



The Joint Audit Findings for Police, Fire and Crime Commissioner for Essex and Chief Constable for Essex

Year ended 31 March 2020

November 2020



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

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

Covid-19	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the PFCC and the CC. As a police body you are at the forefront of efforts to support local people and clearly your focus will be directed to supporting local communities as best you can in these exceptionally difficult circumstances.</p> <p>Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, however given the unprecedented challenge on authorities an amendment was made to the Accounts and Audit Regulations 2015 to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020.</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 14 May 2020. In that addendum we reported an additional financial statement risk in respect of Covid - 19 and highlighted the impact on our VfM approach. Further detail is set out on page 8.</p> <p>Restrictions for non-essential travel have meant the PFCC and Force staff and audit staff have had to adapt to remote working arrangements. Your finance team were well set up for remote working and there were no changes in key financial processes that impacted on our approach to your audit. Both teams have had to be flexible in approaches to sharing information. We agreed to use video calling to watch your finance team run the required reports to gain assurance over completeness and accuracy of information produced by you. We have made more use of conference calls and emails to resolve audit queries. Inevitably in these circumstances resolving audit queries has taken longer than face to face discussion. Regular meetings were held with finance staff to highlight key outstanding issues and findings to date. We have used a query log to track and resolve outstanding items, ensuring that the process was as smooth as possible.</p> <p>The audit has progressed to plan and subject to completion of outstanding items set out on page 6 we aim to be in a position to issue opinions significantly in advance of the statutory deadline of 30 November 2020.</p>
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Headlines

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 entity's (and where relevant, the group's) financial statements:

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

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

We received your final signed unaudited accounts in early July and our audit work has been carried out remotely during July to September. Prior to that you had shared earlier drafts of your work-in-progress financial statements, which enabled us to begin some limited substantive work. Our findings are summarised on the following pages.

[Management has made two adjustments which impact the reported financial position. Following the publication of HMT's Consultation of the McCloud remedy, management took the view that this represented a post balance sheet adjusting event. As a result, management commissioned an updated actuarial valuation based on revised assumptions. This new valuation resulted in a material difference in the net police pension fund of £12,782k. More details are set out in Appendix C.](#)

[Management has also adjusted the accounts following procedures we performed in assessing the accuracy of non-financial information used by your Valuer in the valuation of Property, Plant and Equipment \(PPE\). Management requested their valuer to revalue two assets \(Southend Police station and HQ Block A\) because the floor area used by the Valuer was incorrect. The new valuations reduced the value of PPE by £3.443million. More details are set out in Appendix C. A control finding in respect of this issue has also been raised, more details are set out in Appendix A.](#)

[We have also identified one potential misstatement which management has decided not to adjust for. The potential misstatement arose because of errors identified within our sample test which, when extrapolated, are above our trivial threshold but not cumulatively material. Management has decided not to adjust the financial statements as the misstatement estimated is not material in nature. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.](#)

The financial statements and supporting working papers were of a high quality. This is evidenced by the low number of disclosure adjustments identified. The finance team and wider organisation were responsive to audit queries and we enjoyed constructive and effective partnership working arrangements and relationships in the delivery of the audit.

Our work is now complete and, subject to the outstanding matters detailed on page 6, there are no matters of which we are aware that would require qualification of our audit opinion for the Force's financial statements. [Our opinion will include an Emphasis of Matter paragraph highlighting the material valuation uncertainty disclosed by management in respect of direct property investments held within the Local Government Pension scheme as a result of the Covid-19 pandemic.](#)

Similarly, our anticipated audit report for the PFCC's financial statements, including the group financial statements, will be unqualified. It will include an Emphasis of Matter paragraph highlighting the material valuation uncertainty disclosed by management in respect of direct property investments held within the Local Government Pension scheme as a result of the Covid-19 pandemic. [It will also include an Emphasis of Matter paragraph highlighting the material uncertainty disclosed by management in respect of property valuations as a result of the Covid-19 pandemic.](#)

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of both organisations.

Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, both entities have made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VfM) conclusion').

We have completed our risk based reviews of the PFCC's and Chief Constable's value for money arrangements. We have concluded that both Essex PFCC and Essex Chief Constable have proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19.

We therefore anticipate issuing unqualified value for money conclusions for the PFCC and the Chief Constable.

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 for either entity.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audits when we give our audit opinion, subject to any residual requirements in respect of the Whole of Government Accounts.

Headlines

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

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, both entities have made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based reviews of the PFCC's and Chief Constable's value for money arrangements. We have concluded that both Essex PFCC and Essex Chief Constable have proper arrangements to secure economy, efficiency and effectiveness in their use of resources. We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19. We therefore anticipate issuing unqualified value for money conclusions for the PFCC and the Chief Constable.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: <ul style="list-style-type: none"> • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audits. 	We have not exercised any of our additional statutory powers or duties for either entity. We have completed the majority of work under the Code and expect to be able to certify the completion of the audits when we give our audit opinion, subject to any residual requirements in respect of the Whole of Government Accounts.

Acknowledgements

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

Headlines (continued)

Financial statements continued

Our work is subject to the following closing procedures which necessarily take place at the end of the audit:

- Undertaking specified procedures on behalf of the Whole of Government Accounts group auditor (worked required to issue the certificate but does not prevent us from issuing our audit opinion on the financial statements)
 - Finalisation of work in respect of subsequent events
 - Final senior management and quality reviews and clearance of any queries that may arise from this final process
 - Agreement of your management representation letters
 - Receipt and review of the final set of approved financial statements
 - Receipt and review of the final approved annual governance statements
 - Should any further matters arise during the completion of our work that we need to report to you, we will do so before we issue our opinion.
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Summary

Overview of the scope of our audit

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

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

Audit approach

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

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

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

We have had to alter our audit plan, as communicated to the Chief Constable and the PFCC on the 14 May 2020, to reflect our response to the Covid-19 pandemic and its impact on the both Authority's financial statements and value for money arrangements. The addendum was presented to the Joint Audit Committee on 26 June 2020.

Conclusion

Our work is nearing completion and, subject to the outstanding matters detailed on page 5, there are no matters of which we are aware that would require qualification of our audit opinion for the Force's financial statements. [Our opinion will include an Emphasis of Matter paragraph highlighting the material valuation uncertainty disclosed by management in respect of direct property investments held within the Local Government Pension scheme as a result of the Covid-19 pandemic.](#)

Similarly, our anticipated audit report for the PFCC's financial statements, including the group financial statements, will be unqualified. It will include an Emphasis of Matter paragraph highlighting the material valuation uncertainty disclosed by management in respect of direct property investments held within the Local Government Pension scheme as a result of the Covid-19 pandemic. [It will also include an Emphasis of Matter paragraph highlighting the material uncertainty disclosed by management in respect of property valuations as a result of the Covid-19 pandemic.](#)

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 calculations remain the same as reported in our audit plan. We detail in the table below our determination of materiality for the PFCC, Chief Constable and Group. We have applied the lowest of these materialities for the audit of each entity and the group which is the Chief Constable's at £6,000,000.

	Group Amount (£)	PFCC Amount (£)	Chief Constable Amount (£)
Materiality for the financial statements	7,323,000	7,187,000	• 6,000,000
Performance materiality	5,493,000	5,391,000	• 4,500,000
Trivial matters	366,000	359,000	• 300,000

Significant findings – audit risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>1 The revenue cycle includes fraudulent transactions (rebutted)</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Chief Constable, PFCC and Group</p>	<p>Auditor commentary</p> <p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the PFCC, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> ▪ there is little incentive to manipulate to manipulate revenue recognition; ▪ opportunities to manipulate revenue recognition are very limited; and ▪ the culture and ethical frameworks of local authorities, including the PFCC, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for the PFCC or the Group.</p> <p>For the Chief Constable, revenue is received solely from the PFCC and is recognised to fund costs and liabilities relating to resources consumed in the direction and control of day-to-day policing. This is shown in the Chief Constable's financial statements as a transfer of resources from the PFCC to the Chief Constable for the cost of policing services.</p> <p>Therefore we do not consider this to be a significant risk for the Chief Constable.</p> <p>Conclusion</p> <p>Our work has not identified any material issues in relation to revenue recognition.</p>
<p>2 Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which is one of the most significant assessed risks of material misstatement.</p>	<p>Chief Constable, PFCC and Group</p>	<p>Auditor commentary</p> <p>In response to the risk highlighted in the Audit Plan, we have:</p> <ul style="list-style-type: none"> • 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. <p>Conclusion</p> <p>Our work has not identified any material issues in relation to the management override of controls risk.</p>

Significant findings – audit risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>1 Covid– 19</p> <p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> - Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Chief Constable, PFCC and Group</p>	<p>In response to the risk highlighted in the Audit Plan addendum, we have:</p> <ul style="list-style-type: none"> • worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation’s ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the PFCC’s property valuation expert and the impact of the HMT consultation on the pension fund valuation. • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and pension fund net liability valuations ; • evaluated management’s assumptions that underpin the revised financial forecasts and the impact on management’s going concern assessment; and • discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence. <p>The PFCC’s property valuation specialists reported that valuations of land and buildings were subject to ‘material valuation uncertainty’ as at 31 March 2020, as a result of the impact of the Covid-19 pandemic on market activity in the property sector, meaning that less certainty, and a higher degree of caution, should be placed on the recorded valuation of these assets than would otherwise be the case.</p> <p>In addition, the valuer for the Local Government Pension Scheme’s property investment assets declared material valuation uncertainties around the valuation of these investments on the same basis</p> <p>Management has agreed to disclose these material uncertainties in Note 6 to the PFCC’s and CC’s financial statements. This disclosure will be referred to in our auditor’s reports for the CC and PFCC and group in an emphasis of matter paragraph. These references do not constitute qualifications of the audit opinion.</p> <p>Conclusion</p> <p>With the exception of the ‘material valuation uncertainty’ issue set out above, our work has not identified any further material issues in relation to the Covid-19 risk.</p>

Significant findings – audit risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>4 Valuation of land and buildings</p> <p>The PFCC and Group revalue their land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£70.9 million as at 31 March 2020) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management need to ensure the carrying value in the PFCC and Group financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.</p>	<p>PFCC and Group</p>	<p>Auditor commentary</p> <p>In response to the risk highlighted in the Audit Plan, we have:</p> <ul style="list-style-type: none"> 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; discussed with the valuer 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 completeness and consistency with our understanding; and tested revaluations made during the year to see if they had been input correctly into the PFCC (and group's) asset register. evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these are not materially different to current value at year end. <p>Findings</p> <p>As discussed under 'Covid-19' above, the Authority's property valuation specialists reported that valuations of land and buildings were subject to 'material valuation uncertainty' as at 31 March 2020, as a result of the impact of the Covid-19 pandemic on market activity in the property sector, meaning that less certainty, and a higher degree of caution, should be placed on the recorded valuation of these assets than would otherwise be the case. Management have disclosed this uncertainty in Note 6 to the PFCC's and Group financial statements. This disclosure will be referred to in our auditor's report in an emphasis of matter paragraph. This does not constitute a qualification of the audit opinion.</p> <p>Our work around the accuracy of floor areas identified that the information used by your Valuer was inaccurate. This issue was followed up by management which resulted in the Authority obtaining new valuations for two properties which reduced the value of your assets by £3.443m as at 31 March 2020. More details are set out in Appendix C.</p> <p>Conclusion</p> <p>With the exception of the two findings set out above, our work has not identified any further material issues in relation to the valuation of land and buildings risk.</p>

Significant findings – audit risks


Risks identified in our Audit Plan	Relates to	Commentary
<p>5 Valuation of pension fund net liability</p> <p>The Local Government Pension Scheme (LGPS) pension net liability as reflected in the balance sheet, and asset and liability information disclosed in the notes to the accounts, represent significant estimates in the financial statements.</p> <p>The Police Officer Pension schemes pension fund liability as reflected in the balance sheet and notes to the accounts represent significant estimates in the financial statements.</p> <p>These estimates by their nature are subject to significant estimation uncertainty, being very sensitive to small adjustments in the assumptions used. We identified the valuation of the pension fund net liability as a risk requiring special audit consideration</p>	<p>Chief Constable, PFCC and Group</p>	<p>Auditor commentary</p> <p>In response to the risk highlighted in the Audit Plan, we have:</p> <ul style="list-style-type: none"> updated our understanding of the processes and controls put in place by management to ensure that the group’s pension fund net liability is not materially misstated and evaluate the design of the associated controls; evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary’s work; assessed the competence, capabilities and objectivity of the actuary who carried out the group’s pension fund valuation; assessed the accuracy and completeness of the information provided by the group to the actuary to estimate the liability; tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as an auditor’s expert) and performing any additional procedures suggested within the report; and obtained assurances from the auditor of Essex County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. <p>Findings</p> <p>As discussed under ‘Covid-19’ above, the valuer for the Local Government Pension Scheme’s direct property investments reported that valuations of these investments were subject to ‘material valuation uncertainty’ as at 31 March 2020, as a result of the impact of the Covid-19 pandemic on market activity in the real estate sector, meaning that less certainty, and a higher degree of caution, should be placed on the recorded valuation of these assets than would otherwise be the case.</p> <p>Management has agreed to disclose this material uncertainty in Note 6 to the PFCC’s and CC’s financial statements. This disclosure will be referred to in our auditor’s reports for the CC and PFCC and group in an emphasis of matter paragraph. These references do not constitute qualifications of the audit opinion.</p> <p>Conclusion</p> <p>With the exception of the ‘material valuation uncertainty’ issue set out above, our work has not identified any further material issues in relation to the valuation of the pension fund net liability risk.</p>

Other Risks

This section provides commentary on new issues and risks which were identified during the course of the audit that are not considered to be significant risks.

	Issue	Relates to	Commentary	
1	<p>IFRS 16 implementation has been delayed by one year</p> <p>Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases</p>	<p>PFCC and Group</p>	<ul style="list-style-type: none"> Management disclosed in Note 3 to the financial statements the title, date of initial application and the nature of changes in accounting policy which would arise from IFRS 16 implementation. Following significant work during the year, management has also disclosed an estimate of the likely impact to the financial statements upon adoption of the standard in 2021/2022, which includes a material £10.15m addition to PPE from peppercorn leases. Given the degree of complexity and specialist skills involved in estimating the value of the peppercorn leased assets, management engaged an independent valuation expert to provide the year end estimate. We have subjected this disclosure to audit review; including an assessment of the reasonableness of key judgements and assumptions made by your valuer in the estimate of peppercorn leases. 	<p>Findings</p> <p>In the draft accounts, management disclosed what the estimated impact of adopting IFRS 16 would be in line with IAS 8. In this disclosure, management estimated that £10.15m of donated assets would be brought on to the balance sheet.</p> <p>The majority of the £10.15m related to one asset (Stansted Airport £6.632m). We performed detailed testing of the assumptions and judgements made by management and your professional valuer at arriving at this valuation.</p> <p>As a result of the procedures we performed, we identified the following:</p> <ul style="list-style-type: none"> The valuation was based on incorrect floor area, the difference identified between the m2 used and the underlying lease schedule was 933m2 The local factor i.e. the £ value per m2 used by the valuer for one asset was unreasonably high. The valuer has since adjusted for this. The lease term for the old fire buildings was unreasonable: management plan to surrender the property in the near future but this was not correctly factored into the valuer's valuation in line with IFRS 16. <p>Overall, the above errors accounted for a net £1.631m understatement to estimated value of donated assets to be brought on to the balance sheet upon adoption of IFRS 16. As this exceeds triviality we are reporting it as an adjusted disclosure error – see appendix C.</p> <p>Auditor conclusion – post resolution of the issue described above</p> <ul style="list-style-type: none"> We are satisfied that the disclosure made by management is fairly stated and reflects the best estimate based on available information. We consider key judgements and assumptions made by management in the production of the note to be reasonable. Management has adequately reflected the estimation uncertainty contained within the disclosure. This reflects that activity and decisions taken during the course of 2020/2021 could have an impact on what the actual changes to the financial statements will be on adoption on the 01 April 2021.

Significant findings – key judgements and estimates

	Relates to	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Other - £70.9m	PFCC and Group	<p>Other land and buildings comprises £71m of assets such as police stations and custody suites, which are required to be valued at current value. The PFCC has engaged Wilks Head and Eve to complete the valuation of land and properties as at 31 December on a five yearly cyclical basis. The valuation of land and properties valued by the valuer has resulted in a net increase of £2,040k.</p> <p>In line with RICS guidance, the group/PFCC's valuer disclosed a material uncertainty in the valuation of the group/PFCC's land and buildings at 31 March 2020 as a result of Covid-19. The group/PFCC and Chief Constable has included disclosures on this issue in Note 6.</p> <p>Management also engaged their valuer to provide a market review at year end to estimate the difference in valuation between the valuation date (31 December) and the balance sheet date (31 March).</p> <p>Management has considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 31 March 2016, 31 March 2017, 31 March 2018 and 31 March 2019 by instructing their external valuations specialist to undertake a desktop exercise to determine whether the value of the properties has materially changed. This exercise performed by your valuer, and reviewed by your finance team, calculated a non-material difference of £300k.</p> <p>To gain assurance over this exercise, we have performed a similar analysis using indices provided by our auditor's expert. The result of this analysis has not indicated that the value of your land and buildings not revalued in year is materially misstated.</p>	<p>We reviewed your assessment of the estimate considering:</p> <ul style="list-style-type: none"> • Assessment of management's expert to be competent, capable and objective; • 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; • Reasonableness of increase/decrease in estimates on individual assets; • Consistency of estimate against the Gerald Eve report on property market trends, and reasonableness of the increase in the estimate; and • Adequacy of disclosure of estimate in the financial statements • All your land and buildings have been appropriately valued by the instructed valuer as at 31 December. Management have obtained sufficient evidence that the carrying value of all of your land and building as at 31 March 2020 is not materially different to the current value. 	 Amber

Findings


As part of our testing of non-financial information we identified significant variances between the floor area used by your Valuer and the floor area for assets contained in your source Estates system (CAFM). As a result this issue was raised to management. The valuations in the accounts were misstated as a result, and adjusted by management.

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Assessment

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


Significant findings – key judgements and estimates

	Relates to	Audit Comments	Assessment
Land and Buildings – Other - £70.9m	PFCC and Group	<p>Management’s response</p> <p>In response to our finding, management performed a detailed reassessment of the net internal floor area (NIA) of each asset revalued in 2019/20. This assessment identified that, for two assets, the floor area used by the Valuer was significantly different. Management therefore requested their valuer to revalue these two assets.</p> <p>Your valuer provided new valuations for the following two assets:</p> <ul style="list-style-type: none"> • HQ A Block • Southend Police station <p>The new valuation was £3.443m lower than the original valuation because the net internal floor area was originally too high. Management have adjusted their accounts for this error.</p> <p>There were differences in the NIA of all assets, not just the two that were revalued. Management made a judgement not to request valuations for the other assets because the differences in NIA were considered to be insignificant and therefore could not result in a cumulative material difference. We have reviewed this management judgement and consider it to be reasonable based on the evidence.</p> <p>The audit adjustment of £3.443m is indicative of a control weakness in supplying your valuer with accurate non-financial information. Refer to the Action Plan (Appendix A) for our recommendation in this respect.</p> <p>Conclusion</p> <p>With the exception of the issue set out above, our work has not identified any further material issues in relation key judgements and estimates contained within the valuation of land and buildings.</p>	 Amber

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
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Significant findings – key judgements and estimates

	Relates to	Summary of management's policy	Audit Comments	Assessment																																				
Net pension liability	Chief Constable, PFCC and Group	The PFCC and Chief Constable's total net pension liability at 31 March 2020 is £3,012 million (PY £3,249 million) comprising the Essex Local Government Pension Scheme and the Police Officer Pension Scheme.	Our assessment of the estimate has considered: <ul style="list-style-type: none"> Assessment of management's expert for competence, capability and objectivity Completeness and accuracy of the underlying information used to determine the estimate Reasonableness of increase/decrease in estimate Adequacy of disclosure of estimate in the financial statements The use of PwC as our auditor's expert to assess the actuary and assumptions made by the actuary – see table below and overleaf for our comparison of actuarial assumptions 	 Green																																				
LGPS: £150m																																								
Police Officer Pension Scheme: £2,863m		<p>Both of these schemes are defined benefit pension schemes. The PFCC and Chief Constable use Barnett Waddingham to provide actuarial valuations of the group's assets and liabilities derived from these schemes, utilising key assumptions such as life expectancy, discount rates and salary growth.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p> <p>In the draft financial statements, there has been a £237m net actuarial gain during 2019/20, of which a charge of £87m has impacted the net Deficit within the Comprehensive Income and Expenditure Statement. The remaining £324m gain has been recognised through other comprehensive income and taken through to the Group's unusable reserves via the Movement in Reserves Statement.</p>																																						
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Significant findings – key judgements and estimates

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Significant findings – key judgements and estimates

	Relates to	Audit Comments	Assessment
<p>Net pension liability</p> <p>LGPS: £150m</p> <p>Police Officer Pension Scheme: £2,863m</p>	Chief Constable, PFCC and Group	<p>Subsequent event - Impact of HMT Consultation on police pension scheme</p> <p>Background</p> <p>On 16 July 2020 HM Treasury published their Public service pension schemes consultation which contained the proposed remedy regarding the McCloud/Sargeant remedy.</p> <p>Included in this proposal are details of which members are eligible for remedy. In particular, those who were members of a public sector pension scheme on or before 31 March 2012 and on or after 1 April 2015 will be in scope to choose between their 2015 Scheme or legacy scheme benefits for the period April 2015 to April 2022.</p> <p>The approach used when calculating the past service cost in respect of McCloud/Sargeant in 2018/19 pension liabilities and the current service cost in respect of McCloud/Sargeant in 2019/20 accounts was to assume that all members who were in service on 1 April 2015 would be eligible. At the point of producing these estimates, details of the case and the potential form of the eventual remedy were still unclear, and it was necessary to make assumptions for many of the details. Therefore, when compared to the eligibility set out in HMT's consultation document, the approach adopted by actuaries in assessing the impact of McCloud/Sargeant would overstate the potential liability.</p> <p>Management's judgement:</p> <p>Events after the reporting date are required to be considered under IAS 10.</p> <p>IAS 10 states that there are two types of events:</p> <ul style="list-style-type: none"> • Those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and • Those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period). <p>On 30 September 20, CIPFA issued a supplement to CIPFA Bulletin 05, which stated that the issuance of the HMT consultation would be considered an adjusting event in accordance with para 3.8.2.1 (a) of the Code. In light of this further guidance from CIPFA, management reviewed the accounting treatment and concluded that the impact of the HMT Consultation should be treated as an adjusting event. This is because the HMT Consultation is considered to provide more information pertaining to assumptions linked to an estimate, the conditions of which existed at the end of the reporting position.</p>	<p></p> <p>Green</p>

Assessment

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Significant findings – key judgements and estimates

	Relates to	Audit Comments	Assessment
Net pension liability LGPS: £150m Police Officer Pension Scheme: £2,863m	Chief Constable, PFCC and Group	Subsequent event - Impact of HMT Consultation on police pension scheme Auditor's consideration: Following receipt of management's revised judgement, we undertook work to assess its reasonableness. This involved communication with GT's internal actuarial expert as well as our internal audit technical team. Based on this work we are satisfied that management's judgement is reasonable. Additional work was then performed to ensure the estimate produced by management's actuarial expert based on the revised eligibility criteria assumption was reasonable. No issues was identified as part of this work. Impact on the accounts: Management requested a revised report from its actuary which reflects the HMT consultation in the assumptions which underpin the estimates for the pension liability and service costs in line with IAS 19. The impact of this change in the assumptions was to reduce the pension liability by £12,782,000. This adjustment has been made to the final accounts, see appendix C for details. We are also satisfied that adequate disclosures in line with IAS 10 have been made.	 Green

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Significant findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

	Significant matter	Relates to	Commentary
1	Significant judgement in relation to group relationship with Essex Fire	PFCC Group	<p>The PFCC is also the 'Fire Authority' and is 'Those Charged with Governance in respect of Essex Fire. Notwithstanding this relationship, you have not prepared group accounts.</p> <p>As in the prior year, we reviewed the reasonableness of management's critical judgement not to consolidate the Fire Authority's accounts into the PFCC group.</p> <p>We have reviewed this judgement and consider it to be reasonable. Management have continued to make the following disclosure in note 4 of the accounts.</p> <p>Management's significant judgement on the non-consolidation of Essex Fire:</p> <p><i>On the 1st October 2017 the PFCC took on the governance of Essex County Fire and Rescue Service (ECFRS), under the joint governance model. Under this model the Police, Fire and Crime Commissioner (PFCC) forms two legal entities the PFCC and the Police, Fire and Crime Commissioner Fire and Rescue Authority (PFCCFRA) which are separate corporation soles. ECFRS is a brand name only for operational activities of the PFCCFRA, where as the Chief Constable and their service remain a separate corporation sole.</i></p> <p><i>The PFCC is responsible for the formal oversight of Essex Police and the Chief Constable, including setting the strategic direction and holding the police to account; whilst the Chief Constable has direction and control over the forces officers and staff. To fully understand how police and criminal justice funds are spent a set of group accounts is created for these two separate legal entities. For accounting purposes the PFCC is the parent entity of the Chief Constable, and together form the group.</i></p> <p><i>The accounts of the PFCCFRA remain separate and are not included within the PFCC Group Accounts, this is because the PFCC entity does not have control over the activities of PFCCFRA. All financial and governance decisions relating to ECFRS are made by the PFCCFRA and this control is embodied within the Commissioner.</i></p> <p><i>In making this judgement the PFCC has considered section 9.1 of the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 which sets out the requirement for accounting for Group Accounts. Paragraph 9.1.2.30 of 'The Code' sets out the criteria which must be met to control an entity; the PFCC does not meet these requirement for PFCCFRA and therefore no group is formed.</i></p>

Significant findings - Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process

PFCC:

The Statement of Accounts has been prepared on a going concern basis, on the assumption that the functions of PFCC will continue in operational existence for the foreseeable future.

Chief Constable:

The Statement of Accounts has been prepared on a going concern basis, on the assumption that the functions of the Chief Constable will continue in operational existence for the foreseeable future. Management's assessment of whether or not Essex Police is a going concern is based on its ability to discharge liabilities in the normal course of its business. In this case the Force is reliant upon the PFCC to discharge its liabilities in the normal course of its business. This expectation is necessary to enable the PFCC to continue as a going concern

Auditor commentary

A balanced budget for 2020/2021, including cashable efficiency savings of £4.8m, was approved at the Police and Crime Panel on 6th February 2020 however in late March 2020 the global pandemic of Covid-19 was announced affecting the economy and public sector bodies. The short term effects of the global pandemic has resulted in increased costs for public service bodies to meet the needs of the public and uncertainty over future funding as the government looks to support a decline in the economy.

This therefore affects the Medium Term Financial Plan (MTFP) forecasted by both authorities. The assumptions underpinning the budget forecast in the short term are now uncertain and it is likely that there will be a reduction in funding from the Home Office and unlikely that precepts and business rates funding will be as high as originally budgeted. Management has therefore considered several scenarios and updated their MTFP to reflect the increased uncertainty as well as the potential reductions in revenue streams. Whilst this has increased the cumulative budget gap by 2024/2025 from £10.6m to £24.5m, we are satisfied this does not result in a material uncertainty in the 12 months from the date of the audit opinion given the level of useable general reserves and cash available.

In arriving at this view, we have assessed the reasonableness of the assumptions underlying this forecast in light of the global pandemic. We also reviewed management's cashflow forecast up to 30 November 2021. The PFCC Group holds C£16.5m of useable revenue reserves as at 31 March 2020 (£15.5m as at 31 March 2019). Based on our review of budget assumptions and cashflow forecasts prepared by management we are satisfied that the PFCC has sufficient useable reserves to meet expected funding gaps in the next 12 months. We are also satisfied that the PFCC and the Chief Constable have been prudent in their approach to rectify and address any budget gaps caused by Covid-19 in the short term.

Concluding comments

We have concluded that no material uncertainty which would cast doubt on the ability of either entity to continue as a going concern exists and the going concern assumption adopted by management is appropriate.

Auditor commentary

Based on the audit work performed over the going concern assumption adopted by management, we are satisfied that it remains appropriate for the PFCC and the Chief Constable to prepare accounts on a going concern basis as at 31 March 2020. Both the PFCC and the Chief Constable have a reasonable expectation that the services they provide will continue for the foreseeable future. For this reason we consider it appropriate for both entities to continue to adopt the going concern basis in preparing the financial statements. We do not consider there to be a material uncertainty which would cast doubt on the ability of either entity to continue as a going concern.

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 for both Essex Police, Fire and Crime Commissioner and Essex Chief Constable

Issue	Commentary
① Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the PFCC, Chief Constable and the Joint Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
② Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed
③ Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
④ Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the PFCC and Chief Constable.
⑤ Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to banking, loan and investment counterparties. This permission was granted and the requests were sent. These requests were returned with positive with one exception explained below. On 14 April 2020, the Debt Management Office (DMO) informed us that “Due to the current contingency arrangements that we have in place the DMO has sent a copy of their audit statements to each local authority who have been advised to send them directly to their auditors. Please can you also advise your team of this new arrangement”. As a result we have performed alternative procedures to obtain assurance over the existence and accuracy of short term investment amounts held as at the balance sheet date. This involved work to ensure we obtained the original source evidence sent by the DMO to the Authority confirming year end balances. Having performed this alternative procedure, sufficient audit evidence has been obtained.
⑥ Disclosures	<ul style="list-style-type: none"> A number of minor presentation and disclosure amendments were required to the draft financial statements. Refer to Appendix C for details.
⑦ Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none"> All information and explanations requested from management was provided. The financial statements and supporting working papers were of a high quality. This is evidenced by the low number of disclosure adjustments identified. The finance team and wider organisation were responsive to audit queries and we enjoyed constructive and effective partnership working arrangements and relationships in the delivery of the audit. Other factors also impacted the delivery of the audit: <ul style="list-style-type: none"> the need to obtain additional evidence from your Actuary following the post balance sheet event of the HMT consultation on pensions.

Other responsibilities under the Code

Issue	Commentary
<p>① Other information</p>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statements and Narrative Reports), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect.</p> <p>Our work has not identified any further material issues in relation to the Annual Governance Statements and Narrative Reports.</p>
<p>② Matters on which we report by exception</p>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statements do not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or are misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters</p>
<p>③ Specified procedures for Whole of Government Accounts</p>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>No work is required as the PFCC and Chief Constable do not exceed the threshold;</p>
<p>④ Certification of the closure of the audit</p>	<p>We intend to certify the closure of the 2019/20 audit of Essex PFCC and Essex Chief Constable in the audit opinion, subject to any residual procedures in respect of Whole of Government Accounts.</p>

Value for Money

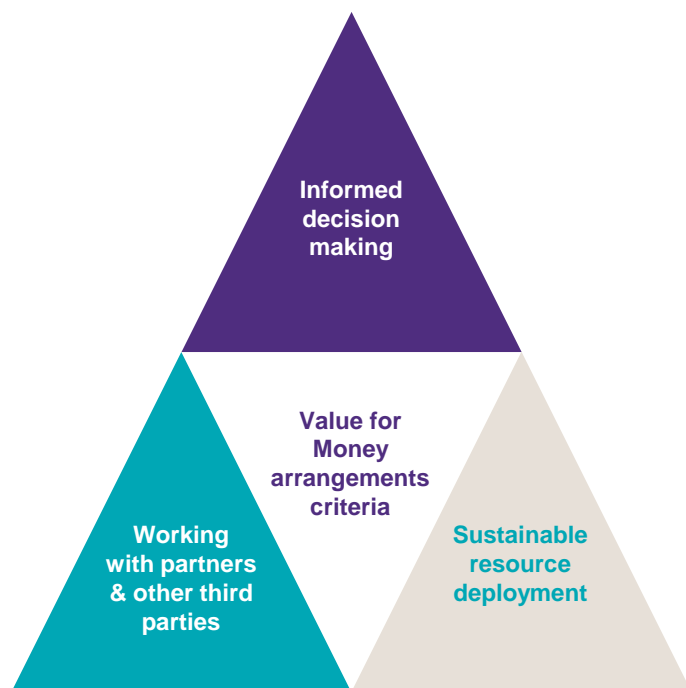
Background to our VFM approach

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

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

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

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



Risk assessment

We carried out an initial risk assessment and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our audit plan

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

We have not identified any new VFM risks in relation to Covid-19. However we have considered the potential impact of Covid-19 on the PFCC and Chief Constable's future financial sustainability, and plans for addressing the arising issues, as part of our work in addressing the previously identified significant VFM risk around the arrangements in place for Medium Term Financial Planning

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

Value for Money

Our work

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

We have focused our work on the significant risks that we identified in the PFCC's and Chief Constable's arrangements.

We have set out the summary findings and conclusions we drew from this work on the following pages.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that both the PFCC and Chief Constable had proper arrangements for securing economy, efficiency and effectiveness in their use of resources.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

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

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Police and Crime Plan

The 2016-2020 Police and Crime Plan for Essex is approaching maturity as it moves into the final year of its term. Given the rise in demand for policing services coupled with continued public sector austerity, there is a real challenge to deliver the outcomes set out in the police and crime plan. In the latest performance report available on the PFCC website (October 2019), performance indicators in four of the seven police and crime plan priorities were assessed as 'requires improvement'.

Findings and Conclusions

The PFCC has published an extension to the Police and Crime Plan, covering the period arising due to the government decision to defer PFCC elections from 2020 to 2021 due to the Covid-19 pandemic.

The plan focuses on the continuing 7 priorities but provides further detail on the indicators that are used to measure success. We commend this approach. The additional detail regarding the indicators further assists the plan to be understandable and helpful to the public and facilitates independent and objective success measures to be considered and communicated.

The plan was widely consulted and stakeholders commented highly favourably on the level of consultation that took place and the measures set out within the plan, which are well focused and enable transparent assessment of performance to take place.

You have arrangements in place to deliver the plan across a complex partnership structure. You have measures against which to assess progress and report effectively and transparently to stakeholders and the public.

On this basis, we have concluded the arrangements in place are sufficient to mitigate the risk identified for 2019/20.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Financial strategy and long term sustainability

Police funding continues to be stretched with increasing cost pressures and complexity. The NAO reported in September that in real terms, central government funding for Forces had fallen by 30% since 2010/11, this being during a period when crime rates have been on the rise. In the last 18 months however, pessimism has given way to cautious optimism in terms of the future financial outlook.

Whilst the direction of travel is positive, there remains a high level of uncertainty around some of the detail, in particular, the long term capital and revenue funding envelope to fund the additional 20,000 officers.

Whilst the policing sector universally welcomes funding for additional police officers, there is a risk that increased scrutiny and pressure on officer numbers focuses long term decision making on the inputs of policing rather than outcomes. This funding also comes with enhanced and significant expectations from government in terms of demand management and crime response, and the pressure to demonstrate an immediate return will be significant and, potentially, not possible.

We will review updates to your medium term financial strategy, assess the gaps in savings requirements, and assess the extent to which your financial plans are aligned with realistic outcomes from the transformation programme and benefits realised, as well as the reasonableness of assumptions underpinning the strategy.

We will also assess how well your arrangements will enable you to respond to increased government expectations in response to the additional funding.

Findings and Conclusions

Essex Police has historically maintained low levels of reserves. This has been supported by robust financial planning and a strong understanding of the financial position and financial risks facing policing in Essex, and a good understanding of the budgetary position.

The Covid-19 pandemic has resulted in additional costs for the Force although, as a whole, the police sector is less affected by the pandemic, financially, compared to other sectors (including local government) as there is less exposure to commercial income risk. The Force and PFCC have responded well to the increased financial challenges arising from the pandemic and taken these into account in their financial plans.

We have reviewed updates to your medium term financial strategy, assessed the gaps in savings requirements and assessed the extent to which your financial plans are aligned with wider economic considerations, as well as the reasonableness of assumptions underpinning the strategy. We consider your plans to be reasonable and based on appropriate assumptions. Notwithstanding this, we recognise, as do you, the increased financial risks facing all forces over the next few years.

Our analysis of police reserves, based on unaudited police accounts across the UK for 2019/20, indicates Essex now has the lowest level of reserves in the UK. With a budgetary gap of circa £24m over the next 4 years, in the medium term financial plan (including Covid-19 assumptions), the contingency for further financial risk is increasingly limited.

The strong and robust financial management has served the Force and PFCC well in recent years. The careful financial planning has enabled you to mitigate the financial risks without requiring significant reserve levels as a contingency. However, the pandemic has brought about significant increased uncertainty and macro-economic risk. Whilst the strong financial arrangements you have in place will continue to provide an element of mitigation, consideration needs to be given as to whether the low reserves policy will continue to provide sufficient contingency to weather the significantly increased financial risks over the next few years. This also includes ensuring the Force can respond to the enhanced expectations from government in reducing violent crime and ensuring you have sufficient investment in place to not only recruit your share of the 20,000 officers funded by central government but to fund the increased overhead and support services that the increase in establishment will require.

Your historic understanding of financial risk, and responses to that risk, are strong, and should continue to serve you well, notwithstanding the increased risk exposure arising from current circumstances.

On this basis, we have concluded the arrangements in place are sufficient to mitigate the risk identified for 2019/20.

You are aware of the increased financial risk facing all forces and, indeed, sectors given the economic situation, and of the need to fully consider how this is best managed in formulating your financial plans for the next few years.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Findings and Conclusions

Governance arrangements for partnership working

Essex Police has a rich history of collaboration; working with partners is something you consider has become embedded in your business planning strategy. Your 2019 HMICFRS inspection commented positively on your partnership working.

We will assess the effectiveness of governance arrangements supporting your working with partners to deliver expected benefits.

You have a number of major partners with whom you are engaged in collaborative arrangements, including 'Athena' with nine forces and the 'Joint Support Services Directorate' with Kent Police. Given that these arrangements are critical to your long-term financial and operational sustainability, the need to have effective governance arrangements to oversee, monitor, scrutinise and deliver expected benefits could not be underestimated. You also partake in the '7-forces' collaboration work and hope to drive greater benefit from this framework in the medium to long term.

Your partnership arrangements are well-established and relatively mature. You are keen to derive benefits from cross-force and cross-border collaboration and understand the risks and governance considerations required in doing so. You recognise where some partnerships are not deriving the level of benefits you would want but take a positive and engaging approach to supporting partners to drive better outcomes.

HMICFRS has also recognised the positive nature of your partnership working arrangements.

On this basis, we have concluded the arrangements in place are sufficient to mitigate the risk identified for 2019/20.

Transformation programme and benefits realisation

A significant proportion of the discretionary investment spend and planned savings within your medium term forecast relates to change and transformation programmes within the organisation. This in turn depends on planned benefits from transformation being realised in line with business case forecasts.

Delivery of financial and non financial benefits is key to your transformation success and long term financial sustainability. We will assess how well you identify and measure financial and non-financial benefits in relation to your transformation programme.

Your arrangements to support transformation continue to mature. Understanding of financial and non-financial benefits continues to improve. Whilst responding to the changes required due to Covid-19 understandably affects the timeframes involved, you are also using the opportunity to identify the learning from the arrangements in place due to Covid-19, and identifying which arrangements you should adopt permanently, which you should abandon and which you may wish to continue to amend to maximise benefit. This is a mature and commendable approach to investing in future efficiencies.

On this basis, we have concluded the arrangements in place are sufficient to mitigate the risk identified for 2019/20.

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

No non-audit services were identified which were charged from the beginning of the financial year to the date of issue of this report

Action plan – financial statements


We have identified 3 recommendations for the Group, PFCC and Chief Constable as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Relevant to	Recommendations
1	<p>Bank reconciliation process</p> <p>A bank reconciliation is fundamental to the financial reporting process; ensuring the completeness and accuracy of transactions recognised in the accounting system. Therefore, as part of our planned audit procedures, we reviewed your operational bank account year-end reconciliations.</p> <p>For two of your operational bank accounts (payments and revenue), the bank reconciliation initially supplied by management was incomplete and difficult to understand. Both bank recs detailed a significant amount of reconciling items, many of which were said to have cleared the bank statement prior to 31 March but was not recorded in the accounts. In addition, the reconciliations did not reconcile.</p> <p>Given that the initial bank reconciliations indicated that several thousands of pounds of cash had been paid but not recorded in the accounting system, the extent of our audit testing and level of professional scepticism applied to our work on cash had to increase to reflect the fraud risk that the issue posed.</p> <p>Having identified and raised the issue with your finance team, an iterative process began that lasted several weeks. Several revised versions of bank reconciliations were prepared by the finance team, reviewed by the audit team and sent back with comments or queries.</p> <p>In late August, management provided us with final versions of their bank reconciliations. These reconciliations improved the clarity of the audit trail but still contained reconciling items which had cleared the bank statement but had not been recorded in the cashbook. As a result, we have communicated a non-material unadjusted disclosure misstatement – see appendix C.</p> <p>The cause of the error was one of timing, insofar as credit card payment transactions had not been matched off against liabilities on your balance sheet. As a result, this overstates your liabilities and overstates your cash position as at 31 March 2020. There is no net impact on your reported financial position.</p> <p>Whilst our audit work has provided us with sufficient assurance to conclude that your accounts are free from material error, the lengthy process required in order for us to arrive at this position is evidence that the processes and controls in relation to your bank reconciliations require review.</p>	PFCC	<p>Management should review the processes and controls in relation to bank reconciliations to ensure they are completed in a timely fashion and reconcile all cash movements in the period.</p> <p>The current process is heavily manual and capacity issues can lead to bank reconciliations being incomplete. In this review, we encourage management to explore digital solutions and best practice from other entities.</p>

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Action plan – financial statements (continued)

Assessment	Issue and risk	Relevant to	Recommendations
<p>2</p> 	<p>Seized monies</p> <p>In accordance with the Proceeds of Crime Act (POCA) 2002, the PFCC holds monies on behalf of third parties arising from its operational responsibilities. Monies held under the POCA are correctly not accounted for on the balance sheet as the cash does not belong to the PFCC at this stage.</p> <p>As part of our audit we identified POCA third party cash is co-mingled in the PFCC operational bank accounts from which payments and investments are made. As at 31 March, the POCA cash co-mingled in operational bank accounts was circa £2.1m. In co-mingling third party monies, the PFCC is benefiting from several cashflow benefits, namely:</p> <ul style="list-style-type: none"> • higher interest rates on investments; and • reduced interest payments because the increased liquidity could result in the Authority not needing to borrow when it otherwise would <p>Given that the third-party cash does not belong to the PFCC, we recommend that management set up a separate non-operational bank account for third party cash to be deposited and maintained. In doing so, the PFCC would no longer inappropriately benefit from cash which is not theirs.</p> <p>The other reason we are recommending the PFCC to stop co-mingling third party cash is that it reduces the risk of third-party cash being incorrectly recognised on the balance sheet. This is because the current process requires third party deposits to be manually identified and coded during the reconciliation process. Given the weaknesses identified in the controls around the reconciliation process as set out on the previous page, there is a risk that third party deposits are missed during the bank reconciliation and inappropriately recognised on the PFCC balance sheet. This risk is significantly reduced with a separate bank account for third party monies.</p> <p>We are satisfied based on our audit work that there is no material misstatement in the accounts because of third-party monies. Our recommendation is being made to reduce the risk of misstatement and strengthen the controls in place to ensure the propriety of third party assets held by the PFCC.</p>	<p>PFCC and Group</p>	<p>Management should set up a separate non-operational bank account to deposit and maintain third party monies.</p>

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Action plan – financial statements (continued)

Assessment	Issue and risk	Relevant to	Recommendations
3	<p>Accuracy and Completeness of non-financial information sent to the Valuer</p> <p>The issue identified from our substantive work was that floor area information that the Valuer was sent to use in their valuation calculations was inaccurate. There were two reasons why the information was inaccurate.</p> <p>a) Management had not sent the latest floor area information each year, rather, the Valuer had been using legacy floor area several years old that was now out of date.</p> <p>b) The original floor information sent was not calculated on the correct basis. The NIA's sent to the Valuer were based on models rather than being a true reflection of the asset itself.</p> <p>Whilst significant additional work was performed this year to ensure that this issue did not manifest into a material misstatement in the accounts, there remains the control weakness that management needs to address for future accounting periods.</p>	CC, PFCC and Group	<ul style="list-style-type: none"> Management should ensure up to date non-financial information is sent to the Valuer at least annually. Management should work with Estates to implement a control procedure to review and check the accuracy and completeness of non-financial information prior to it being sent to the Valuer. This control procedure should be documented to ensure there is evidence of its operation.

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Follow up of prior year recommendations

We identified the following issues in the audit of Essex PFCC's and Chief Constable's 2018/19 financial statements, which resulted in 2 recommendations being reported in our 2018/19 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Relevant to	Update on actions taken to address the issue
1 ✓	<p>SAP General Ledger Codes</p> <p>As part of our work on the general I.T. control environment we identified a number of SAP general ledger codes where management were unable to provide detailed transaction listings</p> <p>Prior year recommendation:</p> <p>Review your general ledger to ensure it is configured appropriately to ensure a complete audit trail of all transactions can be reported has been raised.</p>	<ul style="list-style-type: none"> Group, PFCC and Chief Constable 	<ul style="list-style-type: none"> Management have now correctly configured their ledger to provide complete audit trails of all transactions As this was actioned during 2019/20, for the period up to this change, several ledger codes were affected and so additional work was performed to ensure the hidden transactions were not indicative of management override, fraud or error. No issues was identified as part of this work.
2 ✓	<p>Revaluation process</p> <p>As part of our work on revaluations we identified you had no process in place to assess whether there was a material difference between the carrying value of assets not revalued in year and their estimated current value.</p> <p>Prior year recommendation:</p> <p>Review your annual revaluation process to ensure you consider whether the carrying value of your assets as at the balance sheet date are materially different to the current value.</p>	<ul style="list-style-type: none"> Group and PFCC 	<ul style="list-style-type: none"> Management has now implemented a process to assess whether there is a material difference between the carrying value of assets not revalued in year and their estimated current value at year end. This has been subject to audit review and considered to be reasonable.

Assessment

- ✓ Action completed
- X Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Overall impact
<p>1 Impact of HMT Consultation on police pension scheme</p> <p>Management requested a revised report from its actuary which reflects the HMT consultation in the assumptions which underpin the estimates for the pension liability and service costs in line with IAS 19. The impact of this change in the assumptions was to reduce the pension liability by £12,782k.</p> <p>This results in changes to the Authority's Comprehensive Income and Expenditure Statements, Balance Sheets and Movement in Reserves Statements, as well as a number of the Notes to the financial statements including the Expenditure and Funding Analysis (EFA) and supporting notes to the EFA, adjustments between accounting basis and funding basis, Unusable Reserves and Defined Benefit Pension Schemes.</p> <p>For the avoidance of any doubt, the impact of this adjustment has no impact on the useable reserves of the Authority.</p> <p>Note this does not represent an error in the draft accounts but an amendment made to the accounts based on new available information post submission of the accounts to audit.</p>	<p>CIES Past Service Cost (12,782)</p>	<p>Police Pension Liability 12,782</p>	<p>CIES (12,782)</p> <p>Impact on the CIES is reversed through the MIRS into unusable reserves</p>

Audit Adjustments

Impact of adjusted misstatements continued

	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Overall impact
2 Impact of incorrect floor area assumptions on PPE valuations			
As part of our work on the valuation of Property, Plant and Equipment, we test the reasonableness of key assumptions. One of the key assumptions in the valuation exercise is the size of each property i.e. the floor area. For a sample of assets revalued we therefore checked whether the floor area used by your valuer reconciles to the floor areas included in your source Estates system (CAFM).			
This procedure identified several significant differences and this issue was raised to management. In response, management performed a detailed review of the floor areas for each asset, adjusting it where appropriate to arrive at the 'Net Internal Area' (NIA) that is to be used for valuation purposes.			
Following this analysis management identified that for two assets, the NIA used by the valuer compared to that included in the source system different significant and therefore requested their valuer to revalue these two assets based on new assumptions. This resulted in a £3.443m reduction in the value of both of these assets. This has been adjusted for in the final accounts.			
Whilst NIA differences were identified in all assets revalued, management took the view that once they adjusted for the two largest outliers, the remaining differences were considered to be insignificant. Having reviewed management's assessment, we consider this judgement to be reasonable.			
Note: Whilst there has been a £3.443m revaluation decrease, this has no impact on useable reserve available to the Authority as at 31 March 2020 as all of the movement is contained within two unusable reserves (Capital Adjustment Account and Revaluation Reserve).			
	Surplus or Deficit on the Provision of Services – Impairment charge (Premises) 2,617		Total Comprehensive Income (3,443)
		Property, Plant and Equipment (3,443)	Reduction in Revaluation Reserve 826
	Other Comprehensive Income – Surplus/Deficit on Revaluation of fixed assets 826		Reduction in Capital Adjustment Account 2,617
			Impact on useable reserves is reversed through the MIRS into unusable reserves

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which management has agreed to amend in the final set of financial statements.

Disclosure changes	Relevant to	Detail	Auditor recommendations	Adjustment agreed?
PFCC Narrative report – police precept	PFCC	In the draft narrative report, the amount disclosed as the increase in the police precept element of council tax had a transposition error. The amount originally disclosed was £5.97 when the correct figure is £5.67.	Management has agreed to amend the transposition error.	✓
PFCC Grant Income disaggregation	PFCC and Group	In the draft financial statements, note 15 'Grant Income' included a single line for 'Other Grants' totalling £20.9m. In accordance with IAS 1, we were of the view that this disclosure did not provide sufficient detail to enable the reader of the accounts to understand the different sources of grant income received by the authority during the year. Management has revised Note 15 by disaggregating the £20.9m of 'Other Grants' into individually significant grant revenue streams which we have then tested as part of our audit work.	Management has amended the accounts by disaggregating the £20.9m of 'Other grants' in note 15.	✓
PFCC intra group creditor (£1,099k)	PFCC only	In the draft PFCC financial statements, the intra group adjustment relating to police overtime was posted as a negative debtor in the PFCC single entity accounts instead of a creditor. Management has adjusted for this balance sheet classification error in the final accounts. To be clear, there is no net impact on the Total Compressive Income and Expenditure as this the error is a balance sheet classification issue.	Management has corrected the PFCC single entity statement of accounts. The adjustment impacting the balance sheet only is as follows: Dr PFCC debtors - £1,099k Cr PFCC creditors - £1,099k Various notes to the accounts have also been updated to reflect this balance sheet reclassification.	✓

Audit Adjustments

Misclassification and disclosure changes - continued

Disclosure changes	Relevant to	Detail	Auditor recommendations	Adjusted ?
Related party disclosures in the Chief Constable's accounts	CC only	<p>In the Chief Constable's accounts, the disclosure for related party transactions was cross referenced to the Police, Fire and Crime Commissioners accounts. In accordance with the accounting standards, the financial statements should be stand alone without reference to other documents.</p> <p>On that basis management has revised their Chief Constable accounts to include relevant disclosures on Related Party Transactions.</p>	Management has agreed to update the related parties note.	✓
Reclassification of impairment (£2,062k)	PFCC and Group	<p>Note 18 – Property Plan and Equipment:</p> <p>There is a subtle, yet important distinction, between an impairment and a downward movement on revaluation of a fixed asset. The former is uncommon and will be as a result of an impairment assessment in accordance with IAS 36 whilst the later is common and simply as a result of market movements.</p> <p>Having reviewed the valuers report and discussed the matter with management, the £2,062k was a simple downwards movement on revaluation rather than an impairment which indicates a permanent loss of economic benefit.</p> <p>Management has therefore reclassified the £2,062k and disclosed it as part of the line 'Revaluation increases/(decreases) recognised in the Surplus/Deficit'.</p>	Management has agreed to update the PPE note accordingly.	✓
Material valuation uncertainty disclosures	PFCC, Chief Constable and Group	<p>Note 6 – Assumptions made about the Future and Other Major Sources of Estimation Uncertainty:</p> <p>In the draft financial statements the disclosure of the estimation uncertainty arising from the global pandemic on property values as at 31 March 2020 did not specifically reference a 'material valuation uncertainty' as communicated by your expert property valuer or the local government pension scheme property investment valuer.</p> <p>Management agreed to make amendments to the estimation uncertainty table in note 6 to ensure specific references to 'material valuation uncertainties' are disclosed and made the Covid-19 disclosure the first on the table to ensure sufficient prominence.</p>	Management has agreed to update note 6 accordingly.	✓

Audit Adjustments

Misclassification and disclosure changes - continued

Disclosure changes	Relevant to	Detail	Auditor recommendations	Adjusted ?
Pensions Liability - LGPS scheme assets	Chief Constable, PFCC and Group	<p>As a result of the global pandemic, there is a greater level of uncertainty in respect of the value of scheme assets in the LGPS pension fund as at 31 March 2020. Having raised the issue with management, note 6 has been updated to include a specific disclosure to reflect this uncertainty.</p> <p>We have reviewed the revised disclosure and we consider it to be reasonable.</p>	Management has agreed to update note 6 accordingly.	✓
PFCCFRA, Related Party	PFCC and Group	<p>Note 41 – Related Party Transactions</p> <p>By virtue of the PFCC (Roger Hirst) having control over both the PFCC and the PFCCFRA, in accordance with IAS 24 this gives rise to a related party interest between both entities.</p> <p>In the draft accounts, we were of the view that the disclosure in note 41 did not adequately describe this relationship and the value of transactions/balances were not set out.</p> <p>Management has agreed to revise the disclosure to amend for the two issues identified.</p>	Management has agreed to update note 41 accordingly	✓
Disclosure of third party balances within Cash and Cash Equivalents	PFCC and Group	<p>Note 24 – Cash and Cash Equivalents</p> <p>In accordance with IAS 1, we requested management disclose to the reader of the accounts the amount of third party monies omitted from the PFCC's bank account.</p>	Management has agreed to update note 24 accordingly	✓
Understatement of donated assets under IFRS 16	PFCC and Group	<p>Note 3 - Accounting Standards that have been issued but have not yet been adopted</p> <p>As described on page 11, our work on the donated leased assets under IFRS 16 identified a £996k understatement as a result of incorrect inputs into the asset valuation.</p>	Management has agreed to update note 3 accordingly	✓

Audit Adjustments

Misclassification and disclosure changes - continued

Disclosure changes	Relevant to	Detail	Auditor recommendations	Adjusted ?
EFA casting error	CC, PFCC and Group	<p>EFA</p> <p>We identified a casting error in the EFA disclosure notes for pensions (EFA note 2). In the total line 'Total adjustments included within the Net Cost of Services' the figure in the draft accounts is £36,712k when it should be £49,120k. This has been adjusted for in the final accounts.</p>	Management have agreed to make the required amendments.	✓
Note 6 – Cumulative under valuation disclosure	PFCC and Group	<p>The draft accounts included disclosure of the cumulative under-valuation of PPE as a result of adopting a five-year rolling revaluation programme as permitted by the CIPFA Code of Practice. The figure disclosed was £1.262m.</p> <p>This disclosure has been revised to a figure of £1.507m for two reasons:</p> <p>(1) Revised valuations in respect of two assets as set out in the adjusted misstatements tab</p> <p>(2) To include the impact of valuation changes between the valuation date of 31 December 2019 and the balance sheet date of 31 March 2020. This estimate is based on indices provided by management's expert valuer.</p>	Management have agreed to make the required amendments.	✓
Note 18 – Jointly controlled assets	PFCC and Group	<p>Within the jointly controlled assets table within note 18, the amount and percentage contribution for '<i>Eastern Region Special Operations Unit (ERSOU) - Building Purchase #2</i>' did not reconcile to the balance sheet and supporting documentation.</p> <p>The purchase price for the asset was £10,514k and not £7,320k as disclosed.</p> <p>The percentage contribution of 14.1% did not reconcile to the actual amount contributed which was £998k (9.49%).</p>	Management have agreed to make the required amendments.	✓
Other presentational and disclosure issues	CC, PFCC and Group	Management has also amended other minor and presentational issues highlighted during the course of the audit.	Management have agreed to make the required amendments.	✓

Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Detail	Relevant to	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
<p>1 Completeness of revenues</p> <p>As part of planned audit procedures, we selected a sample of cash receipts from the post period end bank statement to obtain assurance that revenue recognised in your 2019/20 financial statements is complete.</p> <p>Our testing identified issues with 2 of the 6 sampled items. Both sample items related to transactions in 19/20 but were both accounted for in 20/21 when the actual cash receipt was received. Having considered the root cause of both errors we are satisfied that there are no process or control issues.</p> <p>The total of both sample items was £27,543.34, which when extrapolated over the tested population projected to a potential misstatement of £508,801.15. Given the projection exceeds the 'clearly trivial' threshold, we are required by the auditing standards to report this in our Audit Findings Report.</p>	PFCC and Group	<p>Revenue</p> <p>(509)</p>	<p>Debtors</p> <p>509</p>	(509)	Non-material projection
<p>2 Bank reconciliation issue</p> <p>Our review of your bank reconciliations identified £431,000 of cash payments made prior to the balance sheet date that were not recorded and accounted for in your cashbook.</p> <p>The £431,000 of payments related to credit cards payments which had not been matched to liabilities on your balance sheet. The impact of this error on your financial statements is that cash both cash and liabilities are overstated by £431,000. This error has no net impact on your reported CIES position. As a result of this finding a control recommendation has been raised in relation to the overall processes and controls pertaining to bank reconciliations at the Authority.</p>	PFCC and Group		<p>Cash</p> <p>(431)</p> <p>Creditors</p> <p>431</p>		Not material
Overall impact		(509)	509	(509)	Aggregate misstatement significantly below materiality.

Audit Adjustments

Impact of unadjusted misstatements - continued

Detail	Relevant to	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
<p>3 Six-hills purchase price vs current value During the year, the PFCC agreed to contribute £998k for the purchase of 'Six-hills' an asset to be jointly used by seven forces. The total purchase price of the asset was £10.514m and this was purchased by the lead Authority (Bedfordshire PCC) in February 2020.</p> <p>Subsequent to purchase, Bedfordshire PCC obtained an Existing Use Valuation of the property as at 31 March 2020. The valuer estimated the value of the asset to be £7,320,00. This was £3,194,000 lower than the amount paid for the asset. Management chose not to update the accounts to recognise the change in current value because the impact was deemed to be immaterial.</p> <p>Essex PFCC only accounts for its share of the asset (9.49%) and so the difference between Essex PFCC's share of the purchase price and the current value of the asset as at 31 March 2020 is £303k. Whilst this is significantly below materiality, it does exceed our triviality threshold for reporting to TCWG.</p> <p>Note, the £303k impact on the CIES has no impact on useable reserves because the impact would be reversed out in the MIRS into the Capital Adjustment Account.</p>	PFCC and Group	Downward revaluation 303	PPE (303)	(303)	Non-material difference
Overall impact		(206)	206	(206)	Aggregate misstatement significantly below materiality.

Audit Adjustments

Impact of prior year unadjusted misstatements

There are no prior year unadjusted misstatements

Fees

We confirm below our final fees charged for the audit

Audit Fees	Proposed fee	Final fee
PFCC Audit	37,996	TBC
Chief Constable Audit	12,000	TBC
Total audit fees (excluding VAT)	£49,996	TBC

The fees reconcile to the financial statements.

Non Audit Fees

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



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