



# Police and Crime Commissioner for Warwickshire and Chief Constable for Warwickshire

Joint Audit Findings Report

Year ended 31 March 2024

September 2024



Warwickshire Police  
Woodcote House  
Leek Wootton  
Warwick  
CV35 7QA

**Private & confidential**

September 2024

Dear Police and Crime Commissioner and Chief Constable

**Police and Crime Commissioner for Warwickshire and the Chief Constable for Warwickshire - Audit findings for the year ended 31 March 2024**

This Audit Findings Report highlights the significant findings arising from the audit for the benefit of those charged with governance, as required by International Standard on Auditing (UK) 260 and the National Audit Office Code of Practice 2020 (the 'Code') and associated Auditor Guidance Notes. The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures and have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) (ISAs (UK)), which is directed towards forming and expressing an opinion on the financial statements that have been prepared on behalf of management with the oversight of those charged with governance. Under the Code we are also required to consider your arrangements for securing economy, efficiency and effectiveness in your use of resources and to report any significant weaknesses we identify. Where, as part of our testing, we identify control weaknesses, we will report these to you. However, our audit is not designed to test all internal controls or identify all areas of control weakness. As such, 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.

We would like to take this opportunity to record our appreciation for the kind assistance provided by your team during our audit.

Yours sincerely

**Andy Reid**

**Key Audit Partner**

For and on behalf of Azets Audit Services



This report has been prepared for the sole use of those charged with governance, should not be quoted in whole or in part without our prior written consent, and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to any third parties. 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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# Executive summary

This section summarises for Those Charged with Governance the key findings and other matters arising from the statutory external audit of the Police and Crime Commissioner for Warwickshire ('the PCC') and the Chief Constable for Warwickshire ('the Chief Constable') for the year ended 31 March 2024.

*Under International Standards on Auditing (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice 2020 ('the Code') we are required to report whether, in our opinion:*

- The PCC and Chief Constable's financial statements give a true and fair view of the financial position of the PCC and Chief Constable and its income and expenditure for the period; and*
- The PCC and Chief Constable's financial statements, have been properly prepared in accordance with the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code') 2023/24 and the Local Audit and Accountability Act 2014.*

*We are also required to report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.*

## Financial statements

Our audit work is nearing completion. To date, we have identified two adjustments to the group financial statements, resulting in a decrease of £6.45m to the Total Comprehensive Income and Expenditure, with £3m impacting the Police Fund. This includes the following adjustments:

### **1. LGPS Net Pension Liability - £3,448k**

In the draft accounts, the Group and CC reported a net defined pension liability of £2.8m. This figure reflects the application of the asset ceiling, as required under IFRIC 14, and includes the additional liability for future contributions relating to past service under minimum funding requirements. However, our audit identified that the latter adjustment for future contributions had not been made in the prior year's financial statements.

While Management have correctly applied this treatment in 2023/24, this adjustment should also have been reflected in the prior year. In line with IAS 8, the prior year pension liability has been restated following discussions with the actuary to correct this omission. This issue, which was not identified in the prior year by authorities and audit firms, has since been raised through technical forums in 2023/24.

### **2. Group's share of Justice Centre - £3,000k**

Discussions with the predecessor auditor and a review of their audit files revealed that the accounting treatment for the Justice Centre's cash and reserves has been extensively considered in the past. However, no adjustments were previously made to include the Group's share of these balances in the financial statements as the figures were deemed immaterial at the time.

This share has now become material, reaching £3m, and as a result, Management has agreed to recognise the Group's share of cash and the corresponded reserves in the financial statements under IFRS 11, specifically applying the principles of joint operations.

# Executive summary

## Financial statements - continued

### 3. Cash and Creditors held under the Proceeds of Crime Act - £810k

In the draft accounts, the Group and PCC reported £810k in cash and related creditors held under the Proceeds of Crime Act (POCA). However, as the Group and PCC have no rights or obligations over these funds and are acting solely as stewards, they do not have control over the economic benefits associated with these balances.

In line with the requirements of the Proceeds of Crime Act and relevant accounting standards, Management has determined that these amounts should not be recognised on the Balance Sheet. Consequently, this has been removed from both the current and prior year's financial statements. While not material, the prior year has been adjusted for consistency purposes.

Additionally, we have identified several disclosure amendments. We have raised one new recommendation for management and retained one from the predecessor auditor.

The following matters require completion:

- Completion of testing of Land and Buildings Valuation where we have outstanding queries with the management valuer;
- Completion of testing of the LGPS Pension Liability where we await response from the Pension Fund auditor;
- Senior manager and Engagement Lead's review of the audit work performed;
- Final engagement lead 'stand back' review of the file and evidence therein;
- Receipt and review of the management representation letter;
- Receipt and review of the final amended Statement of Accounts.
- Response from management regarding subsequent events up to the date of the opinion

The Joint Audit and Standards Committee is asked to confirm its agreement to management proposals not to amend the financial statements for the unadjusted misstatements.

Subject to the satisfactory resolution of the above matters, we anticipate issuing an unmodified audit opinion. We have also concluded the other information included in the Statement of Accounts is consistent with our knowledge of the PCC and Chief Constable and the financial statements we have audited.

# Executive summary

*We are required to consider whether the PCC and Chief Constable has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, under the National Audit Office (NAO) Code of Audit Practice (the Code).*

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

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

## Value for money

We have initiated our value for money work, and the work is currently in progress. Our detailed findings will be reported in our Auditor's Annual Report.

At the time of writing this report, we have not identified any significant weaknesses.

## Statutory duties

We have not exercised any of our additional statutory powers and duties.

We expect to be able to certify the closure of the audit at the same time as we issue our audit opinion.

Our audit approach has been based on gaining a thorough understanding of the PCC and Chief Constable's and group's control environment and has been risk based. This included:

- An evaluation of the PCC and Chief Constable's and group's internal control environment, including the IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to our key audit risks.

We have amended our audit plan as formally presented to you on 23 January 2024. Following receipt of the draft accounts, we have amended the following:

- Our approach to the rebuttal of Risk of Fraud in Revenue Recognition. See details on page 12.
- Our materiality levels. See details on page 9.

# Quality indicators

**KEY:**

**RED:**

Significant improvement required

**AMBER:**

Developing

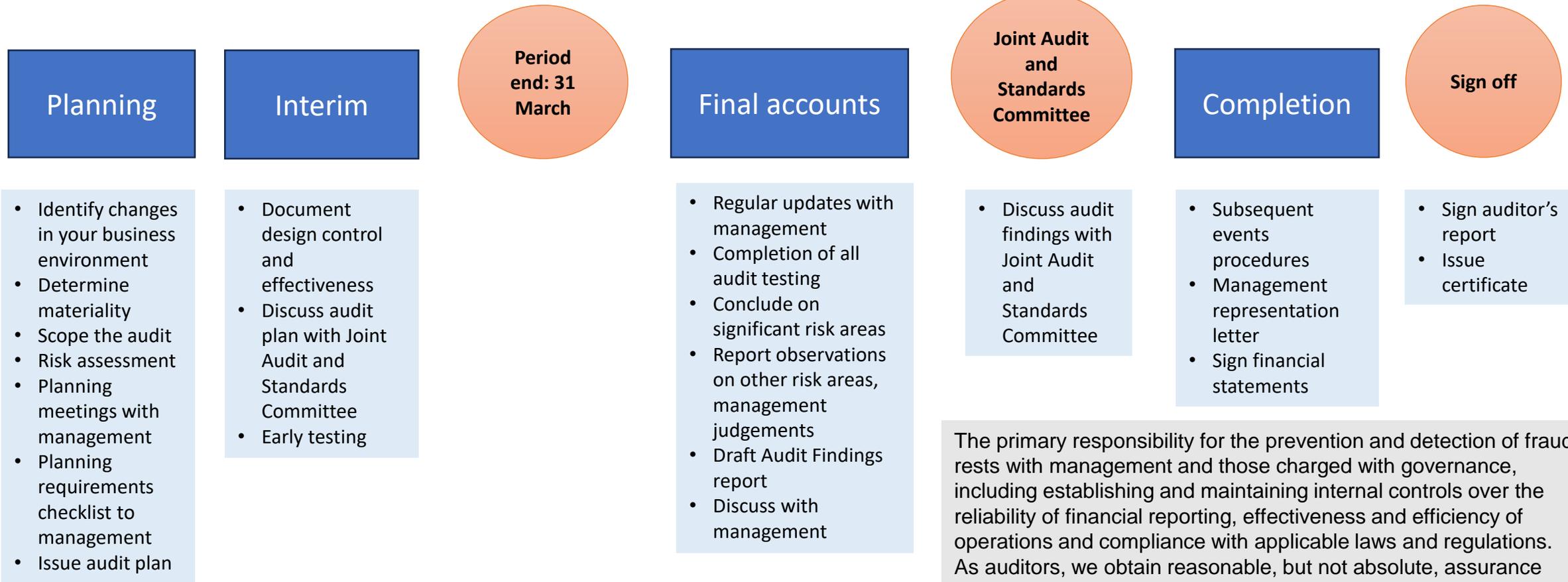
**GREEN:**

Mature

The following metrics are important in assessing the reliability of your financial reporting and response to the audit

Metric	Grading	Commentary
Quality and timeliness of draft financial statements	Green	The draft financial statements were received from management in a timely manner.
Quality of working papers provided and adherence to timetable	Green	The working papers were provided on time, complete, of good quality, and the audit was able to start on time as planned.
Timing and quality of key accounting judgements	Green	No concerns identified in the timing and quality of the key accounting judgements.
Access to finance team and other key personnel	Green	The Finance team and other personnel have been available as agreed and planned. We have also had appropriate and prompt engagement from the property valuer, Lambert Smith Hampton.
Quality and timeliness of Narrative Report and Annual Governance Statement	Green	The draft Annual Governance Statement and the Narrative Report were received on time, and it was accurate.
Volume and magnitude of identified errors	Green	At the time of writing this report, the adjustments identified are technical in nature and do not indicate a weakness in the financial statement preparation process.

# Our financial statements audit explained



The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

# Materiality

Under ISA (UK) 260 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines:

- **clearly trivial** as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria;
- **material** as an omission or misstatement that would reasonably influence the users of the financial statements.

The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the business and the needs of the users.

As set out in our audit plan, we determined materiality at the planning stage as £2.9m for the group and for the PCC and Chief Constable based on 2% of gross expenditure. On production of the financial statements, we reconsidered our materiality determination. We have considered it appropriate to update our materiality due to the decrease in gross expenditure for 2023/24.

We have determined that no specific materiality levels need to be set for this audit.

Materiality area	Materiality as reported in the Audit plan £000	Draft Accounts (final) £000's	Explanation
Overall materiality for the financial statements	2,900	2,800	2% of gross revenue expenditure based on the Chief Constable's draft 2023/24 gross expenditure amount. We use the lowest materiality figure for all entities in the group  The financial statements are considered to be materially misstated where total errors exceed this value.
Performance materiality	2,000	1,980	Performance materiality has been set at 65% of overall materiality. This is based on the internal control environment of the Trust and reflects our risk assessed knowledge of the potential for errors occurring. It is intended to reduce, to an acceptably low level, the probability that cumulative undetected and uncorrected misstatements exceed materiality for the financial statements as a whole.
Trivial threshold	145	141	5% of overall materiality. We use the lowest materiality figure for all entities in the group.  Individual errors above this threshold are communicated to those charged with governance.

# Group audit

As group auditors, under ISA (UK) 600, we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and regarding the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The following table sets out the components within the group.

Component	Significant?	Level of response required	Audit findings
Police and Crime Commissioner for Warwickshire	Yes	Comprehensive	Our audit findings are set out in this report.
Chief Constable for Warwickshire	Yes	Comprehensive	Our audit findings are set out in this report.

**Comprehensive** The component is of such significance to the group as a whole that an audit of the component's financial statements is required for group reporting purposes  
**Targeted** The component is significant to the Group, audit evidence will be obtained by performing targeted audit procedures rather than a full audit  
**Analytical** The component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level.

# Key audit findings: significant risks

This section of our report includes a summary of significant audit findings relating to significant risk areas identified at planning and other risk areas that required special consideration or arose during the course of the audit. Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration and include identified risks of material misstatement that our risk assessment procedures identified as being close to the upper range of the spectrum of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement; or are required to be treated as significant risks due to requirements of ISAs (UK), for example in relation to management override of internal controls.

The below table summarises the significant risks. Detail behind each risk and the work undertaken is set out on the following pages.

Significant risk	Fraud risk?	Planned approach to controls	Level of judgement / estimation uncertainty	Outcome of work
Management override of controls	Yes	Assess design & implementation	Low	Our audit work has not identified any significant issues in respect of this risk.
Fraud in revenue recognition	Yes – Partially rebutted	Assess design & implementation	Low	Subject to the satisfactory completion of outstanding matters set out on page 5, our audit work has not identified any significant issues in respect of this risk.
Fraud in expenditure recognition	Rebutted	Assess design & implementation	Low	Subject to the satisfactory completion of outstanding matters set out on page 5, our audit work has not identified any significant issues in respect of this risk.
Valuation of land and buildings	No	Assess design & implementation	High	Subject to the satisfactory completion of outstanding matters set out on page 5, our audit work has not identified any significant issues in respect of this risk.
Valuation of the defined pension fund net liability (key accounting estimate)	No	Assess design & implementation	High	Our audit work has identified a material current and prior period adjustment with a value of £3.45m.

# Key audit findings: significant risks

## Significant risks at the financial statement level

The table below summarises conclusions in relation to significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Significant risks	Audit approach	Audit findings and conclusion
<p><b>Management override of controls</b> (PCC / Chief Constable)</p> <p>Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.</p> <p>Specific areas of potential risk including manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business.</p> <p><b>Risk of material misstatement: Very High</b></p>	<p>We have performed the following procedures to mitigate the risk identified in this area:</p> <ul style="list-style-type: none"> <li>• Documented our understanding of the journals posting process and evaluated the design effectiveness of management controls over journals;</li> <li>• Analysed the journals listing and determined the criteria for selecting high risk and unusual journals;</li> <li>• Tested high risk and unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the PCC's / Chief Constable's journals policy;</li> <li>• Gained an understanding of the key accounting estimates and critical judgements made by management. We have also challenged assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud; and</li> <li>• Evaluated the rationale for any changes in accounting policies, estimate or significant unusual transactions.</li> </ul>	<p>Our work in this area is complete and our audit work has not identified any significant errors in respect of this risk.</p> <p>We have however re-raised a recommendation from the prior year for the PCC and Chief Constable in respect of an identified control deficiency in authorisation of journals. Please refer to page 36 for further details.</p>

# Key audit findings: significant risks

## Significant risks at the assertion level for classes of transaction, account balances and disclosures

The tables below summarise conclusions in relation to significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures

Significant risks	Audit approach	Audit findings and conclusion
<p><b>Fraud in revenue recognition</b> (Chief Constable, PCC and group) – <b>amended from the audit plan</b></p> <p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240.</p> <p>Having considered the nature of the revenue streams at the PCC, we consider that the risk of fraud in revenue recognition, comprising largely year-specific taxation or grant funding, can be rebutted due to their nature, as they carry little incentive or ability to manipulate. The Chief Constable's income comprises solely income received from the PCC and the risk of fraud in revenue recognition can similarly be rebutted due to the nature of this income stream. However, we have determined that income from fees and charges, specifically from the vetting services, cannot be rebutted. This can be more complex as it is linked with activity.</p> <p><b>Inherent risk of material misstatement:</b></p> <ul style="list-style-type: none"><li>• <b>Revenue – fees and charges (Occurrence and Accuracy): High</b></li><li>• <b>Receivables (Existence): High</b></li></ul>	<p>We have performed the following procedures to mitigate the risk identified in this area:</p> <ul style="list-style-type: none"><li>• Documented our understanding of the PCC and Chief Constable's systems for income to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements</li><li>• Evaluated the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems;</li><li>• Evaluated the PCC and Chief Constable's accounting policies for recognition of income and compliance with the CIPFA Code.</li><li>• Substantively testing material income streams using analytical procedures and sample testing of transactions recognised for the year.</li></ul>	<p>Subject to the satisfactory completion of outstanding matters set out on page 5, our audit work has not identified any significant errors in respect of this risk.</p>

# Key audit findings: significant risks

Significant risks	Audit approach	Audit findings and conclusion
<p><b>Fraud in expenditure recognition</b> (Chief Constable, PCC and group) <b>(rebutted)</b> Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240.</p> <p>We have considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of the manipulation of revenue. We have therefore also considered the risk of fraud in expenditure, and we are satisfied that this is not a significant risk for the reasons set out above:</p> <p><b>Inherent risk of material misstatement:</b></p> <ul style="list-style-type: none"><li>• <b>Expenditure recognition (Occurrence and Accuracy): Low</b></li></ul>	<p>Whilst we have rebutted the risk of fraud in income and expenditure, we have performed the below procedures based on their value within the financial statements:</p> <ul style="list-style-type: none"><li>• Documenting our understanding of the PCC and Chief Constable's systems for income and expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements</li><li>• Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems;</li><li>• Evaluating the PCC and Chief Constable's accounting policies for recognition of expenditure and compliance with the CIPFA Code.</li><li>• Substantively testing material expenditure streams using analytical procedures and sample testing of transactions recognised for the year.</li></ul>	<p>Subject to the satisfactory completion of outstanding matters set out on page 5, our audit work has not identified any significant issues in respect of this risk.</p>

# Key audit findings: significant risks

Significant risks	Audit approach	Audit findings and conclusion
<p><b>Valuation of land and buildings (key accounting estimate) PCC &amp; group</b>            Revaluation of land and buildings and investment property should be performed with sufficient regularity so that carrying amounts are not materially misstated.</p> <p>The PCC carries out a rolling programme of revaluations to ensure all property, plant and equipment required to be measured at fair value is revalued at least every five years.</p> <p>Management engage the services of a qualified valuer, Lambert Smith Hampton, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations and desktop reviews as at 31 March 2024.</p> <p>The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates.</p>	<p>We have performed the following procedures to mitigate the risk identified in this area:</p> <ul style="list-style-type: none"> <li>• Evaluated management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;</li> <li>• Evaluated the competence, capabilities and objectivity of management’s valuation expert;</li> <li>• Considered the basis on which the valuations are carried out and challenging the key assumptions applied;</li> <li>• Evaluated the reasonableness of the valuation movements for assets revalued during the year, with reference to market data. We will consider whether we require an auditor’s expert;</li> <li>• For unusual or unexpected valuation movements, tested the information used by the valuer to ensure it is complete and consistent with our understanding;</li> <li>• Ensured revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct; and</li> <li>• Evaluated the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value.</li> </ul>	<p>Subject to the satisfactory completion of outstanding matters set out on page 5, our audit work has not identified any significant errors in respect of this risk.</p> <p>We have, however raised a recommendation for the PCC and Chief Constable in respect of an identified control deficiency in available documentation to support land areas. See page 35 for details.</p>

# Key audit findings: significant risks

Significant risks	Audit approach	Audit findings and conclusion
<p><b>Valuation of land and buildings (key accounting estimate)</b> PCC &amp; group - <b>continued</b></p> <p>This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of land and buildings as a significant risk. We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the in-year valuation movements falls outside of our expectations.</p> <p>We have pinpointed the significant risk around the following:</p> <ul style="list-style-type: none"><li>- Assets where the valuation movement differs to what we would expect based on market movements;</li><li>- Assets where the inputs used have changed compared to those used in the prior year;</li><li>- Assets that are new this year;</li><li>- Any other factors which in our auditor judgement increases the risk of material misstatement in an asset.</li></ul> <p><b>Inherent risk of material misstatement:</b></p> <ul style="list-style-type: none"><li>• <b>Land and buildings (valuation): Very High</b></li></ul>	<p><i>See previous page</i></p>	<p><i>See previous page</i></p>

# Key audit findings: significant risks

Significant risks	Audit approach	Audit findings and conclusion
<p><b>Valuation of the defined pension fund net liability (key accounting estimate)</b> Chief Constable, PCC and Group</p> <p>An actuarial estimate of the net defined pension liability/asset is calculated on an annual basis under IAS 19 'Employee Benefits', and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the CIPFA Code.</p> <p>The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions and the calculation of any asset ceiling when determining the value of a pension asset (where relevant). ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates.</p>	<p>We have performed the following procedures to mitigate the risk identified in this area:</p> <ul style="list-style-type: none"> <li>• Evaluated managements processes for the calculation of the estimate, the instructions issued to management's expert (the actuary) and the scope of their work;</li> <li>• Evaluated the competence, capabilities and objectivity of the actuary;</li> <li>• Assessed the controls in place to ensure that the data provided to the actuary by the entity and their pension fund was accurate and complete;</li> <li>• Evaluated the methods, assumptions and source data used by the actuary in their valuations, with the support of an auditors' expert;</li> <li>• Evaluated whether any asset ceiling was appropriately considered when determining the value of any pension asset included in the financial statements;</li> <li>• Assessed the impact of any significant differences between the estimated gross asset valuations included in the financial statements and the Police's share of the investment valuations in the audited pension fund accounts' and</li> <li>• Ensured pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements.</li> </ul>	<p>Our work in this area is ongoing as we are awaiting a written response from the Pension Fund auditor regarding the PCC's share of the Warwickshire Pension Fund.</p> <p>From the work performed so far, we have identified a £3.45m prior period adjustment due to IFRIC 14 requirements in 2022/23 not accounting for the increased liability from future contributions to past service contributions. This adjustment has been moved from the 2023/24 draft accounts to the prior period. The closing balance as of 31 March 2024 remains unaffected.</p> <p>See page 28 for more details.</p>

# Key audit findings: significant risks

Significant risks	Audit approach	Audit findings and conclusion
<p><b>Valuation of the defined pension fund net liability (key accounting estimate)</b> Chief Constable, PCC and Group - <b>continued</b></p> <p>This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk.</p> <p><b>Inherent risk of material misstatement:</b></p> <ul style="list-style-type: none"><li>• <b>Defined pension fund net liability (valuation): Very High</b></li></ul>	<p><i>See previous page</i></p>	<p><i>See previous page</i></p>

# Key audit findings: other areas of focus

Area of focus	Issue	Audit findings and conclusion
Significant matters on which there was disagreement with management	There were no significant matters on which there was disagreement with management.	None noted.
Significant management judgements which required additional audit work and / or where there was disagreement over the judgement and / or where the judgement is significant enough that we are required to report it to those charged with governance before they consider their approval of the accounts	<p>In reviewing the accounting treatment of the PCC and CC's share of the Justice Centre, we identified that the accounts did not include their share of the Justice Centre's cash and reserves. Management has amended this. The audit team has reviewed the amendment and found no issues.</p> <p>The prior year remains unaffected due to materiality. See page 27 for more details.</p>	No issues identified following adjustment made.
Prior year adjustments identified	We have identified two prior period adjustments. The first pertains to a change in the IFRIC 14 adjustment made to the prior year's Net Pension Liability. The second concerns the PCC and CC's treatment of cash and creditors related to the Proceeds of Crime Act (POCA).	No issues identified following restatement of notes.
Concerns identified in the following: <ul style="list-style-type: none"> <li>• Consultation by management with other accountants on accounting or auditing matters</li> <li>• Matters significant to the oversight of the financial reporting process</li> <li>• Adjustments / transactions identified as having been made to meet an agreed budget</li> </ul>	None identified.	None noted.

# Key judgements and estimates

Key judgements and estimates, as well as other judgements and estimates made by management are set out in the table below, along with audit commentary on these judgements and estimates in line with the enhanced requirements for auditors.

Significant judgement or estimate	Relates to	Summary of management's approach	Audit comments and assessment
Land and buildings valuations (Key accounting estimate) - <b>£78,805k</b>	Group and PCC	<p>The land and buildings revalued include specialised buildings and land, such as the Justice Centre and Stuart Ross House, valued on a Depreciated Replacement Cost (DRC) basis. Assets valued under the DRC method make up 85% of the total land and buildings balance as of 31 March 2024. Meanwhile, 7% of the balance includes the Leek Wootton site and regional police station, valued on an Existing Value in Use (EUV) basis.</p> <p>The Trust has engaged an external valuer, Lambert Smith Hampton, to value the asset portfolio on a cyclical basis. As of 31 March 2024, 91% of the total land and buildings balance has been revalued in the year.</p> <p>This has led to an overall net increase of £4,239k from the 31 March 2023 asset value (£74,566k). This increase includes movements other than revaluations, such as additions, transfers in through absorption, and depreciation.</p>	<p>At the time of writing this report, we are in communication with the valuer to understand the assumptions used.</p> <p>However, to date, we have not identified any issues that require reporting to those charged with governance.</p>

# Key judgements and estimates

Significant judgement or estimate	Relates to	Summary of management's approach	Audit comments and assessment																					
Pension assets and liabilities valuations – LGPS (Key accounting estimate) - <b>£2,839k</b>	Group, PCC and CC	<p>The PCC and CC's total net pension liability at 31 March 2024 is £2.8m (PY asset £0.58m) which is held with the Warwickshire Pension Fund. The Pension Fund use Hymans Robertson, an external actuary, to provide the valuation of the PCC and CC's share of the Pension Fund's assets and liabilities. A full valuation is required every three years.</p> <p>In 2023/24, the PCC and CC's share initially appeared as a net asset. However, after adjustments in accordance with IFRIC 14 requirements, it was reclassified as a net liability in the draft financial statements.</p>	<ul style="list-style-type: none"> <li>We have assessed the actuary used by the PCC and CC to be competent, capable and objective.</li> <li>We have used PwC as our audit expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:</li> </ul>																					
			<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary value</th> <th>PWC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate (%)</td> <td>4.85</td> <td>4.80 – 4.85</td> <td>Within range</td> </tr> <tr> <td>Pension increase rate (%)</td> <td>2.75</td> <td>2.75 – 2.80</td> <td>Within range</td> </tr> <tr> <td>Salary growth (%)</td> <td>3.75</td> <td>Salaries expected to be 0.5% to 2.5% p.a. above CPI inflation. CPI rate 2.75% to 2.80% p.a.</td> <td>Within range</td> </tr> <tr> <td>Life expectancy – males currently aged 45-65</td> <td>Pensioners – 20.9 years Future pensioners – 22.1 years</td> <td rowspan="2">Hymans have adjusted mortality tables to show individual employer level life expectancies.</td> <td rowspan="2">Within expectations</td> </tr> <tr> <td>Life expectancy – females currently aged 45-65</td> <td>Pensioners – 24.0 years Future pensioners – 25.7 years</td> </tr> </tbody> </table>	Assumption	Actuary value	PWC range	Assessment	Discount rate (%)	4.85	4.80 – 4.85	Within range	Pension increase rate (%)	2.75	2.75 – 2.80	Within range	Salary growth (%)	3.75	Salaries expected to be 0.5% to 2.5% p.a. above CPI inflation. CPI rate 2.75% to 2.80% p.a.	Within range	Life expectancy – males currently aged 45-65	Pensioners – 20.9 years Future pensioners – 22.1 years	Hymans have adjusted mortality tables to show individual employer level life expectancies.	Within expectations	Life expectancy – females currently aged 45-65
Assumption	Actuary value	PWC range	Assessment																					
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			<p>We are also awaiting a written response from the Pension Fund auditor regarding the Authority's share of the Warwickshire Pension Fund.</p>																					

# Key judgements and estimates

Significant judgement or estimate	Value in accounts £000	Summary of management's approach	Audit comments and assessment
Pension assets and liabilities valuations – Police Pension Schemes (Key accounting estimate) - <b>£897,420k</b>	Group and CC	<p>The Chief Constable's total net pension liability is £897m is an increase of £24m from the prior year balance of £873m.</p> <p>This is an unfunded scheme whereby the shortfall in the Police Pension Fund is balanced by a grant from the Home Office, this was £18.4m in 2023/24.</p> <p>The CC have engaged GAD to provide actuarial valuation of the liabilities within the Fund.</p>	<ul style="list-style-type: none"> <li>We have assessed GAD to be competent, capable and objective.</li> <li>We have performed substantive tests to gain assurance over contributions, benefits paid and the member data.</li> <li>We have used PwC as our auditor expert to assess the actuary and assumptions made by them.</li> </ul> <p>Subject to the satisfactory completion of outstanding matters set out on page 5, our audit work has not identified any significant issues in respect of this risk.</p>

# Key judgements and estimates

Significant judgement or estimate	Relates to	Summary of management’s approach	Audit comments and assessment
Minimum revenue provision (MRP) - £3,827k	Group and PCC	<p>The PCC and Chief Constable is responsible on an annual basis for determining the amount charged for the repayment of debt. This is known as the Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £3,827k a net increase of £79k from 2022/23.</p>	<p>We have considered whether the MRP has been calculated in line with the statutory guidance.</p> <p>We have considered whether the PCC and Chief Constable’s policy (within the Annual Treasury Strategy) on MRP complies with statutory guidance.</p> <p>In doing so, we have assessed whether there have been any changes to the PCC and Chief Constable’s policy on MRP and assessed the reasonableness of the change in the MRP charge.</p> <p>We are satisfied that management’s process for producing this estimate is robust. Key assumptions are neither overly optimistic or cautious.</p>

# Accounting Policies

We have evaluated the appropriateness of the PCC and Chief Constable’s accounting policies, taking into account consistency with the disclosures from the prior year and requirements as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the UK (the ‘CIPFA Code’) 2023/24 where appropriate. Subject to the satisfactory completion of outstanding matters set out on page 5, we have no matters to report.

# Financial statements: other responsibilities

Matter	Commentary	Findings
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with management and the Joint Audit and Standards Committee. We have not been made aware of any other incidents in the period. No other issues have been identified during the course of our audit.	We are satisfied that there is no risk of material misstatement due to fraud.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.	We have no issues to report in response to this area.
<b>Matters in relation to compliance with laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any instances from our audit work.	We have no issues to report in response to this area.
<b>Written representations</b>	A letter of management representations has been requested from the PCC and Chief Constable.	Please refer to the letter of representation included alongside this report.
<b>Confirmation requests from third parties</b>	We requested permission from the PCC to send confirmation requests to the banks PCC hold accounts with. All requested confirmations have been received.	We have no issues to report in response to this area.
<b>Disclosures</b>	Our review found several material omissions in the financial statements, see page 29 for details.	See Page 29 for the details, no significant issues have been identified and Management have amended for all omissions raised.

# Financial statements: other responsibilities

Matter	Commentary	Findings
<p><b>Going concern</b></p>	<p>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). Management prepared the financial statements on a going concern basis applying the continuation of services provision set out in the ‘CIPFA Code’ and Practice Note 10. We have confirmed that this is appropriate as there is no known intention to transfer the services provided by the PCC and Chief Constable outside the public sector. We have not identified any material uncertainties relating to going concern at the group or PCC and Chief Constable.</p>	<p>We concur with management’s assessment that it is appropriate to continue to adopt the going concern basis and there are no material uncertainties relating to going concern which should be disclosed in the financial statements.</p>
<p><b>Other information included in the Financial Statements: Narrative Report and Annual Governance Statement</b></p>	<p>We are required to read and report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is materially inconsistent with the financial statements and our knowledge obtained from the audit or otherwise appears to be materially misstated.</p>	<p>At the time of writing this report, subject to senior management review, we have not identified any issues with the Narrative Report and Annual Governance Statement.</p>
<p><b>Matters on which we report by exception</b></p>	<p>We are required to report on a number of matters by exception:</p> <ul style="list-style-type: none"> <li>• If the annual governance statement does not comply with the disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit</li> <li>• If we have applied any of our statutory powers or duties</li> <li>• Where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness.</li> </ul>	<p>We have nothing to report on these matters.</p>

# Financial statements: other responsibilities

Matter	Commentary	Findings
<p><b>Specified procedures for the Whole of Government Accounts (WGA)</b></p>	<p>We are required to carry out specified procedures on behalf of the NAO on the WGA consolidation pack under WGA group audit instructions.</p> <p>The PCC and Chief Constable does not exceed the threshold for detailed testing.</p>	<p>We will submit our assurance statement to the NAO after the audit has been concluded.</p>
<p><b>Certification of closure of the audit</b></p>	<p>We are required to certify the closure of the audit on completion of all audit work for the financial year required under the Code.</p>	<p>We intend to certify closure of the audit in our auditor’s report.</p>

# Audit adjustments

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

## Impact of adjusted misstatements

Details of items corrected following discussions with management are as below.

Detail	Comprehensive Income and Expenditure statement (£000)	Balance Sheet £000	Impact on Police Fund £000
<b>Justice Centre Treatment</b>			
Our work identified that the PCC and CC's share of the Justice Centre was omitted from the financial statements. This impacts the cash and reserves, as the PCC and CC's share is material.			
Dr Cash and Cash Equivalents			
Cr Other Operating Income – Group share of Justice Centre reserves	(3,000)	3,000	(3,000)
Dr Usable Reserves – Police Fund		3,000	
Cr Usable Reserves – Justice Centres Earmarked Reserves		(3,000)	
<b>Balances held in line with Proceeds of Crime Act</b>			
Our work identified that the PCC and CC's current creditors and cash balances included £810k where these balances are held on behalf of third parties in line with the Proceeds of Crime Act.			
<b>2023/24</b>			
Dr Creditors		810	
Cr Cash and Cash Equivalents		(810)	
<b>2022/23</b>			
Dr Creditors		766	
Cr Cash and Cash Equivalents		(766)	
<b>Overall impact (sub-total)</b>	<b>(3,000)</b>	<b>3,000</b>	<b>(3,000)</b>

# Audit adjustments

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

## Impact of adjusted misstatements - continued

Details of items corrected following discussions with management are as below.

Detail	Comprehensive Income and Expenditure statement (£000)	Balance Sheet £000	Impact on Police Fund £000
<b>LGPS Net Pension Liability – 2023/24</b>			
Our work identified that the asset ceiling calculation in the prior year had excluded the consideration for future contributions to past service contributions, which is a requirement per IFRIC 14. The impact of re-stating the prior year has led to a material change in re-measurement of the net defined liability in 2023/24.			
Dr Unusable reserves - Pension Reserve		3,448	
Cr Re-measurement of the net defined pension liability	(3,448)		
<b>LGPS Net Pension Liability – 2022/23</b>			
Following the IFRIC 14 requirement identified above, the prior year pension liability has been re-stated.			
Dr Re-measurement of the net defined pension liability	3,448		
Cr Liability Relating to Defined Benefit Pension Schemes - LGPS		(3,448)	
<b>Overall impact – 2023/24 financial year</b>	<b>(6,448)</b>	<b>6,448</b>	<b>(3,000)</b>
<b>Overall impact – 2022/23 financial year</b>	<b>3,448</b>	<b>(3,448)</b>	

# Audit adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit.

Disclosure change	Auditor recommendation	Adjustment agreed Y/N?
<p><a href="#">Note 31 Proceeds of Crime Act (POCA)</a> The note does not include the appropriate wording to state that the balances held by the Group and PCC are held on behalf various third parties and as such, is excluded from the Group and PCC's balance sheet.</p>	Management should adjust the note accordingly.	Y
<p><a href="#">Note 29 Financial Instruments – Fair value of assets and liabilities</a> The fair value of loans held with PWLB did not agree to supporting evidence by £488k.</p>	Management should adjust the note accordingly.	Y
<p><a href="#">Note 29 Financial Instruments</a> The note includes POCA cash and creditors.</p>	Management should adjust the note accordingly.	Y
<p><a href="#">Cash flow statement and supporting notes</a> The cash flow statement and its notes include POCA cash and creditors.</p>	Management should adjust the note accordingly.	Y
<p><a href="#">Prior Period Adjustment</a> As there has been two restatements made to the prior year, in accordance with IAS 1, Management is required to add a Prior Period Adjustment note.</p>	Management should include a note in line with the requirements of IAS 1.	Y
<p><a href="#">Minor presentational, formatting and disclosure issues</a> We proposed a number of minor changes and narrative amendments to improve the presentation of the accounts.</p>	Management should adjust for all minor presentational, formatting and disclosure issues identified by the audit team	Y

# Audit adjustments

## Impact of prior year unadjusted misstatements

The table below sets out the adjustments identified during the prior year audit that have not been adjusted in the final set of financial statements for 2023/24. **The Joint Audit and Standards Committee is required to approve management’s proposed treatment of all items in the table below.**

Raised by the predecessor auditor	Comprehensive Income and Expenditure statement (£000)	Balance Sheet £000	Impact on 2023/24 audit
<p><b>Operating expenditure testing</b> A balance relating to 2023/24 was incorrectly recognised in 2022/23. On extrapolation this value came to £857,190 which represents an overstatement of expenditure.</p> <p>Dr Prepayments Cr Expenditure – cost of services</p>	<b>(857)</b>	<b>857</b>	<b>Not material</b>
<p><b>Share of LGPS Understatement</b> Warwickshire Pension Fund auditors have reported a total understatement of £9.857m to scheme assets at the fund level. Warwickshire Police’s share of this understatement comes to £0.517m.</p> <p>Dr Defined benefit obligation Cr Re-measurement of the net defined liability</p>	<b>517</b>	<b>(517)</b>	<b>Not material</b>

# Audit adjustments

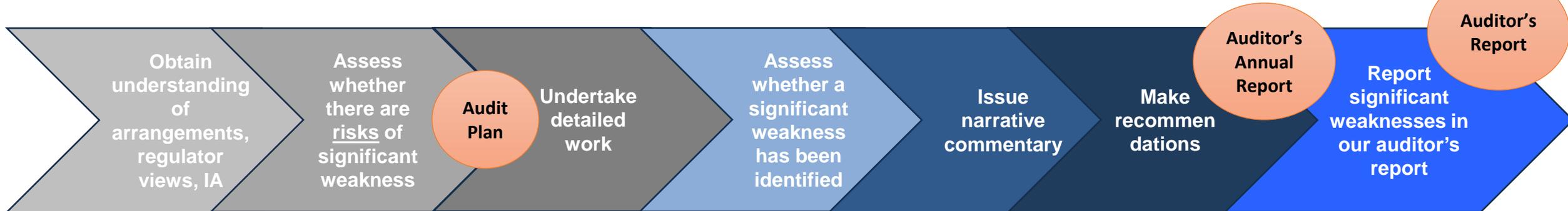
## Impact of prior year unadjusted misstatements - continued

The table below sets out the adjustments identified during the prior year audit that have not been adjusted in the final set of financial statements for 2023/24. **The Joint Audit and Standards Committee is required to approve management’s proposed treatment of all items in the table below.**

Raised by the predecessor auditor	Comprehensive Income and Expenditure statement (£000)	Balance Sheet £000	Impact on 2023/24 audit
<p>The finance team had previously confirmed to the audit team that they had used 2020/21 collection fund figures within the 2021/22 statement of accounts. This was due to the lack of response from billing authorities during the time of producing the draft 2021/22 accounts. At the date of drafting the AFR, management has received returns from three of the five billing authorities. These confirmed that the debtors balance was understated by £39k and creditors balance overstated by £179k. We were aware that of the remaining two billing authorities, one was based on 2018/19 figures and the other was based on 2019/20 figures. However, we had sufficient evidence that this difference would not lead to a material adjustment to the financial statements. This adjustment would have impacted the PCC and Group Comprehensive Income and Expenditure Statements, the Balance Sheets and related Debtors and Creditors notes.</p>	140	(140)	<p>At the time of writing this report, Management has been using the latest returns received: 2021/22 for North Warwickshire BC, 2019/20 for Stratford-on-Avon DC, and 2022/23 for Warwick DC. Management has made a prudent decision in using the latest returns.</p> <p>The audit team considers the approach taken by Management to be appropriate and has calculated an estimate based on the best available information. Therefore, there is no impact on the 2023/24 audit.</p>

# Value for money

We are required to consider whether the PCC and Chief Constable has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources, as set out in the NAO Code of Practice and the requirements of Auditor Guidance Note 3 ('AGN 03').



Our value for money work is ongoing however to date, we have not identified any significant weaknesses in arrangements. Our detailed commentary will be included in our Auditor's Annual Report

Reporting criteria	Planning – risk of significant weakness identified?	Final – significant weakness identified?	Key recommendations made?	Other recommendations made?
<b>Financial sustainability</b> How the body plans and manages its resources to ensure it can continue to deliver its services	No	No	No	None at the time of writing this report but any other recommendations identified will be included within the Auditor's Annual Report.
<b>Governance</b> How the body ensures it makes informed decisions and properly manages risk	No	No	No	
<b>Improving economy, efficiency and effectiveness</b> How the body uses information about its costs and performance to improve the way it manages and delivers its services	No	No	No	

# Independence and ethics

The Ethical Standards and ISA (UK) 260 require us to give you full and fair disclosure of matters relating to our independence. In accordance with our profession's ethical requirements and further to our audit plan issued confirming audit arrangements we confirm that there are no further facts or matters that impact on our integrity, objectivity and independence as auditors that we are required or wish to draw to your attention. We consider an objective, reasonable and informed third party would take the same view.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements. In addition, we have complied with the National Audit Office's Auditor Guidance Note 01, which sets out supplementary guidance on ethical requirements for auditors of public sector bodies.

In particular:

- **Non-audit services:** There are no non-audit services provided for the PCC and Chief Constable
- **Contingent fees:** No contingent fee arrangements are in place for any services provided
- **Gifts and hospitality:** We have not identified any gifts or hospitality provided to, or received from, any member of the PCC and Chief Constable, senior management or staff
- **Relationships:** We have no other relationships with the PCC and Chief Constable, its directors, senior managers and affiliates, and we are not aware of any former partners or staff being employed, or holding discussions in anticipation of employment, as a director, or in a senior management role covering financial, accounting or control related areas.

# Appendices

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Appendix II: Fees	37

# Appendix I: Internal control recommendations

We set out here the recommendations we have identified during the course of our audit. The matters reported here are limited to deficiencies we have identified during the course of our audit which we feel are of sufficient importance to merit reporting to you under the auditing standards. Recommendations arising from our value for money work are reported separately in our Auditor's Annual Report.

Assessment	Issue	Recommendation	Management response
Amber	<p><b>Property plant and equipment: land records</b> Evidence to support the areas used for the land valuation was not available and the valuer is using rolled forward information held within their system.</p> <p><b>Risk</b> Inaccurate or out of date information used by the valuer may result in material misstatement.</p>	Management should ensure land values used by the valuer are supported by estate records or other relevant documentation.	<b>Management Response Required</b>

Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

# Appendix I: Internal control recommendations

## Follow up of prior year recommendations

As part of work, we have followed up on control weaknesses and recommendations either raised in last year's report or carried forward from prior reports.

Issue raised by the predecessor auditor	2023/24 Update	Management response
<p><b><u>Journals Authorisation Process</u></b> As part of our journal testing, we identified that users can both post and authorise individual journals. Although there are some controls in place to minimize the risks associated with this, there are no preventative controls for their journals and therefore this presents an opportunity for fraudulent postings.</p> <p><b>Recommendation</b> We recommend that a formal journals approval process is implemented to ensure that each journal has a separate poster and approver.</p>	<p>The audit team have not been provided with evidence to support the implementation of this control, therefore, this continues to be a deficiency, and we have re-raised in 2023/24.</p>	<p><b>Management Response Required</b></p>
<p><b><u>MRP Policy Approval</u></b> The MRP policy for 2021/22 was approved in January 2022. There is a requirement for this to be approved prior to the start of the relevant financial year. Therefore, this should have been approved prior to 1 April 2021.</p> <p><b>Recommendation</b> We recommend that the MRP policy is approved prior to 1 April of the financial year.</p>	<p>The MRP Policy for 2022/23 has been approved prior to the start of the year in January 2023, therefore, this has not been found to be a deficiency as part of the 2023/24 audit and as such will be closed.</p>	<p>None required.</p>

# Appendix I: Internal control recommendations

## Follow up of prior year recommendations

As part of work, we have followed up on control weaknesses and recommendations either raised in last year's report or carried forward from prior reports.

Issue raised by the predecessor auditor	2023/24 Update	Management response
<p><b><u>Impairment review</u></b> This recommendation was made in 2019/20 and noted as not yet addressed in 2020/21 and 2021/22.</p> <p>The CIPFA Code requires that impairment reviews should be external valuer for land and building assets, no documented review is undertaken for other assets, including those Assets Under Construction, which are significant at Warwickshire Police at 31 March 2021.</p> <p>There is a risk that asset balances are carried at inappropriate levels in the Balance Sheet if they are not considered annually for any indicators of impairment.</p> <p><b>Recommendation</b> We recommend that management prepare a documented impairment review for their assets annually.</p>	<p>The control weakness still applies for this year and therefore is re-raised in 2023/24.</p>	<p><b>Management Response Required</b></p>

# Appendix II: Fees

We set out below our final fee for the audit (excluding VAT and disbursements) and confirm there were no fees for the provision of non-audit services.

	Proposed fee (as per Audit Plan) £	Indicative Final fee £
Base fee for the audit of the financial statements (as set out in the fee scales issued by PSAA) for the PCC and CC	135,126	135,126
New auditing standards: ISA 315 and ISA 240	20,268	20,268
<b>Total fees charged</b>	<b>155,394</b>	<b>155,394</b>

*The audit fees charged reconcile to the fees disclosed in the financial statements as below:*

<i>Fees per financial statements</i>	<i>£155,394</i>
<i>less Fees from prior year</i>	<i>(£6,600)</i>
<i>Total fees per above</i>	<i>£161,994</i>



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