

The Joint Audit Findings for Police and Crime Commissioner for South Yorkshire and Chief Constable for South Yorkshire

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 South Yorkshire Police and Crime Commissioner ('the PCC') and South Yorkshire Chief Constable and the preparation of the PCC's and Chief Constable's financial statements for the year ended 31 March 2020 for the PCC and Chief Constable.

Covid-19

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the PCC 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.

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.

We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 6 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.

Restrictions for non-essential travel have meant the PCC, Force 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. Your finance team was able to produce their accounts in line with their original timeline. 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.

The audit has progressed to plan and subject to completion of outstanding items set out on page 5 we aim to be in a position to issue opinions significantly in advance of the statutory deadline of 30 November 2020.

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 June and our audit work has been carried out remotely during August to October. Our findings are summarised on the following pages.

At the date of writing we have not identified any unadjusted misstatements to the financial statements which impact the reported financial position. 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 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 Chief Constable's financial statements.

Similarly, our anticipated audit report for the PCC's financial statements, including the group financial statements, will be unqualified.

Our opinions will include Emphasis of Matter paragraphs highlighting the material uncertainty disclosed by management in respect of your property valuations (PCC and Group financial statements) and the material valuation uncertainties in your Local Government Pension Scheme Asset valuations as a result of the Covid-19 pandemic (Chief Constable accounts and Group financial statements).

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

Headlines

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

Value for Money arrangements	<p>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').</p>	<p>We have completed our risk based reviews of the PCC's and Chief Constable's value for money arrangements. We have concluded that both South Yorkshire PCC and South Yorkshire Chief Constable have proper arrangements to secure economy, efficiency and effectiveness in their use of resources.</p> <p>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.</p> <p>We therefore anticipate issuing unqualified value for money conclusions for the PCC and the Chief Constable.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <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.	<p>We have not exercised any of our additional statutory powers or duties for either entity.</p> <p>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.</p>

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

Subject to the satisfactory resolution and completion of outstanding matters, we anticipate issuing an unqualified audit opinion on the PCC, the Group and the Chief Constable's financial statements.

The outstanding matters include the following items where we are awaiting information from you or third parties as at the date of this report:

- Pensions: Assurance letter from the auditor of South Yorkshire Pensions Authority 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

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

- Undertaking any procedures on behalf of the Whole of Government Accounts group auditor (work 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.

Summary

Overview of the scope of our audit

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

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

Audit approach

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

- An evaluation of the PCC's and Chief Constable's internal controls environment, including its IT systems and controls; 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 PCC on the 6 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 Independent Audit Committee on 09 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 Chief Constable's financial statements.

Similarly, our anticipated audit report for the PCC's financial statements, including the group financial statements, will be unqualified.

Our opinions will include Emphasis of Matter paragraphs highlighting the material uncertainty disclosed by management in respect of your property valuations (PCC and Group financial statements) and the material valuation uncertainties in your Local Government Pension Scheme Asset valuations as a result of the Covid-19 pandemic (Chief Constable accounts and Group financial statements).

Our approach to materiality

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

Materiality calculations remain the same as reported in our audit plan. We detail in the table below our determination of materiality for the PCC, 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 £5,928,000.

	Group Amount (£)	PCC Amount (£)	Chief Constable Amount (£)
Materiality for the financial statements	6,139,000	6,545,000	5,928,000
Performance materiality	4,604,250	4,908,750	4,446,000
Trivial matters	307,000	327,300	296,400

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, PCC 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 PCC, 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 PCC, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for the PCC or the Group.</p> <p>For the Chief Constable, revenue is received solely from the PCC 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 PCC 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 this risk.</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, PCC 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 this risk.</p>

Significant findings – audit risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>3 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, PCC 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 PCC’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 PCC’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. Similarly, there are material valuation uncertainties in your Local Government Pension Scheme Asset valuations as a result of the Covid-19 pandemic.</p> <p>Management has agreed to disclose these material uncertainties in the PCC and group’s financial statements and the Chief Constable’s financial statements. These disclosures will be referred to in our auditor’s reports for the PCC and group and Chief Constable in emphasis of matter paragraphs. These references do not constitute qualifications of the audit opinion</p> <p>Conclusion</p> <p>No further material issues have been identified in relation to this 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 PCC 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 (£82.5 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 PCC 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>	PCC and Group	<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; written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and tested revaluations made during the year to see if they had been input correctly into the PCC (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>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 3 to the 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 also identified control findings in relation your revaluation processes, which are set out in appendix A.</p> <p>Conclusion</p> <p>No further material issues have been identified in relation to this 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, PCC 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 Local Government 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>Our audit work has identified errors in the data sent to the actuary of the Police Pension Scheme. Management therefore requested a revised IAS19 report and amended its financial statements. In addition, as detailed on page 17, Management has updated their financial statements due to the HMT Consultation on the McCloud judgement. These audit adjustments are summarised in the figures presented in appendix C.</p> <p>As discussed under 'Covid-19' on page 8, South Yorkshire Pension Fund's property valuation specialists reported that valuations of the Local Government Pension Scheme's investments in properties 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 3 to the financial statements. This disclosure, together with any other material valuation uncertainty for other LGPS assets, such as private equity investments, 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>Conclusion</p> <p>To date, no further issues have been identified which are required to be reported to those charged with governance, subject to the satisfactory resolution of matters set out on page 5.</p>

Significant findings – audit risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>6 Provisions and contingent liabilities</p> <p>Included within the PCC's medium to long-term budget are a number of costs relating to legacy issues, including the Hillsborough disaster and historic CSE cases. Dependent on whether the timing and likely value of these costs can be reliably estimated, in conjunction with the expected likelihood of the allocation of any future Home Office special grant money, provisions are recognised or contingent liabilities disclosed within the PCC and the Group's financial statements in respect of these issues.</p> <p>The highly unusual and complex nature of the potential and actual claims in respect of these cases makes it very difficult to estimate the quantum and likelihood of potential compensation payments, if any, that may be paid out to individual claimants or in total.</p> <p>We therefore identified completeness of provisions and contingent liabilities as a significant risk of material misstatement.</p>	PCC and Group	<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 these circumstances of the relevant issues, the current budget forecasts and accounting treatment to date; • reviewed each provision or contingent liability to determine whether the treatment is consistent with IAS 37 and the CIPFA Code; • document and assess management's processes in place for ensuring that all provisions and contingent liabilities are captured; • assessed management's judgement and accounting treatment against underlying evidence, legal advice, information from insurers and other supporting information. <p>Management informs us that at the date of writing they are not able to quantify the likely costs that will arise from the settlement of legacy issues, including the Hillsborough disaster. This is because negotiations and arbitration frameworks are yet to be resolved and agreed and, until this is done, the likely total and individual quantum are not able to be determined. We have discussed this matter with the Force's legal advisor who confirms similar. Management has disclosed such matters as a contingent liability in the accounts. We have asked management for a representation to this effect, confirming they are unable to quantify likely costs for the purposes of providing for these costs under IAS37 in the financial statements.</p> <p>Where liabilities are provided for as a provision in the financial statements, our work did not identify any material errors.</p> <p>Conclusion</p> <p>Our work has not identified any further material issues in relation to this risk.</p>

Other risks identified

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	Auditor view
<p>1 Completeness of non-pay operating expenditure and associated short-term creditors</p> <p>Non-pay expenditure on goods and services represents a significant proportion (17%) of the Chief Constable and Group's overall operating expenditure. Management use judgement to estimate accruals of un-invoiced costs.</p> <p>Due to pressure to meet financial targets, there is a risk over the completeness of your operating expenditure and creditor balances.</p>	<p>Chief Constable, PCC and Group</p>	<p>We have:</p> <ul style="list-style-type: none"> • evaluated the Chief Constable and PCC's accounting policies for recognition of non-pay expenditure for appropriateness; • gained an understanding of the Chief Constable and PCC's system for accounting for non-pay expenditure and evaluated the design of associated controls; • performed detailed substantive testing on operating expenditure recorded for the financial year, including agreement of balances with third parties, to gain assurance that accruals are accurate and not understated; • verified that operating expenses included within the financial statements are complete via review of the reconciliations between the Accounts Payable system and the General Ledger; • obtained and test a listing of non-pay payments made in April and May 2020 to ensure that they have been charged to the appropriate year; • searched for unrecorded liabilities to gain assurance that all liabilities incurred in year have been recorded in the financial statements. 	<p>Our work has not identified any material issues in relation to this risk.</p>
<p>2 Completeness and accuracy of police pension schemes benefits payable</p> <p>The Chief Constable administers three police pension fund schemes, with the Police Pension Fund Account being included in the financial statements.</p> <p>We identified completeness and accuracy of pension benefits payable as a risk requiring particular audit attention.</p>	<p>Chief Constable, and Group</p>	<p>We have:</p> <ul style="list-style-type: none"> • gained an understanding of the Chief Constable's systems for calculating, accounting for and monitoring pension benefit payments and evaluate the design of the associated controls; • tested the reconciliation of pension benefit payments recorded in the general ledger to the subsidiary systems and interfaces; • performed detailed substantive testing of lump sum pension benefit payments and monthly pension benefit payments made in the year. 	<p>Our work has not identified any material issues in relation to this risk.</p>

Other risks identified

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	
3	<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>	PCC and Group	<ul style="list-style-type: none"> • Management disclosed in Note 2 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. • Management has also disclosed that the likely impact in adopting the new standard is not anticipated to be have a significant impact in 2021/22. • We have subjected this disclosure to audit review and discussed the judgements made by management. 	<p>Auditor view</p> <ul style="list-style-type: none"> • We are satisfied that management have adequately reflected the change in the accounting standard. • Management have clearly disclosed the likely impact in adopted the new standard based on information available.

Significant findings – key judgements and estimates

	Relates to	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Other - £82.5m	PCC and Group	<p>Other land and buildings comprises £82.5m of assets such as police stations and custody suites, which are required to be valued at current value. The PCC has engaged Carter Jonas to complete the valuation of all land and buildings as at 31 March on a five yearly cyclical basis. In order to ensure that the carrying value of all of land and building as at 31 March 2020 is not materially different to the current value, this is supplemented by an annual review to identify additional assets that need to be revalued. This meant that 98% of assets were revalued in year. The valuation of land and buildings valued by the valuer has resulted in a net decrease of £384k.</p> <p>In line with RICS guidance, the group/PCC's valuer disclosed a material uncertainty in the valuation of the group/PCC's land and buildings at 31 March 2020 as a result of Covid-19. The group/PCC and Chief Constable has included disclosures on this issue in Note 3.</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 land 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 March. Management have obtained sufficient evidence that the carrying value of all of land and building as at 31 March 2020 is not materially different to the current value. 	●
			<p>Conclusion</p> <p>Our work has not identified any material issues in relation to this risk. We did, however, identify control findings in relation your revaluation processes, which are set out in appendix A</p>	

Assessment

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

Significant findings – key judgements and estimates

	Relates to	Summary of management's policy	Audit Comments	Assessment																																								
Net pension liability - £3,376m	Chief Constable, PCC and Group	<p>The PCC and Chief Constable's total net pension liability at 31 March 2020 is £3,376 million (PY £3,624 million) comprising the South Yorkshire Pension Scheme and the Police Officer Pension Scheme.</p> <p>The liabilities of the Police Pension and Compensation Schemes have been assessed by the Government Actuary's Department (GAD). The LGPS fund liabilities have been assessed by Mercer 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>There has been a £317m net actuarial gain during 2019/20.</p>	<p>Our assessment of the estimate has considered:</p> <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 	●																																								
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Assessment

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Significant findings – key judgements and estimates

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Assessment

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Significant findings – key judgements and estimates

	Relates to	Audit Comments	Assessment
Net pension liability - £3,376m (cont.)	Chief Constable, PCC and Group	<p>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>In accordance with IAS 10, management has considered whether the HMT consultation represents an 'adjusting' or 'non-adjusting' event. It is management's view that the event would be considered an adjusting event because it provides more information on a key assumption made in forming the estimate, namely, the eligibility criteria. As a result, management went back to their pension fund administrator to obtain an understanding from the actuary what impact, if any, this would have on the actuarial valuation. This is reflected in the figures presented in appendix C.</p> <p>Management has also added disclosures within the Critical judgements in applying accounting policies notes within the PCC/Group and Chief Constable financial statements to summarise the application of their judgment in this area.</p> <p>Auditor's consideration:</p> <p>Our work has not identified any material issues in relation to this risk.</p>	

Assessment

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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

PCC:

The Statement of Accounts has been prepared on a going concern basis, on the assumption that the functions of the PCC 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.

Auditor commentary

A small surplus budget for 2020/2021, including efficiency savings of £2.5m, was approved at the Police and Crime Panel in February 2020. However in late March 2020 the Covid-19 global pandemic arose, affecting the economy and public sector bodies. The short term effects of the global pandemic have 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.

Uncertainties in the medium term regarding central government funding has made financial planning for the future challenging. We have examined the Medium Term Resources Strategy (MTRS) and assessed the reasonableness of assumptions, judgements and estimates. The Medium Term Resources Strategy also anticipates significant future liabilities in relation to legacy issues faced by the PCC and Chief Constable, including those arising from the Hillsborough disaster and historic cases of Child Sexual Exploitation (CSE). Whilst it is not possible at this stage for management to calculate an accurate quantum under IAS37, these future liabilities could be unmanageable if required to be met from usable reserves. However, to date the majority of costs arising from these issues has been met from Home Office Special Grant monies, and the PCC has received confirmation that this support will continue.

We have assessed the reasonableness of the assumptions underlying this forecast, and the sensitivity of the forecasts to changes in those assumptions. We have also reviewed management's cashflow forecast up to 30 November 2021. We do not consider there to be a material uncertainty which could cast doubt on either entity's ability to continue as a going concern. The Group holds £56m of useable revenue reserves as at 31 March 2020. Based on this, we are satisfied that it remains appropriate for the PCC and Chief Constable to prepare accounts on a going concern basis as at 31 March 2020.

Concluding comments

We have concluded that there is 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 PCC and the Chief Constable to prepare accounts on a going concern basis as at 31 March 2020. Both the PCC 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 South Yorkshire Police and Crime Commissioner and South Yorkshire 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 PCC, Chief Constable and the Joint Independent 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 will be requested from the PCC 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 all returned with positive confirmations.
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 have been provided, subject to the resolution of matters described on page 5. 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 HMT consultation on pensions. the need to obtain additional evidence from your Actuary following the findings in respect of incorrect cashflow data sent to the actuary the ongoing requirement to gain an assurance letter from the auditor of the South Yorkshire Pensions Authority regarding your Local Government Pension Scheme Liability

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>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect. The draft wording for our opinions will be provided in a separate document to this report.</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 PCC 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 South Yorkshire PCC and South Yorkshire Chief Constable in the audit opinion, subject to any residual procedures in respect of Whole of Government Accounts.</p>

Value for Money

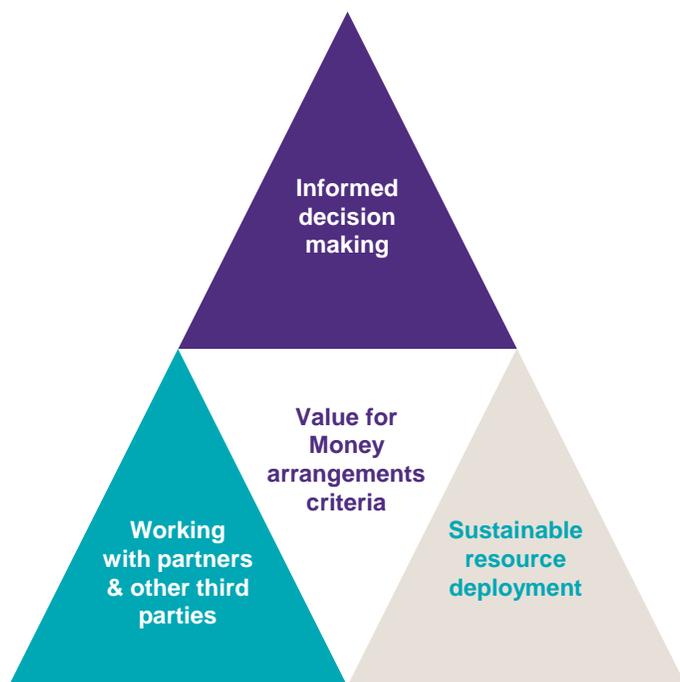
Background to our VFM approach

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 PCC 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 PCC's and Chief Constable's arrangements for delivering economy, efficiency and effectiveness.

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

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 PCC 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

Findings and Conclusions

Financial strategy and long term sustainability

2019/20 Outturn

Despite the recent police funding settlement, your financial outlook remains challenging. As detailed in your 2020/21 budget, significant savings are required to be delivered in the next financial year, even after the impact of a 2% uplift to the local precept and receipt of £12.6m of core "uplift" funding. The level of Home Office special grant funding for the significant legacy costs which you are likely to face remains a key uncertainty within your medium term resource strategy. Further uncertainties exist over the medium-term in relation to future levels of "uplift" funding and levels of precept flexibility. You anticipate that you will be reliant upon reserves usage to remain in financial balance until 2024/25.

In 2019/20, you delivered against a stretching revenue budget. The OPCC reported a £1.6m underspend, largely driven by under-utilisation of legal provisions and small levels of vacancies within the OPCC (-£0.6m) and underspends on PCC commissioning (-£0.4m), which have been carried forward into the next financial year. The Force also underspent against its revenue budget in 2019/20. The £1.2m underspend was largely driven by strong efficiency savings delivered within the supplies & services (-£1.1m) and transport (-£0.4m) budgets, which offset slight overspends in Police Officer (£0.4m) and Police Staff (£0.2m) pay.

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.

The timing and value of expenditure relating to Legacy Issues remain a key source of uncertainty when setting annual budgets and the Medium Term Revenue Strategy (MTRS). In 2019/20, the Legacy Cost budgets were £5m underspent, with expenditure now being anticipated to be incurred in future financial years. An underspend of £0.6m was reported in relation to Operation Stovewood and has been carried forward in the Legacy Earmarked Reserve to such time that costs materialise.

The Covid-19 pandemic resulted in widespread disruption to the UK economy and society in March 2020. As anticipated, your rapid response to the pandemic resulted in additional costs being incurred that could not have been reasonably foreseen in advance of the pandemic. The impact of the Covid-19 pandemic on your 2019/20 outturn was £0.06m in additional Police Officer and Staff overtime and £0.25m in expenditure incurred on Covid-19 related supplies. These supplies largely concentrated on the purchasing of personal protective equipment.

We will review your medium-term financial forecast and examine underlying assumptions and dependencies for robustness. We will examine the detail of your savings plans aimed at reducing future funding gaps, including whether these are aligned to realistic outcomes from your strategic change programmes.

Key to delivery of your 2019/20 revenue budget was achieving your savings programme for the financial year. You exceeded your savings target for 2019/20 of £3.9m by £0.7m (18%), which mitigated overspends arising from Covid-19. Savings delivery included £0.5m relating to smart contact, £3.1m on Police officer incremental drift and non-devolved allowances and £0.6m through a PCSO vacancy factor. £0.9m of new schemes were identified in-year, which included £0.5m of IT related savings.

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

The revised capital programme for 2019/20 was £21.8m, against which you reported an outturn of £13.7m, generating a variance of £8m. This is broken down to slippage of £6.2m, underspends of £2m and overspends of £0.3m. The main areas of slippage included:

- Joint IT Slippage - £1.2m
- Doncaster Police Station & Custody - £0.8m
- Vehicles - £0.7m
- Audio Visual Recording Equipment - £0.6m

Recognising the challenges in accurately projecting the timing and extent of capital expenditure, your accountancy team has held training sessions with Capital Project Managers to improve the accuracy of project reporting and forecasting. These have continued into 2020/21, where your finance team have delivered capital training workshops to around 50 project managers.

In response to Covid-19, in 2020/21 you have revised your capital programme, reducing it from £26m to £14m.

You should continue efforts to learn lessons from previous capital projects and should ensure that future capital projects meet the needs of a growing police force and support the transformation required to meet changing demand flexibly in a post-pandemic environment.

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

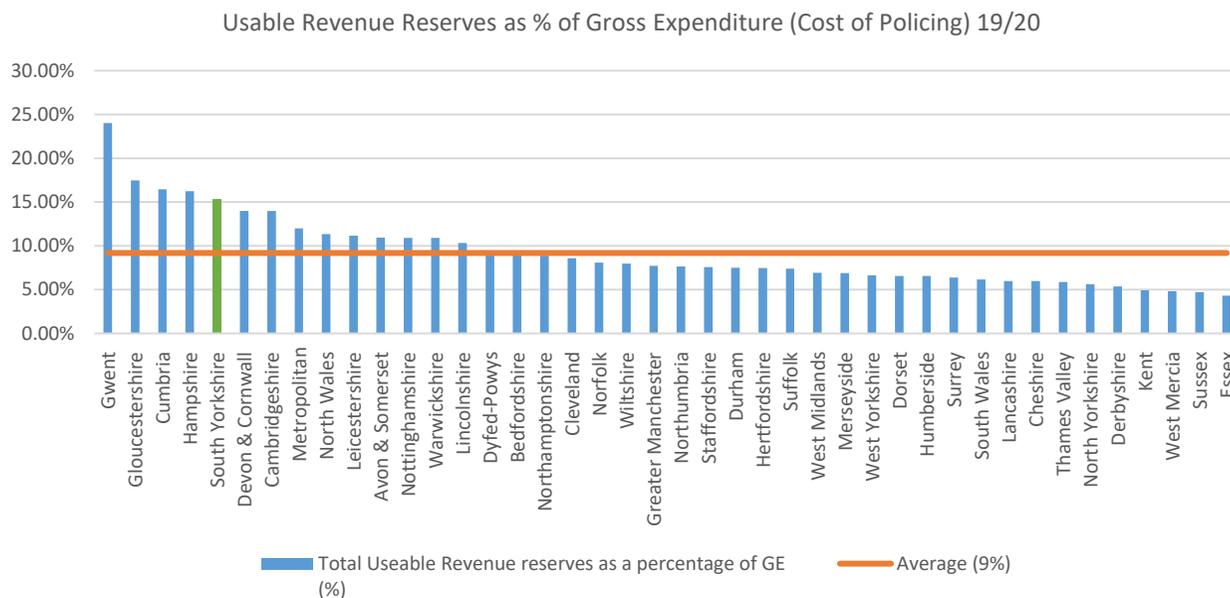
Financial strategy and long term sustainability

Cont.

Findings and Conclusions

2019/20 Outturn (cont.)

Total usable reserves (general and earmarked reserves) at 31 March 2020 have increased to £55.8m against the balance as at 31 March 2019 of £50.4m. As can be shown in the graph below, this puts South Yorkshire in the upper quartile of Forces when looking at usable reserves as a % of Gross Revenue Expenditure (cost of services).



However, this position reflects significant reserve balances earmarked for specific purposes such as Legacy Issues. When looking at the General Reserve balance, the value of this is £24.9m at 31 March 2020, which represents about 9.4% of the net revenue budget. This provides a strong foundation to meet considerable uncertainties in the medium term in relation to future funding and economic uncertainty.

Going forward, you will need to ensure that a balance is maintained between using reserves to support financial resilience and to support organisational transformation with investment decisions that provide value for money for the organisation.

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

Cont.

Findings and Conclusions

Medium Term Revenue Strategy

Your precept for 2020/21, reflecting your 2020/21 budget, was approved by the South Yorkshire Police and Crime Panel in February 2020. The approved precept for 2020/21 represented annual increase in Council Tax equivalent to 2% for a Band D property. The revenue budget for 2020/21 and medium-term revenue strategy plan (MTRS) for the next four years is summarised in the table below.

Business Group	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
SY Police Force	263.6	276.1	289.0	297.2	306.7
SY PCC	2.2	2.3	2.4	2.5	2.6
Commissioning & Partnerships	3.3	3.3	3.3	3.3	3.3
Capital Financing	3.2	3.0	4.2	4.9	5.3
Legacy Costs (net)	6.1	6.1	4.8	2.4	0.0
Total Expenditure	278.4	290.8	303.7	310.3	317.9
Funding	(278.7)	(285.5)	(288.1)	(290.8)	(293.6)
Net (Surplus) or deficit	(0.3)	5.3	15.6	19.5	24.3

This MTRS was produced prior to the peak of the Covid-19 pandemic and the subsequent impact on funding and demand. We consider the impact of the pandemic in more detail later in this report. Your MTRS shows a surplus position in 2020/21 but anticipates a funding gap rising to £24.3m annually by 2024/25. The current MTRS expenditure has been based on revised officer levels aligned with political commitments for growth over the next three years. At the time of setting the budget there was uncertainty on expected funding from central government over the period to 2024/25 and the anticipated levels of savings which may be necessary as a result. Even prior to the Covid-19 pandemic this continued uncertainty meant that modelling the future funding envelope available was incredibly challenging.

The key driver of forecast budget shortfalls relates to a divergence between forecast expenditure arising from increased officer numbers and uncertainties over the future funding for those officers. The table overleaf details projections at the time of budget setting for police officer increases. South Yorkshire anticipated its share of the full 20,000 'Uplift' officers would be 487 by 2023, however the Home Office's approach to grant funding for the remaining 14,000 officers nationally after 2020/21 was not known at budget setting. The estimated costs of achieving the full Uplift target for South Yorkshire of 487 officers by March 2023 were built into MTRS, however the government grant funding was reflected at 2020/21 levels (i.e. for 151), which created a cost pressure.

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

Cont.

Findings and Conclusions

Medium Term Revenue Strategy (cont.)

Recruitment Profile	31 March 2020	31 March 2021	31 March 2022	31 March 2023	Total
Business as Usual (to replace leavers)	154	218	170	237	779
Chief Constable Uplift	50	73	79	18	220
National Uplift	30	121	195 (projected)	141 (projected)	487
Total in Year	234	412	444	396	1486
Strength – in post	2401	2608	2859	3056	

As future decisions around officer levels are likely to be taken with reference to funding available from the national uplift programme at the time, the budget gaps within the MTRS represent somewhat of a 'worst case' scenario.

However, with considerable uncertainties present in relation to timing of Legacy Issues expenditure and future funding in the aftermath of Covid-19, it is advisable that arrangements to identify mitigating savings continue.

Your MTRS assumes that budget shortfalls will need to be funded from Reserves usage. Your Reserves forecast produced at budget setting is summarised below. This shows General Reserves dropping below 5% by FY 2024.

Reserves Forecast at 2020/21 Budget Setting



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

Financial strategy and long term sustainability

Covid-19 and future uncertainty

Cont.

The budget for 2020/21 was finalised before the Covid-19 global pandemic started to reach its first peak in the United Kingdom. The pandemic continues to have a profound effect on society and the economy and in particular public sector bodies. The short-term effects of the global pandemic have resulted in increased costs for many public service bodies on areas such as personal, protective equipment (PPE) for staff and redeployment of people to new tasks as a result of shifting demand during the current periods of lockdown and restrictions. Police bodies have also seen a reduction in third party income from events such as sporting events.

Your Q1 Budget Monitoring for 2020/21 identified a forecast overspend for the financial year of £2.6m arising from Covid-19 expenditure. The longer-term impact of the pandemic is likely to be even more significant. A three-year spending review is expected in the autumn of 2020, although in light of the Covid-19 pandemic the Government may again decide to postpone a longer-term settlement in favour of a short term one whilst spending priorities are reassessed in light of the economic impact of the pandemic. The downward turn in the economy will have an impact on funding and in particular those streams such as council tax, which are dependent on the economic prosperity of an area. This adds additional uncertainty to your short- and medium-term budget forecasting.

Many of the assumptions underpinning the MTRS are now less certain as a result of the pandemic. You have begun to develop a number of financial planning scenarios to mitigate the uncertainty created by the recent trend of one-year settlements from central government. The further development of these to assess current and future funding gaps in locally collected taxes will help frame decisions about how expectations in relation to growth in officer numbers will be managed within tighter budgets than might have been anticipated prior to the Covid-19 pandemic.

The other dynamic created by the Covid-19 pandemic is that the pace of any savings required in the short to medium term is currently unclear. If the economic consequences of the pandemic have a profound impact on funding it may require savings to be delivered and reserves to be depleted earlier than currently envisaged in the MTRS.

The pandemic has also presented some opportunities. Both the Force and the OPCC were able to quickly implement and embed remote ways of working. The pandemic has demonstrated that remote working is possible and may provide opportunities for future organisational change which were not palatable prior to the pandemic.

You should continue to revisit current and future budgets based on revised assumptions and utilise scenario planning in order to inform future decision making in light of future funding uncertainties.

Conclusion

Based on our review of the arrangements in place in relation to your financial strategy and long term sustainability, we concluded that the overall risk was sufficiently mitigated and that you have proper arrangements in this area.

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

Transformation programme and benefits realisation

A key factor in meeting your challenging financial outlook will be the success of your Business Change Programme. A significant proportion of the discretionary investment spend within your medium term forecast continues to relate to change and transformation programmes. The customer contact redesign programme at Atlas Court is now focussing on benefits realisation, with further transformation programmes planned in key enabling services.

We will update our review of your arrangements for designing, approving, implementing and monitoring transformation and change programmes and ensuring that these are aligned to your strategic objectives. We will assess how well prepared you are for identifying and measuring the benefits realised once these programmes are embedded, including monitoring how well potential non-financial benefits are converted into measurable organisational improvements.

Findings and Conclusions

Your transformation capability continues to develop and mature. We have refreshed our understanding of the arrangements in place and have the following observations to make:

- You continue to operate your organisational change portfolio, 'Safer South Yorkshire', which aligns to your plan on a page and strategic priorities. The success of your change programme is evident by South Yorkshire being rated as "Good" across all three domains by HMICFRS in their latest police effectiveness, efficiency and legitimacy inspection of you published in September 2019.
- Your Business Change and Innovation (BC&I) team continues to support the delivery of your change programme and reports into the well-established Tactical Change Board (TCB) and Strategic Change Board (SCB).
- Our review of the minutes and agenda packs of these governance bodies indicate that key stakeholders, including the Chief Constable and the Chief Executive of the OPCC are regularly updated on the progress across the Change Programme through receiving Programme Highlight Reports at the monthly SCB meetings. The reports clearly set out progress of individual projects against key milestones and escalate key risks to project delivery.
- Your BC&I team utilises the 'Approach to Change' Framework for project management across its work areas and has continued to embed this approach across the organisation during the financial year. Given the breadth of your change programme, ensuring sufficient capacity is available within the BC&I team is a key enabler for delivering your transformation goals. Resourcing challenges within the BC&I team was identified as a risk within the change boards during 2019/20. This is not uncommon when compared to other Forces, given the high demand for experienced programme managers within the public and private sectors.
- Atlas Court: building on the implementation of Smart Contact and the Atlas Court Management Review, a key development during 2019/20 was the progression of Atlas Court Core Functions review. This review focussed on Switchboard, Call Resolution and Dispatch and addressed key drivers for change such as not meeting nationally and locally required 999 and 101 call wait times, in addition to capacity issues present within the contact centre. The Outline Business Case was approved at the December 2019 SCB and moved towards implementation and Full Business Case stage during Q4 2019/20.
- Our review of the Atlas Court Core Functions, Financial Business Partner Model and Crime Review Phase 2: Single Point of Entry (SPOE) Outline Business Cases has identified clear linkages between the case for change, your core design principles and your core objectives listed on your 'Plan on a Page'.
- You launched the *Innovation Station* in February 2020, which aims to harness innovative ideas from your workforce to drive continuous improvement and organisational change. You held a launch event and your supporting mobile app went live in February 2020, which generated over 100 ideas by the end of the financial year.

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

Transformation programme and benefits realisation

Cont.

Findings and Conclusions

Moving Forward

- Benefits Realisation – As more projects move into the implementation stage, it is critical that sufficient resources are dedicated to realising the benefits articulated in your transformation business cases.
- Our review of your approach to Benefits Realisation has identified a number of areas where you have engaged nationally to promote best practice in relation to Benefits Realisation. These include chairing of a National Benefits Realisation Working Group and development of a 'Benefits Roadmap' for the National Police Chiefs Council. Reflecting that frameworks in this area are subject to continual learning and improvement, **we endorse Internal Audit's findings and recommendations in relation to your framework to realise benefits from your change management programme.**
- Re-prioritisation in the context of Covid-19 – Your organisational change portfolio continues to be delivered despite the disruption caused by Covid-19.
- **It is important you continue efforts to re-prioritise your change portfolio to ensure they meet the needs of your organisation post-Covid 19.** This should take into consideration lessons learnt from responding to the challenges posed by the pandemic to-date and should aim to take advantages of the opportunities posed by remote working. This re-prioritisation should align with any revisions to wider capital, operational and financial plans.

Conclusion

Based on our review of the arrangements in place in relation to your transformation programme and benefits realisation and long term sustainability, we concluded that the overall risk was sufficiently mitigated and that you have proper arrangements in this area.

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 control recommendations for the Group and PCC as a result of issues identified during the course of our 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>Ensuring Cashflow Data provided to the Actuary is Accurate and Complete</p> <p>Our work on your Police Pension Scheme liability identified that submissions to the Government Actuary's Department (GAD) are not appropriately reviewed and reconciled to payroll records. GAD have a number of built in validation checks on their cashflow data capture document. The employer is invited to comment on each of the flagged variances before submitting their datasheet to GAD. However, on inspection no response has been documented by SYP in respect of the cashflows.</p> <p>Our audit testing identified variances between the cashflow data submitted to GAD and records held by payroll. The impact of these variances was estimated to have a material impact on the closing Police Pension Scheme Liability and therefore a revised actuarial report was obtained from GAD. The financial statements were amended for these revised figures, as detailed in Appendix C.</p>	PCC & Group	Ensure that cashflow data submitted to GAD is appropriately reconciled to underlying records held internally (such as payroll data). In addition, ensure GAD submissions are reviewed and explanations are identified for any validation issues flagged on the data capture spreadsheet.
2	<p>Ensuring Useful Economic Lives of Assets in your Fixed Asset Register agree to the latest information received from your Property Valuer</p> <p>Our work on your Fixed Assets identified that the Useful Asset Lives (UEL) per your valuer's report for buildings did not always match the UELs as recorded in your fixed asset register. This means the depreciation calculations may not be accurate. We are satisfied from our work that any misstatement are unlikely to be material. However, it is important that the UEL for each asset following the valuer's review is updated accurately into the fixed asset register.</p>	PCC & Group	Ensure the UEL as determined by the valuer is accurately updated in your fixed asset register.
3	<p>Ensuring data used by your Property Valuer is Accurate and Complete and that the output from the Valuer's work is appropriately Reviewed and Challenged</p> <p>Our work on your Fixed Assets identified that controls in place regarding Management's challenge of the annual valuation process, for example carrying out sensitivity analysis on the output of the Valuer's work, is largely undocumented.</p> <p>Moreover, we noted a number of properties included in the annual valuation report had been disposed of during the last 3 years. Whilst we have gained assurance that these assets were ultimately excluded from the Fixed Asset Register and therefore the Financial Statements, there is a risk that such control deficiencies could lead to incomplete or inaccurate data being used to generate a closing balance of your Land and Buildings.</p>	PCC & Group	Strengthen documented controls to review the completeness and accuracy of data used by the valuer in carrying out their annual valuations. In addition, further strengthen documented controls to review and challenge the output from the annual valuations.

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 South Yorkshire PCC'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>✓</p> <p>Third party monies</p> <p>We identified that the PCC and Group balance sheet included £1,105k of monies held on behalf of third parties, within 'Cash and Cash Equivalents', with a corresponding entry within 'Short Term Creditors'. These monies pertained to the PCC's right to retain monies from individuals under investigation, in respect of the Proceeds of Crime Act, Drug Trafficking Offences Act, Misuse of Drugs Act and the Police Property Fund Act.</p> <p>Prior year recommendation:</p> <p>We recommended that management retain monies held on behalf of third parties in a separate bank account, such that these monies are not used for working capital or treasury management purposes.</p>	Group and PCC	Management have not included third party monies in a separate bank account. However, they are held within a separate accounting code and deducted from the 'Cash and Cash Equivalents' and 'Short Term Creditors' to ensure they are not reflected on the balance sheet. This is in line with management's response to the 2018/19 audit findings report.
2	<p>✓</p> <p>Valuations of land and building</p> <p>In 2018/19 management did not have sufficient assurance over the material accuracy of the valuation of 80% of land and buildings which has not been revalued as at 31 March 2019, which had a carrying value in the draft financial statements of £70.1m. As such, management requested their expert to prepare a desktop valuation exercise to determine the appropriate current value of these assets at year-end.</p> <p>Prior year recommendation:</p> <p>We recommended that management perform adequate procedures on an annual basis to ensure that the carrying value of land and buildings held on the PCC and Group balance sheets is not materially different from the current value of these asset at year-end.</p>	Group and PCC	<p>The PCC engaged Carter Jonas to complete the valuation of all land and buildings as at 31 March on a five yearly cyclical basis. In order to ensure that the carrying value of all of land and building as at 31 March 2020 is not materially different to the current value, this was supplemented by an annual review to identify additional assets that need to be revalued. This meant that 98% of assets were revalued in year.</p> <p>Management have obtained sufficient evidence that the carrying value of all of land and building as at 31 March 2020 is not materially different to the current value.</p>

Assessment

- ✓ Action completed
- ✗ 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. The following are subject to the satisfactory resolution of matters set out on page 5.

Impact of adjusted misstatements

Detail	Relevant to	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
<p>1 Net pension liability - Impact of HMT Consultation on police pension scheme and error identified in relation to Cashflow data submitted to the Actuary of the Police Pension Scheme</p> <p>Refer to page 17 for description of the impact of the HMT Consultation on the police pension scheme and refer to Appendix A for finding in relation to cashflow data submitted to the Actuary of the Police Pension Scheme</p>	Group, PCC and CC	(30,780)	30,780	(30,780)
Overall impact		(30,780)	30,780	(30,780)

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. The following are subject to the satisfactory resolution of matters set out on page 5.

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?
IFRS 16 disclosure	Group, PCC and CC	<p>Note 2 – Accounting standards issued but not yet adopted:</p> <p>In the draft financial statements the disclosure of the new accounting standard (IFRS 16), its likely impact and details of deferral to 2020/21 were not included.</p> <p>Management agreed to make amendments to the Note 2 to include reference to the deferred implementation of IFRS 16 and its anticipated impact in 2020/21.</p>	Management has agreed to update note 2 accordingly.	✓
Material valuation uncertainty disclosures	Group, PCC and CC	<p>Note 3 – 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 3 to ensure specific references to ‘material valuation uncertainties’ are disclosed.</p> <p>Management agreed to also include disclosure on the uncertainty caused by Covid-19 within Note 18 – Revaluations to ensure prominence of the issue.</p> <p>A similar disclosure has been added to Note 3 in relation to the valuation of property investments by South Yorkshire Pension Fund, which create a ‘material valuation uncertainty’ in relation to your Local Government Pension Scheme asset.</p>	Management has agreed to update note 3 and 18 accordingly.	✓

Audit Adjustments

Disclosure changes	Relevant to	Detail	Auditor recommendations	Adjustment agreed?
Valuation measurement bases	Group and PCC	<p>Note 18 – Revaluations:</p> <p>In the draft financial statement management did not disclose the different valuation measurement bases applied by the valuer in respect of specialised and non-specialised operational properties. Different valuation methods will impact the value of the property as they require alternative inputs.</p> <p>Management have agreed to include additional disclosure on the valuation bases applied by the valuer on specialised and non-specialised properties.</p>	Management has agreed to update Note 18 accordingly.	✓
Revaluation of land and building	Group and PCC	<p>Note 18 – Revaluations:</p> <p>It was identified that Note 18 incorrectly reflected land and building held at current value and those held at historic cost. In our work it was identified that management subjected 98% of land and building to valuation in 2019/20 to ensure carrying asset values were materially consistent with current values.</p> <p>Management agreed to update the table in Note 18 to reflect all assets that were subject to revaluation in 2019/20.</p>	Management has agreed to update Note 18 to demonstrate that the majority of land and building assets were revalued in year.	✓
Audit fees disclosure	Group and PCC	<p>Note 13 – External Audit Fees:</p> <p>The final Audit Fees payable for 2019/20 were not approved by PSAA until after accounts production. Therefore, audit fees payable to the external auditor were incorrectly disclosed in the draft Group and PCC financial statements. This resulted in a £8k and £6k adjustment for the Group and PCC respectively.</p> <p>Management have agreed to amend the disclosure note to show the correct fees payable in the final draft of the financial statements.</p>	Management has agreed to amend Note 13 to accurately reflect the audit plan.	✓

Audit Adjustments

Misclassification and disclosure changes - continued

Disclosure changes	Relevant to	Detail	Auditor recommendations	Adjusted ?
Financial instruments	Group and PCC	<p>Note 21 – Financial Instruments</p> <p>Within our work on financial instruments the following disclosure amendments were agreed with management:</p> <ul style="list-style-type: none"> • Amendment of terminology used relating to financial assets in line with IFRS 9; • Clarification on judgement made on the classification of money market funds; and • Amended disclosure on the method used to calculate the fair value of PWLB borrowings. 	Management has agreed to reflect these changes within Note 21.	✓
Impact of the McCloud pensions ruling	Group, PCC and CC	<p>Note 4 – Critical judgements in applying accounting policies and Note 41 Events after the reporting period</p> <p>As a result of the impact of the McCloud pensions ruling, management have included disclosure within Note 4 and Note 41 providing narrative detail for the reader on the background and the impact on both the Police Pension Scheme and Local Government Pension Scheme liabilities.</p>	Management has agreed to include additional disclosures within Note 4 and Note 41 to emphasise the key judgements made in relation to McCloud.	✓
Other presentational and disclosure issues	Group, PCC and CC	Management has also amended other minor and presentational issues highlighted during the course of the audit.	Management has agreed to make the required amendments.	✓

Impact of unadjusted misstatements

We have not identified any non trivial unadjusted misstatements from our audit work to date.

Fees

We confirm below our final fees charged for the audit

Audit Fees	Proposed fee	Final fee
PCC Audit	£35,990	TBC
Chief Constable Audit	£17,088	TBC
Total audit fees (excluding VAT)	£53,078	TBC

The fees reconcile to the financial statements.

Non Audit Fees

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



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