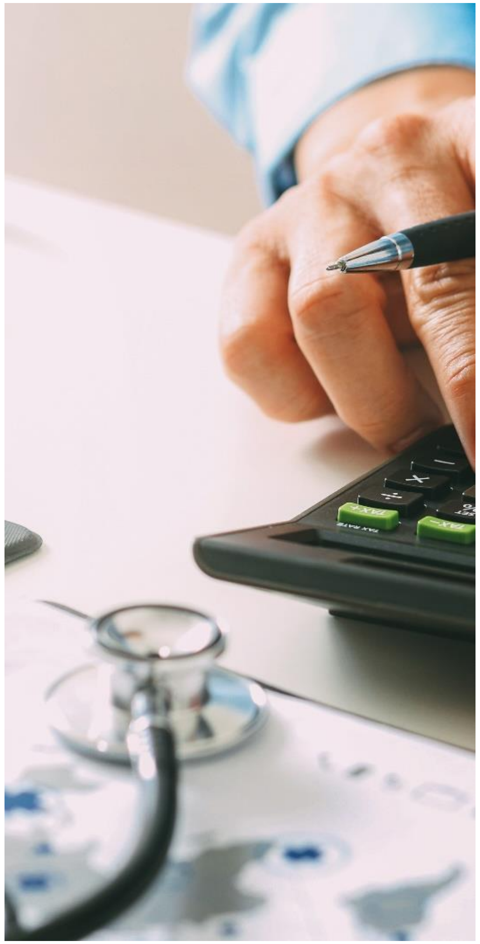
Our responsibility

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 PCC'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 PCC and Chief Constable meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the PCC and Chief Constable and the environment in which they operate • the PCC's and Chief Constable's financial reporting framework • the PCC's and Chief Constable's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified for either the PCC or the Chief Constable • management's use of the going concern basis of accounting in the preparation of both sets of financial statements is appropriate.

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 each set of audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. This work is not currently complete.
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 do not comply with disclosure requirements set out in CIPFA/SOLACE guidance or are misleading or inconsistent with the information of which we are aware from our audits, • 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 [a] significant weakness/es. We have nothing to report on these matters



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
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. Due to a reduction in audit thresholds from 2020/21 we are no longer required to undertake detailed work at WMP for the national audit office and therefore expect to issue the WGA return in line with completion of our audit work.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021/22 audits of West Midlands PCC and Chief Constable in the audit reports, due to incomplete VFM work.

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

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

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

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix D to this report. We expect to issue our Auditor's Annual Report by January 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the PCC and Chief Constable's arrangements for securing economy, efficiency and effectiveness in their use of resources. As part of our work, we considered whether there were any risks of significant weakness in the PCC and Chief Constable's arrangements for securing economy, efficiency and effectiveness in their use of resources. We have not identified any risks at the time of writing this report.

4. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix D

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 which were charged from the beginning of the financial year to September 2022.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

Appendices

A. Follow up of prior year recommendations

In our 2020/21 Audit findings report we did not make any new recommendations but concluded that two of the recommendations made in the prior year had yet to be fully addressed. These are set

Issue and risk previously communicated	Management Update on actions taken to address the issue	
In our 2019/20 AFR we recommended that consideration be given to an accounting policy which sets out a rolling valuation approach in view of the current economic environment. In response to our recommendation management stated they considered that the review of the four largest assets and an impairment review on the remainder was sufficient. Our estimate is that the approach adopted by management could result in a £5m reduction in value should the assets be formally valued and thus we conclude that it would be better for management to adopt a rolling programme. **2021/ 22 update:** Management has estimated that the approach could result in a £2m misstatement in the 2021/22 accounts. We recommend that in addition to the assurances provided by the external valuer, management should routinely undertake a review of the assets not valued against available indices to support the assumption that the adopted approach would not result in a material misstatement of land and building asset values.	We still consider the approach valid. In addition a full comprehensive valuation was carried out in 2020/21 of our largest assets. Our approach involves revaluing every 5 years, as the largest assets and those that that make up the majority of Land and Buildings valuation are reviewed more frequently. The impairment review is carried out by an external RICS qualified professional to take account of market conditions etc. In addition the cost of having the entire property estate valued every year is significant and the value gained would not merit a annual valuation. The current methodology is deemed appropriate to give the readers of the accounts a true and fair view. We are also not a privately listed company and do not borrow based on the value of our balance sheet.	X
2020/21 AFR: The fixed asset register does not allow the extraction of information to support the revaluation reserve and the amount taken to the surplus/ (deficit). This results in difficulty in gaining assurance that capital movements are treated in such a way as to comply with the Code, but also difficulty in accounting for any future upward revaluations where there has been a charge to the CIES which should be unwound. We recommended that management assess the historic information for each revalued asset to ensure that future revaluations are taken to the revaluation reserve or charged to the CIES correctly to be code compliant. **2021/22 update:** this work is currently ongoing.	This is matter is due to the limitations of the IT system. Management ensures that all revaluations are checked, but the system generated classifications cannot be changed There is a small manual adjustment necessary to keep the revaluation reserve correct where historic revaluation losses are reversed and management will review historic records when this type of transaction occurs.	X

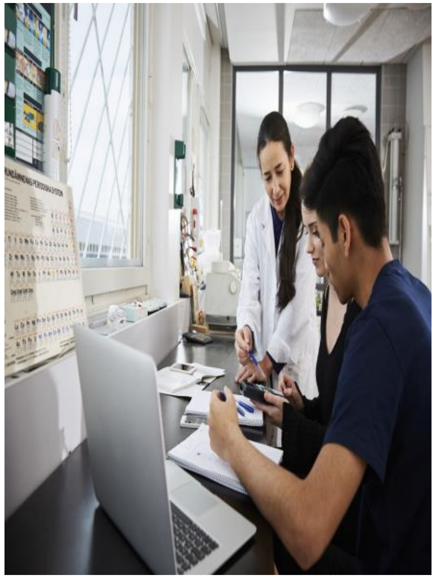
Assessment

- ✓ Action completed
- X Not yet addressed

B. Audit Adjustments

Impact of unadjusted misstatements as at September 2022

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the PCC's financial statements.



Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Reason for not adjusting
Seized cash was reported on the balance sheet at £2.7 million. Management should consider whether it is fair for this balance to be recognised as a creditor in its entirety, rather than as a provision or a contingent liability, with the following impact: Dr Creditors Cr Provisions		2,700 (2,700)	Immaterial to the financial statements
Overall impact	£0	£0	

Impact of prior year unadjusted misstatements

Th unadjusted misstatements as per the 2021/22 accounts included the matter as above and the Hillsborough provisions as refenced on page 11 which has been recognised within the 2021/22 financial statements as expenditure.

C. Fees

Our proposed fees for the audit are:

Audit fees	Proposed fee	Final fee
PCC Audit	£62,626	tbc
Chief Constable Audit	£35,119	tbc
Total audit fees (excluding VAT)	£97,745	tbc

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

D. Audit letter in respect of delayed VFM work

Dear Simon and David,

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest.

Unfortunately, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than February 2022.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Iain Murray

Director

Grant Thornton

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