

PFCC Decision Report

Report reference number: 030 -23

Classification: Not protectively marked

Title of report:

The Statement of Accounts for the year ended 31 March 2022 for the Police, Fire and Crime Commissioner Group and the Police, Fire and Crime Commissioner

Area of county / stakeholders affected: Countywide

Report by: Janet Perry, Chief Financial Officer and Strategic Head of Performance and Resources

Chief Officer: As above

Date of report: 21 February 2023

Enquiries to: As above

1. Executive Summary

- 1.1. The purpose of this report is to recommend that the PFCC signs the Statement of Accounts for the year ending 31 March 2022 for the Police, Fire and Crime Commissioner Group and the Police, Fire and Crime Commissioner (hereafter referred to as the Statement of Accounts). In addition, this report seeks the Commissioner's approval to publish the Statement of Accounts, alongside the independent auditor's report and the unmodified audit opinion.
- 1.2. The Statement of Accounts should have been published by 30 November 2022 in order to meet the statutory reporting requirements, and a Draft Statement of Accounts was published on this date.
- 1.3. However, the External Auditors, Grant Thornton UK LLP, had not completed the audit by 30 November 2022. This was partly due to the PFCC Group

being subject to additional procedures including a financial reporting review by the external auditor's central technical team, because the PFCC Group crossed the threshold for the first time of £500m gross revenue and consequently became subject to a 'Major Local Audit'.

- 1.4. The auditors also raised concerns about the availability of key working papers and delays in the responses to their queries when compared to previous years. The auditors attributed these problems to a lack of capacity in the finance team, rather than a capability issue. A growth bid has been agreed as part of budget setting in 2023/24.
- 1.5. In addition, there was a delay in receiving the letter of assurance from the audit of the Essex Pension Fund.
- 1.6. It was therefore recommended by both the JAC and the Strategic Board that the PFCC should not publish the final Statement of Accounts at that stage, and that a Delayed Notice of the publication of the Statement of Accounts should be published. The delay notice was published, along with the Draft Statement of Accounts, by 30 November 2022.

2. Recommendations

- 2.1. The PFCC to approve the final Statement of Accounts, as amended since the draft published on 30 November 2022, attached at Appendix A and the Audit Findings Report attached at Appendix B. A list of material changes made to the Draft Statement of Accounts since it was published is noted in paragraphs 4.5 and 4.6 below.
- 2.2. The PFCC to sign the Statement of Accounts attached at Appendix A and letter of representation attached at Appendix C in order that an unmodified Audit Opinion can be issued on 22 February 2023. The final Audit Opinion will be added to the Statement of Accounts prior to its publication.
- 2.3. The PFCC to approve the publication of the Statement of Accounts attached at Appendix A, alongside the independent auditor's report and the unmodified audit opinion.
- 2.4. The PFCC to share the Statement of Accounts attached at Appendix A and the Audit Findings Report attached at Appendix B with the Chair of the Joint Audit Committee and to inform him of the decision to publish the accounts, the Audit Findings Report and the unmodified Audit Opinion once received.

3. Background to the Proposal

- 3.1. The proposal will mean that the PFCC is able to approve and sign the Statement of Accounts for the year ended 31 March 2022, which although is after the statutory deadline, is still statutorily required to be published and will ensure that transparency regarding the financial position in 2021/22 is made available as soon as possible and is not delayed until later this year, which is likely if the Audit Opinion is not issued by 22 February 2023.

4. Proposal and Associated Benefits

- 4.1. The revisions to the draft Statement of Accounts were reviewed by the Joint Audit Committee (JAC) and by the PFCC / Essex Police Strategic Board on 25 November 2022.
- 4.2. The draft Statement of Accounts had been reviewed in September by both the JAC and the Strategic Board. At the meetings on 25 November the following changes were highlighted as being made at that stage as a consequence of the audit:
- **Correction of revaluation gain relating to Police Headquarters during 2008** – In 2021/22 the HQ land was revalued according to its actual size using a more detailed and enhanced methodology, resulting in a land revaluation gain being recognised in the Revaluation Reserve for 2021/22. Upon further review it was realised that there was a previous land impairment of £16m relating to the HQ site, dating back to 2008. Therefore, when the above gain was recognised in the 2021/22 draft accounts, it should actually have been offset against the historic impairment, and a £7m adjustment was processed to correct this issue. This had an impact on all the core financial statements, and a number of corresponding / supporting disclosures.
 - **IFRS 15 income from service recipients** – New related disclosures had been included in notes 15, 23 and 27 (PFCC / Group only)
 - **Prior period restatements (for disclosure notes only)** – Additional explanatory narrative had been added in all cases.
 - **Senior Officers' Remuneration** – Benefits in kind figures are now included
 - **Property, Plant & Equipment (PPE)** – New revaluations profile disclosure was included
 - **Police Officer Pension Fund** – Additional disclosures had been added, including a net asset statement (PFCC / Group and Chief Constable)
 - **The Annual Governance Statement** had been reviewed and updated
- 4.3. The JAC and the Strategic Board were informed that the Audit had not concluded and that there was still some testing and evidence under consideration. In addition to this, we had not received the pension assurance letter for the Essex Pension Fund.
- 4.4. At this time, it was recommended by both the JAC and the Strategic Board that the PFCC should not publish the Statement of Accounts, and that a Delayed Notice of the publication of the Statement of Accounts should be published. The delay notice, alongside the Draft Statement of Accounts, was published by 30 November 2022.

4.5. Since the Statement of Accounts were discussed and reviewed on 25 November 2022, and the Draft Statement of Accounts was published on 30 November 2022, the following material changes have been made to the Statement of Accounts:

- **Fully depreciated assets** – Whilst originally referred to in the draft Audit Findings Report, management have subsequently taken the decision to write out £7.3m of fully depreciated assets within the 2021/22 accounts, thus providing a clearer picture of both gross and cumulative depreciation balances for its non-current assets. This has impacted the Property, Plant & Equipment and Intangible Asset disclosures only, with no impact to the Core Financial Statements. In addition, the wording of the related accounting policy has been updated to reference the annual review work which will be undertaken in respect of these assets going forward.
- **Jointly Controlled Assets disclosure** – Fully updated to take account of those assets now written out from the above exercise, as well as to correct the format of the note from gross balances to net book values ensuring the presentation is consistent with the rest of the accounts. Additional narrative in respect of the Eastern Region Special Operations Unit (ERSOU) element of this disclosure has also been included.
- **Police Officer Pension Fund** – Net asset statement disclosure corrected to show the element of in-year expenditure held in Creditors at 31 March 2022 (PFCC / Group and Chief Constable).

4.6. In addition, the following changes have been made to the Final Audit Findings Report:

- **Page 3** updated to include commentary on the £7m adjusted misstatement in respect of the revaluation reserve
- **Page 4** - removed the list of things that are outstanding – the only three things kept are the typical things i.e., management representation letter, signed accounts and quality review
- **Page 11** - included narrative on the unadjusted misstatement arising on the pension liability as a result of the assets used by the actuary being £81m different to that on the Pension Fund net asset statement (the amount relating to Essex Police Staff being £5.4m and below materiality)
- **Page 13** - updated narrative to explain the conclusion of the £16m impairment reserve issue that resulted in the £7m adjusted misstatement
- **Page 28** - updated narrative on the control issue around fully depreciated assets to make it clear that additional work did result in a disclosure adjustment in the accounts
- **Page 29** - added a control issue in relation to the control accounts within creditors which are being reconciled
- **Page 33** - added the £7m adjusted misstatement in the adjusted misstatements section

- **Page 36** - on the second unadjusted misstatement (PPE revaluation misstatement 1), the signage of the error has been changed from DR 530 Comprehensive Income and Expenditure Statement (CIES) to CR 530. This was an error in the original Audit Findings Report that has been rectified.
- **Page 37** - added another unadjusted error on revenues testing of £1.9m. This is just DR (CIES) and CR CIES so (disclosure) but included here to ensure revenue / expenditure is not overstated materially at a line level
- **Page 39** - added the two unadjusted misstatements identified in creditors (DR testing).
- **Page 40** - added the £4.7m unadjusted misstatement from the Pension Liability net assets issue
- **Page 49** - added three additional disclosure misstatements. Two pertain to the disclosure adjustment on fully depreciated assets and the last one relates to the Joint Assets note.

5. Options Analysis

- 5.1. The Final Audit Findings Report is now available. The further changes made since the 25 November meetings have been reviewed and included in the report. The PFCC's Chief Financial Officer has no material concerns to raise with the PFCC and has found no material reason to suggest the accounts should not be signed. Any delay in signing the Statement of Accounts will mean the Audit Opinion will not be issued on 22 February 2023 and is likely to result in a significant delay in the issuing of the Audit Opinion.

6. Consultation and Engagement

- 6.1. There is no consultation required with staff, representative bodies, other forces, other emergency services or external agencies in signing and publishing the accounts

7. Strategic Links

- 7.1. The Statement of Accounts shows the income and expenditure for the year ended 31 March 2022, which includes the financial resources used to support the required performance to meet the priorities and strategies within the Police and Crime Plan.

8. Police operational implications

- 8.1. There are no direct operational implications arising from this decision report.

9. Financial implications

- 9.1. As set out in the Statement of Accounts

10. Legal implications

- 10.1. The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting and the Accounts and Audit Regulations 2015. To meet statutory reporting requirements for the Accounts, they were required to be published by 30 November 2022.
- 10.2. The PFCC published a notice stating that it was not possible to publish the final Statement of Accounts by this deadline, however it did publish a Draft Statement of Accounts to this timeline. Although not published by the deadline, the publication of the final Statement of Accounts is still required by statute.

11. Staffing implications

- 11.1. There are no staffing implications directly arising from this decision.
- 11.2. As referenced in paragraph 1.4 above, a growth bid has been agreed as part of budget setting to increase capacity in the finance team to respond to the volume and complexity of auditor queries generated by a Major Local Audit in future years.

12. Equality, Diversity and Inclusion implications

- 12.1. The publication of the Statement of Accounts is not expected to have any inequitable impact on individuals with protected characteristics.

13. Risks and Mitigations

- 13.1. The publication of the Statement of Accounts after the statutory deadline carries a reputational risk. The delay notice was published in November, so this information has already been made available to the public, along with the Draft Statement of Accounts.

14. Governance Boards

- 14.1. The Joint Audit Committee and the PFCC / Essex Police Strategic Board on 25 November 2022.
- 14.2. There have been changes to the Statement of Accounts and the Final Audit Findings Report has been issued since these Governance Boards were held. The Chair of the Joint Audit Committee should therefore be informed that the PFCC is now in a position to sign and publish the accounts, the Audit Findings Report and the unmodified audit opinion.

15. Links to Future Plans

- 15.1. The financial position in the Statement of Accounts is information that is used as part of setting long term plans however their signing and publication does not impact any long term plans.

16. Background Papers and Appendices

Appendix A - Statement of Accounts
Appendix B - Audit Findings Report
Appendix C - Letter of representation

If 'YES', please provide details of required redaction:

N/A

Date redaction carried out:

Chief Finance Officer / Chief Executive Sign Off – for Redactions only

If redaction is required, the Treasurer or Chief Executive is to sign off that redaction has been completed.

Sign:

Print:

Chief Executive / Chief Finance Officer

Decision and Final Sign Off

I agree the recommendations to this report:



Sign:

Print: Roger Hirst

PFCC/Deputy PFCC

Date signed: 22 February 2023

I do not agree the recommendations to this report because:

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Sign:

Print:

PFCC/Deputy PFCC

Date signed: