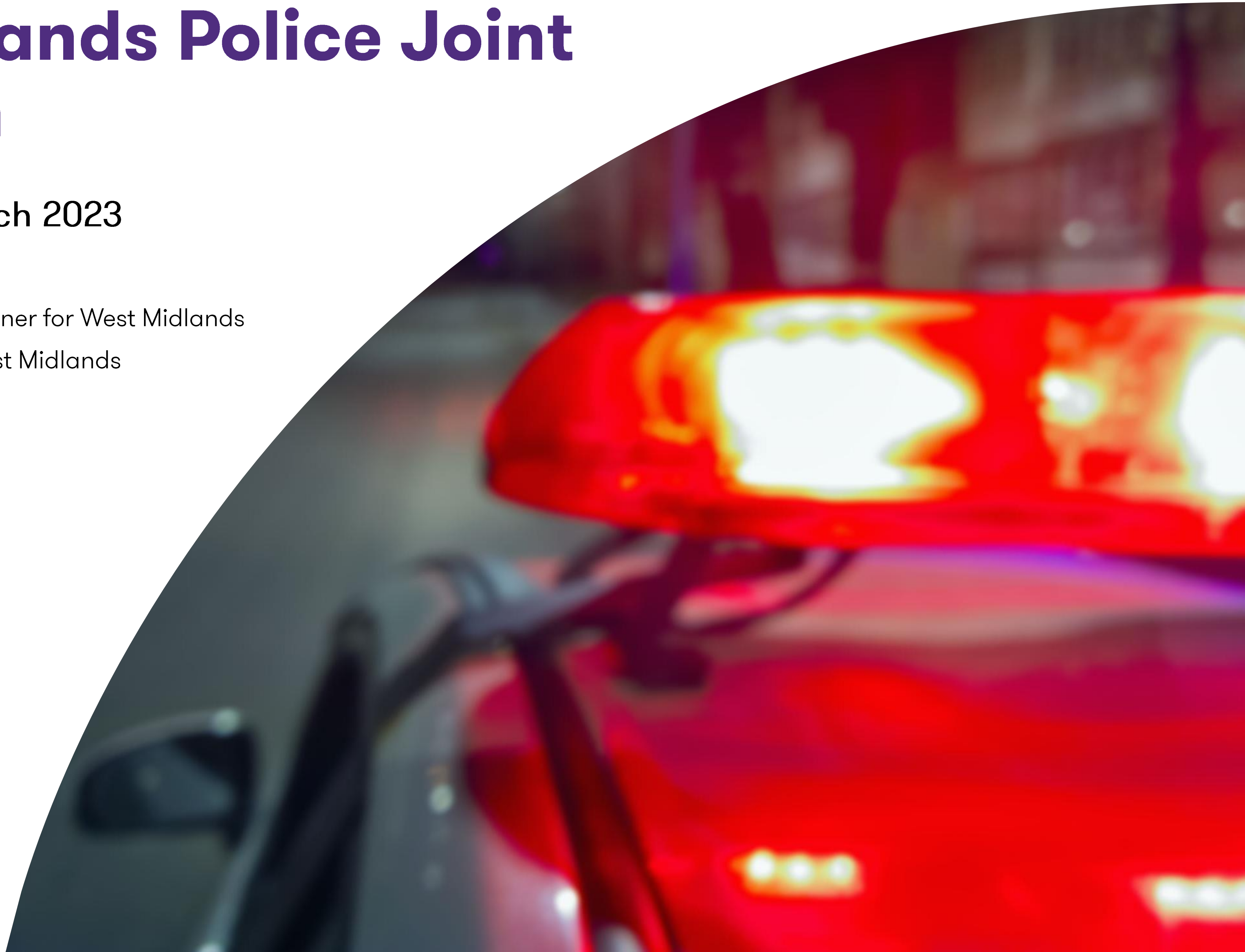
West Midlands Police Joint Audit Plan

Year ending 31 March 2023

Police and Crime Commissioner for West Midlands
and Chief Constable for West Midlands
March 2023



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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 Police and Crime Commissioner 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.

Key matters

National context

For the general population, rising inflation, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

The spiralling cost of living could make things even more challenging and jeopardising progress made in tackling violent crime. Funding continues to be stretched with increasing cost pressures due to the cost of living crisis, increasing pay demands, higher agency costs and increases in supplies and services.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time. In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Audit reporting delays

In a report published in January 2023 the NAO have highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers. The accounts for West Midlands Police were signed off in 2021/22 on 21 November 2022, which was in advance of the 30 November deadline. We are currently discussing the timeline for delivery of the 2022/23 accounts with officers.

Local context

Locally, West Midlands Police has seen changes at senior level, including the appointment of a new Chief Constable during the year. This change in leadership will impact on some local priorities, including an increased focus on local policing, and this is being built into planning, including financial planning. A new operating model is being developed to be implemented from the 2023/24 financial year. Further changes at senior level are imminent. Along with the appointment of the Police and Crime Commissioner in 2021, the force has not experienced the level of turnover in key roles for some considerable time.

The financial horizon is uncertain and challenging, and WMP know they need to make significant savings in the coming years. This challenge is exacerbated by the funding allocations that is regarded by management, based on benchmarking, as unfavourable towards WMP compared to other less operationally challenged forces.

Key matters

Local context

Management has engaged with the Home Office to highlight the financial challenges of West Midlands Police. The force has had to make in year savings, some of which have not been recurring, and similar such savings are expected to be needed in 2023/24. The expectation is that future savings plans will reflect the priorities in the developing operating model, recognising the need that savings should be embedded and provide recurring savings.

On a more positive note, the force had a key role in delivering a successful Commonwealth Games in the summer of 2023. Planning and delivery of local policing for this event was a considerable task during the 2022/23 financial year. In addition the force is working towards delivering the local element of the national target of 20,000 increase in police officers in England and Wales by March 2023, the local target of just over 1,200 additional officers against which over 1,000 had been recruited by December 2022 (national quarterly update data).

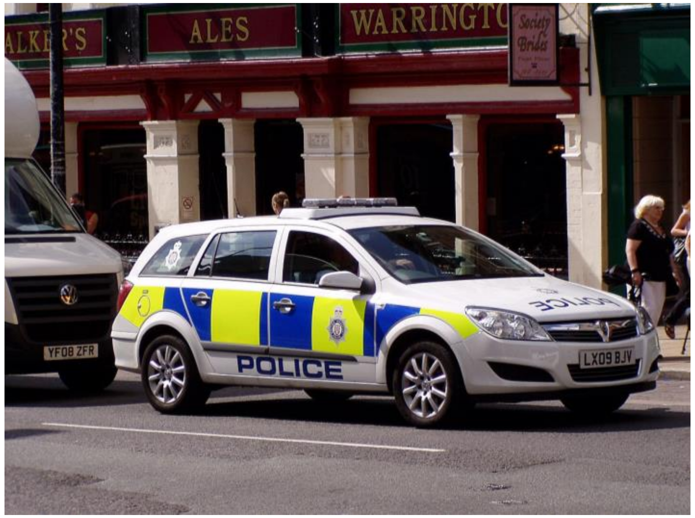
Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Director of Finance.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work. In particular, we will consider how the Force is managing its in year financial challenges, how successfully the savings programme is being managed and consider the risks associated with the delivery of a medium term financial plan.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our clients to access the latest technical guidance and interpretation , discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audits of both the Police and Crime Commissioner for West Midlands ('the PCC') and the Chief Constable for West Midlands ('the Chief Constable') for those charged with governance. Those charged with governance are the PCC and the Chief Constable.



Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in *in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the PCC and the Chief Constable. We draw* your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the PCC, Chief Constable and group's financial statements that have been prepared by management with the oversight of those charged with governance (the PCC and the Chief Constable); and we consider whether there are sufficient arrangements in place at each body for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the PCC and the Chief Constable of your responsibilities. It is the responsibility of the PCC and the Chief Constable to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the PCC and the Chief Constable are fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the PCC and the Chief Constable's business and is risk based.

Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Land and Buildings valuations
- Valuation of the Pension fund liability
- Risk of Management override of controls

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined overall planning materiality to be £12m (PY £11.7m) which equates to 1.5% of the PCC's prior year gross expenditure for the year. Materiality for the group (£14.4m), the PCC (£12m) and the Chief Constable (£14m).

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment, we have considered the impact of unadjusted prior period errors. The most significant unadjusted error was in relation to the pension fund liability which we are including as a significant risk once again this year. We do not consider it necessary to change materiality in relation to this item as the matter was identified through the routine work of the pension fund auditor.

Clearly trivial has been set at £0.6m (PY £0.585m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has note yet been completed. Based on prior year work we do not at this stage anticipate that there will be any significant risks. We will issue an addendum to this audit plan should risks be identified through our value for money planning.

We will continue to update our risk assessment until we issue our Auditor's Annual Report.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Audit logistics

Our planning and interim visit will take place in February 2023 and our final visit will take place in July – September 2023. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £62,928 (PY: £62,626 tbc) for the PCC and £35,744(PY: £35,119 tbc) for the Chief Constable, subject to the bodies delivering a good set of financial statements and working papers We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

Significant risks identified

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.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240: presumed risk of fraud in revenue recognition	Group, PCC and Chief Constable	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, because: • There is little incentive to manipulate revenue recognition; • Opportunities to manipulate revenue recognition are very limited; • Revenue received by the Chief Constable comes from the PCC; and • the culture and ethical frameworks of public sector bodies, including the West Midlands Chief Constable and the West Midlands Police and Crime Commissioner, mean that all form of fraud is unacceptable. Therefore we do not consider this to be a significant risk for the Chief Constable, PCC or Group.	N/a

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Risk of fraud related to expenditure recognition PAF Practice Note 10 [rename risk for specific PCC and Chief constable factors]	Group, PCC and Chief Constable	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

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Group, PCC and Chief Constable	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	We will: • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	Group and PCC	The PCC revalues its land and buildings on a five-yearly basis, with a selection of asset revalued on an annual basis. There is to be a change of valuer for 2022/23. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved £173 million as at 31 March 2022 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.	We will: • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; • challenge the information and assumptions used by the valuer to assess the completeness and consistency with our understanding; • engage 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; • test revaluations made during the year to see if they had been input correctly into the PCC's asset register; and • evaluate 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.

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Group, PCC and Chief Constable	The group's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant Group estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£8,727m in group balance sheet of 31 March 2022) and sensitivity of the estimate to changes in the key assumptions. We therefore identified valuation of the group's pension fund net liability as a significant risk, which was one of the most significant assessed risk of material misstatement.	We will: • update 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; • evaluate 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; • assess the competence, capabilities and objectivity of the actuaries who carried out the group's pension fund valuations; • assess the accuracy and completeness of the information provided by the group to the actuaries to estimate the liabilities; • test 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; • undertake 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 • obtain 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.

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Police and Crime Commissioner for West Midlands	Yes		• Management override of controls • Valuation of Land and Building	Full scope audit performed by Grant Thornton UK LLP
Chief Constable for West Midlands	Yes		• Management override of controls • Valuation of net pension fund liability.	Full scope audit performed by Grant Thornton UK LLP

Nb: We will use the lowest materiality of the group, CC or PCC as the basis for our testing

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component’s financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

Other matters

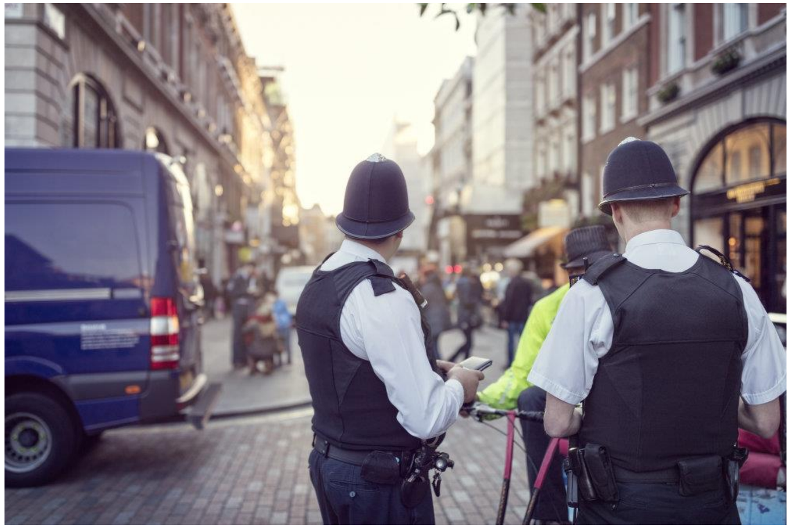
Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Reports and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the PCC and the Chief Constable.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statements are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
  - issuing a report in the public interest or written recommendations to the PCC or the Chief Constable under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audits.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.



Progress against prior year audit recommendations – PCC

We identified the following issues in our 2021/22 audit of the **Police and Crime Commissioner** financial statements

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	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.

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.

Description	Planned audit procedures
Determination 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 materiality's, which is £12m (PY £11.7m), which equates to 1.5% of the PCC's prior year gross expenditure for the year.	We determine planning materiality in order to: • establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements • assist in establishing the scope of our audit engagement and audit tests • determine sample sizes and • assist in evaluating the effect of known and likely misstatements in the financial statements
Other factors An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature where it may affect instances when greater precision is required. • We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £0.1m

Our approach to materiality

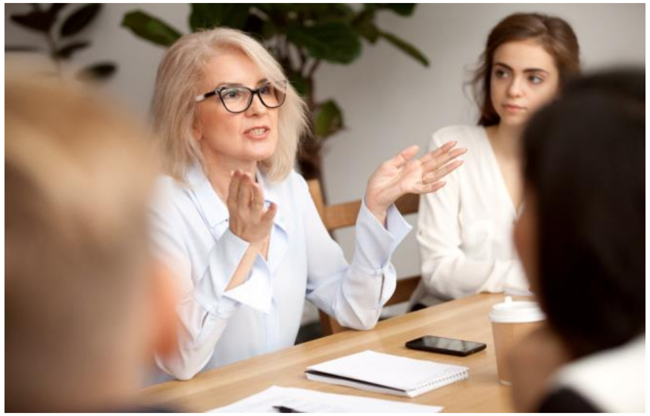
The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

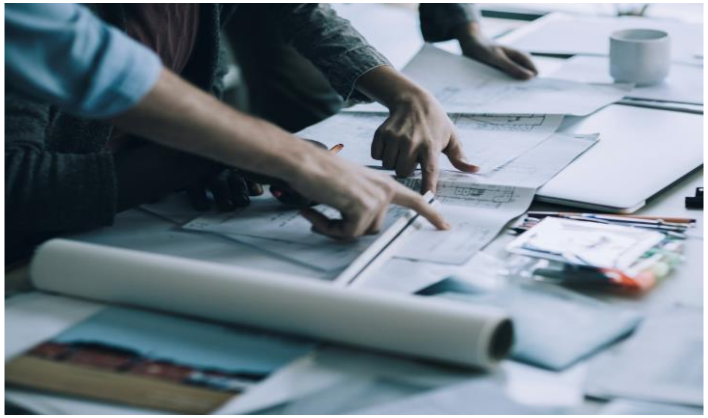
Description	Planned audit procedures
Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
Other communications relating to materiality we will report to the Audit Committee Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the PCC and the Chief Constable any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the group, the PCC and the Chief Constable, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.6m (PY £0.585m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

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.

	Amount	Qualitative factors considered
Materiality for WMP's financial statements (overall)	£12m	Materiality equates to approximately 1.5% of your prior year gross operating costs for the PCC year. This assessment reflects the fact that the Force operates in a stable, publicly funded environment and no significant control deficiencies have been identified. Whilst we calculate separate materiality for the Group, PCC and CC, we use the lowest of the three for our overall financial statements planning.
Performance materiality	£9m	75% of materiality, this reflects that there is no history of deficiencies or large number of misstatements.
Trivial matters	£0.6m	5% of materiality
Materiality for specific transactions, balances or disclosures senior officer remuneration	£0.1m	This reflects public sensitivity in the pay of senior officers in the public sector.





IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 21.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Spend/Income	Planned level IT audit assessment
Altair	Pensions Administration	£105m	• We will test the design and implementation of the ITGCs
Oracle fusion	Core financial systems	£123m	• We will test the design and implementation of the ITGCs
iTrent	Payroll and HR	£482m	• We will test the design and implementation of the ITGCs
Active Directory	Network	£n/a	• We will test the design and implementation of the ITGCs

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office -issued its latest Value for Money guidance -to auditors in January 2023 . The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.

Governance

How the body ensures that it makes informed decisions and properly manages its risks.

We have yet to complete our value for money risk assessment and will provide details of any identified risks within an addendum to the audit plan to be issued later in the year.

Audit logistics and team

Planning and risk assessment

Audit Committee March 2023
Audit Plan

Audit Committee June 2023
Interim Progress Report

Year end audit July- October 2023

Audit Committee 28 September 2023
Audit Findings Report
Audit opinion

Audit Committee TBC
Auditor's Annual Report

Andrew Smith Key Audit Partner

Andy will be the main point of contact for the PCC, Chief Constable and Committee members. He will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice and ensure our audit is tailored specifically for you. Iain is responsible for overall quality of our audit work and will sign of the audit opinion.

Zoe Thomas, Audit Manager

Zoe will work with senior members of the finance team, ensuring testing is delivered and any accounting issues that arise are addressed on timely basis. She will attend joint audit committee and Liaison meeting with the audit partner, undertaking reviews of team work, and make sure that the reports are clear, concise and understandable

Thomas Woodhead, Assistant Manager

Tom will work directly with the finance team on our on site visits, and manage day to day work of more junior members of the audit team.
He will complete work on more complex areas of the audits of the PCC and the chief constable, will provide support on the delivery of your work on your arrangements in place to secure value for money.

Audited entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for West Midlands Police to begin with effect from 2018/19. The fee agreed in the contract was £34,623 for the PCC and £17,325 for the Chief Constable. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the PCC and CC's IT Infrastructure and IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the PCC and CC's business model, which may result in us needing to perform additional inquiries to understand the end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £928. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf.

Audit fees

	Actual Fee 2020/21	Actual (or estimated) Fee 2021/22	Proposed fee 2022/23
PCC Audit	£57,785	£62,626 tbc	£62,928
Chief Constable Audit	£29,840	£35,119 tbc	£35,744
Total audit fees (excluding VAT)	£87,625	£97,745 tbc	£98,672

Assumptions

The 2021/22 and 2022/23 fees have yet to be agreed by PSAA.

In setting the above fees, we have assumed that the PCC and Chief Constable will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

Scale fee published by PSAA 2019	£49,948
Revised scale fee 2022/23	£59,545
PPE Valuation - appointment of auditor's expert	£1,052
Brought forward ongoing fee from 2019/20	£60,597
New issues for 2020/21	
Additional work on Value for Money (VfM) under new NAO Code	£20,000
Increased audit requirements of revised ISAs 540 / 240 / 700	£2,841
Enhanced audit procedures on journals testing (not included in the Scale Fee)	£4,734
Brought forward ongoing fee from 2020/21 (excluding VAT)	£88,172
2022/23 new issues	
Increased audit requirements of revised ISAs 315/ 240	£10,000
Payroll change of circumstances	500
Total proposed audit fees 2022/23 (excluding VAT)	£98,672

All variations to the scale fee will need to be approved by PSAA

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 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.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. 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.

Communication of audit matters with those charged with governance – PCC and CC

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

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

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

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

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

Grant Thornton