Grant Thornton

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

Year ended 31 March 2023

Updated 23 April 2024

Contents

Your key Grant Thornton team members are:

Joanne Brown
Key Audit Partner
T 0141 223 0848
E Joanne.E.Brown@uk.gt.com

Parris Williams
Senior Manager
T 020 7728 2542
E Parris.Williams@uk.gt.com

Kieran J McDermid
Audit Supervisor
T 020 7184 4445
E Kieran.J.McDermid@uk.gt.com

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the PFCC and Chief Constable or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management, the PFCC and Chief Constable as those charged with governance, and the joint Audit Committee.

Joanne Brown

Name: Joanne Brown
For Grant Thornton UK LLP
Date: March 2024

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Essex Police, Fire and Crime Commissioner ('the PFCC') and Essex Chief Constable and the preparation of the PFCC's and Chief Constable's financial statements for the year ended 31 March 2023 for those charged with governance.

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 financial statements:

- give a true and fair view of the financial positions of the PFCC and Chief Constable'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.

Commentary on the audit process

As planned, the final accounts audit began at the start of October 2023. Ahead of this, we carried out our financial reporting review of your financial statements and raised queries in August. We did this to give your finance team sufficient time to respond to any challenging queries that might require correspondence with third parties. As part of this review, we did raise a challenge around the net LGPS asset on the balance sheet and a consideration of IFRIC 14. As at the date of writing, this issue is still not resolved and is sitting with your actuary.

Whilst some working papers were made available at the start of October, some of the key working papers to enable sample selection were not. In particular, the listings for journals and PPE were two areas where both management and ourselves had to invest a significant amount of time post October to get the working papers to a position where we could select samples as they were previously incomplete and did not reconcile to the financial statements. It is worth recognising that PPE and journals were two areas in the previous year that led to delays. On the back of that we made the following recommendation in our 2022/23 audit findings report:

> ***2022/23 recommendation:*** *Going forward, additional capacity and resilience is required within your finance team to ensure both entities can produce materiality accurate accounts and service an audit that meets the statutory deadline.*

Given the issues again this year, we continue to recommend that management invests into its finance team to improve the closedown and audit process. Despite the challenges, there was good engagement between our audit team and your finance team. There was regular open and honest dialogue which meant that when issues arose, action could be taken to mitigate delays.

We are also required to report whether other information published together with each set of 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

Summary of key findings and headlines

Details of our findings are summarised on pages 9 to 24. As at the date of reporting, there is 1 adjusted misstatement to the group accounts of £88,814,000. This relates to the IFRIC 14 adjustment which is explained in more detailed overleaf. This adjusted misstatement is set out in Appendix D. We have also identified 2 misstatements which management have decided not to adjust for on the basis that the errors are individually and in aggregate not material. The net impact of unadjusted misstatements is a debit of £714,000. Our audit work also identified several presentation and disclosure misstatements which management have adjusted for. These are also detailed in Appendix D. We have also raised 2 recommendations for management as a result of our audit work which is set out in Appendix B. Our follow up of recommendations from the prior year's audits are detailed in Appendix C.

Two issues have arisen during the course of the audit which we wish to flag to you in this executive summary.

Continued overleaf . . .

1. Headlines - continued

Financial Statements

1. Pensions net asset – IFRIC 14 consideration

The PFCC and CC are scheduled bodies to Essex Local Government Pension Scheme. As such, the Group recognises its share of the net assets/liabilities on the balance sheet. Typically, the net position on the LGPS scheme is a liability. In the prior year, the net liability was £193.6 million. As a result of changes in assumptions during 2022/23, most notable the discount rate, the net position on the LGPS scheme became a surplus. Based on an IAS 19 report from the Group's actuary, the Group reported a net asset of £87.8 million on the balance sheet as at 31 March 2023.

IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. It is a complex standard and one which is rarely applied given that the majority of LGPS schemes across have been in a liability position for many years. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan'.

In considering any impact of IFRIC 14, there are 3 judgements to be applied:

- The economic benefit available as a refund;
- The economic benefit available as a reduction in future contributions; and
- Any additional minimum liability from agreed past service contributions.

As part of our work, we therefore challenged management and the actuary to set out their consideration of IFRIC 14 on the LGPS. The actuary provided us with a response which included a calculation which suggested the need for a c£89m IFRIC 14 adjustment to the net asset. We have queried this with management and the actuary as well as requested from the actuary evidence to corroborate some of the assumptions within their calculation. We have obtained the actuary's calculations and corroborated the reasonableness of assumptions to relevant source evidence. Management have received an updated IAS 19 report with the IFRIC 14 impact included and have updated the final accounts accordingly. See Appendix D for details of the £88,814,000 adjusted misstatement to the group accounts. Note, this has no impact on the general fund as the movement goes into the unusable pension reserve.

2. Assurances from the pension fund auditor and impact of its delay on the audit report

As in previous years, our audit approach relies on obtaining assurances from the pension fund auditor of the Essex LGPS. The assurances we obtain relate to the assets held by the pension fund as at 31 March 2023 but also the membership data that is used to project the actuarial liability. This year, the assurances are particularly key because there was a triennial revaluation of the LGPS as at 01 April 2022. We therefore wrote to the auditor of the pension fund to obtain assurances on these areas. These assurances are fundamental to us being able to draw sufficient appropriate evidence that the estimate in your financial statements is reasonable.

As at the date of drafting the report, we have not received the assurances from the pension fund auditor. In light of the ongoing national delays of local authority accounts and the implementation of a 'backstop' there is a risk that we do not receive the assurances from the pension fund auditor before the backstop date. If the assurances are not received by the backstop date, as determined by DLUC, we will need to make a modification to the opinion.

If this risk crystalises, we will endeavour to share the proposed wording of the modified audit report with management and TCWG ahead of it being issued.

1. Headlines - continued

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 financial statements:

- give a true and fair view of the financial positions of the PFCC and Chief Constable'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 each set of 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

Our work is nearing completion and except for the matter in relation to assurances from the pension fund auditor set out on the previous page, there are no matters of which we are aware that would require modification of our audit opinions for the PFCC's or CC's financial statements. Subject to the following outstanding matters, we propose an unqualified audit report opinion:

Queries outstanding with management or external third parties:

- evidence regarding year end pension liability process and controls;
- receipt of assurances from the auditor of Essex County Council pension fund in relation to the LGPS net pension asset.

Audit areas still in progress:

- PPE Revaluation movements testing;
- review of non-material notes;
- final senior management and quality reviews;
- receipt of management representation letters; and
- receipt and review of the final sets of financial statements, Annual Governance Statement and Narrative Report.

We have concluded that the other information to be published with each set of financial statements is consistent with our knowledge of your organisations and the financial statements we have audited.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether in our opinion, both entities have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We are nearing completion of our VFM work and have shared a draft auditor's annual report with management for comment. Our indicative findings are summarised on pages 25 and 26, and our detailed commentary will be set out in the separate Auditor's Annual Report, which we plan to issue once comments from management have been addressed.

Our indicative conclusion is that we are satisfied that the PFCC and Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources. Based on our work to date, we are not planning to report any significant weaknesses in arrangements and therefore have no key recommendations.

Statutory duties

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

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

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

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Significant matters

With the exception of assurances from the pension fund auditor as explained on page 4, we did not encounter any significant difficulties or identify any significant matters arising during our audit.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. For 2022/23, only 5 out of 467 local audit opinions were issued before the 30 September 2023. As at 31 December 2023, the backlog of outstanding audit opinions stood at 771. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

On the 08 February 2024, DLUCH launched its consultation to clear the backstop. The proposal consist of 3 phases:

- Phase 1: Reset involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024
- Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles
- Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit

The consultation is open until the 07 March and we encourage all our local authority clients to respond.

Local context

Locally, we would like to reflect the positive working relationship we have had with the PFCC and the CC which has meant that whilst delays and issues have arisen, these have been mitigated as far as possible. As set out in the executive summary, we continue to recommend management invest in the finance team to grow its capacity and skills to both produce timely financial statements but also to respond to audit queries.

2. Financial Statements

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 those charged with governance 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 have been discussed with management, the PFCC, the Chief Constable and will be discussed at the joint Audit Committee.

As auditor we are responsible for performing the audit, 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 those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

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

- an evaluation of the PFCC's and Chief Constable's internal controls environment, including its IT systems and controls;
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We nearing the completion of our audit of your financial statements and, subject to outstanding matters on page 5 being resolved, we anticipate issuing an unmodified audit opinion on the financial statements for the CC, PFCC and Group.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during the audit process.

2. 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 levels remain the same as reported in our audit plan on June 2023. This is because gross expenditure in the draft 2022/23 does not differ significantly to that in the 2021/22 audited accounts.

We set out in this table our determination of materiality for the PFCC, Chief Constable and group.

	Group (£)	PFCC (£)	Chief Constable (£)	Qualitative factors considered
Materiality for the financial statements	8,000,000 (1.5% of gross revenue expenditure)	6,000,000 (1.5% of gross revenue expenditure)	6,900,000 (1.5% of gross revenue expenditure)	Business environment and external factors. Gross revenue expenditure is adjusted to remove the impact of actuarial McCloud and injury pensions on the basis that these do not reflect the underlying performance of the PFCC and CC.
Performance materiality	5,600,000 (70% of headline materiality)	4,200,000 (70% of headline materiality)	4,830,000 (70% of headline materiality)	Control environment and quality / accuracy of accounts and working papers provided. Change for 2022/23: 70% is lower than in the prior year where performance materiality was set at 75%. This is because of our experience in the prior year where we identified several misstatements in your financial statements. As a result, we took the judgement to reduce performance materiality for 2022/23.
Trivial matters	400,000 (5% of headline materiality)	300,000 (5% of headline materiality)	345,000 (5% of headline materiality)	

We have determined financial statement materiality based on a proportion of the gross expenditure of the group, the PFCC and the Chief Constable for the financial year. In the prior year we used the same benchmark. For our audit testing purposes we apply the lowest of these materialities, which is £6m (PY £6.155m), which equates to 1.5% of the PFCC's prior year gross expenditure for the year.

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Relates to	Commentary
Management over-ride of controls 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. The PFCC and Chief Constable face external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	Chief Constable, PFCC and Group	**Our response to the risk:** We have: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determine 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 consider their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. **Findings:** As in previous years, we experienced difficulties in obtaining a complete list of all transactions impacting your ledger for 2022/23. Obtaining a complete listing is a fundamental part of our audit and we are unable to obtain assurance over management override of controls if we do not have a complete listing. The reason why the listing provided to us was incomplete, was because there are a small number of ledger codes where your system does not provide full transactional information. This is because of a configuration set on those ledger codes when they were initially set up. This is a known issue which we have reported to you in our previous reports. A significant amount of time was spent between your finance team and our team to extract the detailed transactions from those 'hidden' codes and then work was done to append that data into the full transaction listing. Whilst we were able to obtain a complete listing to conduct our audit testing, it is important that we flag the delays and difficulties we experienced as this is atypical for an audit. **Conclusion:** Our work has not identified any further material issues in relation to this risk.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
ISA240 revenue risk **(rebutted)** 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.	**Chief Constable, PFCC and Group** **(rebutted)**	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the PFCC, we have determined that the risk of fraud arising from revenue recognition for all revenue streams can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of police authorities, including the PFCC and the group, mean that all forms of fraud are seen as unacceptable. **Therefore we do not consider this to be a significant risk for the PFCC and the group.** For the CC, revenue 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 CC's financial statements as a transfer of resources from the PFCC to the CC for the cost of policing services. Income for the CC is received entirely from the PFCC. **Therefore we do not consider this to be a significant risk for the CC.**

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
Valuation of land and buildings The PFCC and group adopts a rolling programme for its revaluation of non-current assets, with each asset valued at least once every five years. In addition, the PFCC and group revalue all assets > £2m (net book value) on an annual basis, thus reducing the impact of the potential swing in values by adopting the rolling programme for higher-value assets. 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 2023) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the PFCC and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement. Pinpointing the risk: As set out in our audit plan, we set out to pinpoint the significant risk around the following • assets which are large in the context of the overall portfolio; • assets where the valuation movement differs significantly to what we would expect based on indices; • assets where we are aware of a significant change in any of the key assumptions from the prior period; and • any other factors which in our auditor judgement increases the risk of material misstatement in a particular asset Having performed this assessment, we identified 1 asset for a total value of £1.46m as being the asset in our significant risk population. All other assets were included in a residual population from which a random sample was selected for testing.	PFCC and Group	We have: • 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; • wrote 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 the completeness and consistency with our understanding; • tested revaluations made during the year to see if they had been input correctly into the PFCC and Group asset register; • engaged our own auditor's expert to provide assurance that assumptions pertaining to rental income and yields are reasonable; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end. Findings (1) Revaluation reserve unadjusted misstatement Following production of your financial statements and the provision of working papers for audit, your finance team made us aware of issues in the working papers and an associated misstatement in the accounts. The working papers were updated and management informed us that the draft financial statements includes a misstatement of £416,000. The error arose because management did not journal correctly the revaluation adjustments from their underlying working papers into the ledger. This error is reported to you in Appendix C as an unadjusted misstatement. Conclusion: Subject to the satisfactory completion of the outstanding matters set out on page 5, our work has not identified any further material issues in relation to this risk.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
Valuation of pension fund net liability The PFCC's and CC's pension fund net liability, in relation to both the Local Government Pension Scheme (LGPS) and the Police Pension Schemes (PPS), as reflected in their balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£88.6 million asset for LGPS and £2,209.8 million liability for PPS), and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the PFCC's and CC's pension fund net liability as a significant risk.	Group, PFCC and the Chief Constable	We have: • 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. We have not yet been able to complete the following procedure as set out in the audit plan to: • obtain assurances from the auditor of Essex 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.** **Triennial valuation of the LGPS** The PFCC and CC are scheduled bodies to Essex Local Government Pension Scheme. The latest triennial valuation for Essex Pension Fund has recently been published. This valuation, which is at 31 March 2022, provides updated information for the net pension liability on the Group's balance sheet, particularly in respect of membership data and demographic assumptions. Your actuary will therefore use this information as part its actuarial as at 31 March 2023. As set out in our audit plan, we intend to rely to assurances from the auditor of the pension fund over the completeness and accuracy of membership data that was sent to the actuary to perform the triennial valuation. As set out on page 5, we are yet to receive these assurances as at the date of writing this report. Without these assurances, we are unable to conclude that the net asset/liability on the PFCC's and CC's balance sheet is materially correct. Continued overleaf . . .

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
Valuation of pension fund net liability The PFCC's and CC's pension fund net liability, in relation to both the Local Government Pension Scheme (LGPS) and the Police Pension Schemes (PPS), as reflected in their balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£88.6 million asset for LGPS and £2,209.8 million liability for PPS), and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the PFCC's and CC's pension fund net liability as a significant risk.	Group, PFCC and the Chief Constable	**Pensions net asset – IFRIC 14 consideration** The PFCC and CC are scheduled bodies to Essex Local Government Pension Scheme. As such, the Group recognises its share of the net assets/liabilities on the balance sheet. Typically, the net position on the LGPS scheme is a liability. In the prior year, the net liability was £193.6 million. As a result of changes in assumptions during 2022/23, most notable the discount rate, the net position on the LGPS scheme became a surplus. Based on an IAS 19 report from the Group's actuary, the Group reported a net asset of £88.6 million on the balance sheet as at 31 March 2023. IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. It is a complex standard and one which is rarely applied given that the majority of LGPS schemes across have been in a liability position for many years. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan'. In considering any impact of IFRIC 14, there are 3 judgements to be applied: The economic benefit available as a refund; The economic benefit available as a reduction in future contributions; and Any additional minimum liability from agreed past service contributions. As part of our work, we therefore challenged management and the actuary to set out their consideration of IFRIC 14 on the LGPS. The actuary provided us with an initial response which included a calculation which suggested the need for a c£15m IFRIC 14 adjustment to the net asset. We queried this with management and the actuary as well as requested from the actuary evidence to corroborate some of the assumptions within their calculation. Your actuary provided management with an updated IAS 19 report in March 2024 which included a material adjustment for IFRIC 14. We have also received responses from your actuary to corroborate the assumptions within their calculation. We are satisfied that your actuary's calculations are reasonable and that management has processed the £88,814,000 adjustment correctly in the group financial statements. It is important to note that the single entity accounts of the CC and the PFCC have also been adjusted by £809k and £88,005k respectively. In the CC accounts, the net asset has been eliminated and an additional liability of £1,023k has been deemed required by your actuary. It is important to note that this adjustment does not impact the general fund as the impact is reserved out of the MIRS into an unusable reserve in line with statutory requirements. Conclusion: Subject to the satisfactory completion of outstanding matters set out on page 5, our work has not identified any further material issues in relation to this risk

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £82.4m	PFCC and Group	Other land and buildings comprises £82.4m of assets such as police stations and custody suites, which are required to be valued at current value. The PFCC has engaged Wilks Head and Eve to complete the valuation of land and properties as at 28 February on a five yearly cyclical basis. The valuation of land and properties valued by the valuer has resulted in a net increase of £4.3m. Management also engaged their valuer to provide a market review at year end to estimate the difference in valuation between the valuation date (28 February) and the balance sheet date (31 March). Management has considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 31 March 2019, 31 March 2020, 31 March 2021 and 31 March 2022 by instructing their external valuations specialist to undertake a desktop exercise to determine whether the value of the properties has materially changed. This exercise performed by your valuer, and reviewed by your finance team, calculated a non-material difference of £244k. To gain assurance over this exercise, we have performed a similar analysis using indices provided by our auditor's expert. The result of this analysis has not indicated that the value of your land and buildings not revalued in year is materially misstated.	We reviewed your assessment of the estimate considering: • Assessment of management's expert to be competent, capable and objective; • Completeness and accuracy of the underlying information used to determine the estimate; • The appropriateness of your alternative site assumptions which remain consistent with previous years; • Reasonableness of increase/decrease in estimates on individual assets; • Consistency of estimate against the Gerald Eve report on property market trends, and reasonableness of the increase in the estimate; and • Adequacy of disclosure of estimate in the financial statements (Continued Overleaf)	🟩 **Green – see key below**

Assessment

- ● [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Relates to	Audit Comments	Assessment
Land and Building valuations – £82.4m	PFCC and Group	**Findings:** As part of our work we reviewed the method and assumptions in your finance team's assessment as to the difference between assets not revalued as at the balance sheet date. We evaluated the reasonableness of this assessment by reperforming it based on indices provided by Montagu Evans in the NAO benchmarking report. This assessment came to £883k which corroborates management's assessment that the difference is non-material. All your land and buildings have been appropriately valued by the instructed valuer as at 31 March. Management has obtained sufficient evidence that the carrying value of all your land and building as at 31 March 2023 is not materially different from the current value. **Conclusion:** Subject to the satisfactory completion of outstanding matters set out on page 5, our work has not identified any further material issues in relation to this risk	🟩 **Green – see key below**

Assessment

- ● [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Relates to</th><th>Summary of management’s approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension asset – LGPS: £87.8 million</td>
<td>Group, PFCC and the Chief Constable</td>
<td><p>The PFCC’s and Chief Constable’s total net pension liability as at 31 March 2023 is £2,210m (PY £3,491.4m).</p><p>A net asset of £87.8 million (PY £193.4 million liability) is in respect of Essex Local Government Pension Scheme. The group/PFCC and Chief Constable use Barnet Waddingham to provide actuarial valuations of the group’s assets and liabilities derived from these schemes, utilising key assumptions such as life expectancy, discount rates and salary growth. 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 £305.9m net actuarial gain during 2022-23, of which £305.9m has impacted the Comprehensive Income and Expenditure Statement.</p></td>
<td><p>In assessing the estimate, we have considered the following:</p>

Assessment of management’s expert
Assessment of actuary’s approach i.e. Use of PwC as auditors expert to assess actuary and assumptions made by actuary – see results for key assumptions in the table below.
Completeness and accuracy of the underlying information used to determine the estimate
Impact of any changes to valuation method
Consistency of estimate against peers/PwC
Reasonableness of increase/decrease in estimate
Adequacy of the accounting treatment in the financial statements
Adequacy of disclosure of estimate in the financial statements

<table>
<tr><th>LGPS Assumptions</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>4.80%</td><td>4.8%-4.85%</td><td>● [Green]</td></tr>
<tr><td>CPI Inflation</td><td>2.90%</td><td>2.65% - 2.95%</td><td>● [Green]</td></tr>
<tr><td>Salary growth</td><td>3.90%</td><td>1.00% > CPI</td><td>● [Green]</td></tr>
<tr><td>Life expectancy – Males currently aged 65 Current Pensioners</td><td>21.1</td><td>19.5 – 22.1</td><td>● [Green]</td></tr>
<tr><td>Life expectancy – Females currently aged 65 current pensioners</td><td>23.5</td><td>22.9 – 24.5</td><td>● [Green]</td></tr>
<tr><td>Life Expectancy – Males Currently aged 65 future pensioners</td><td>22.3</td><td>20.9 – 23.4</td><td>● [Green]</td></tr>
<tr><td>Life Expectancy – Females currently aged 65 future pensioners</td><td>25</td><td>24.3 – 25.9</td><td>● [Green]</td></tr>
</table>
<p>Except for the lack of assurances from the pension fund auditor pertaining to the LGPS, our work has not identified any further issues.</p></td>
<td>Green
(see key below)</td>
</tr>
</table>

Assessment

- ● [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Amber] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- ● [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Relates to</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension liability - Police Officer Pension Scheme: £2,209.8 million</td>
<td>Chief Constable and Group</td>
<td>The PFCC's and Chief Constable's total net pension liability as at 31 March 2023 is £2,210m (PY £3,491.4m).
£2,209.8 million (PY £3,297.8 million) is in respect of Essex Police Officer Pension Scheme. The group/PFCC and Chief Constable use Barnet Waddingham to provide actuarial valuations of the group's assets and liabilities derived from these schemes, utilising key assumptions such as life expectancy, discount rates and salary growth. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.
There has been a £1,183,783m net actuarial re-measurement gain during 2022-23, of which £1,183,783m has impacted the Comprehensive Income and Expenditure Statement.</td>
<td>In assessing the estimate, we have considered the following:
• Assessment of management's expert
• Assessment of actuary's approach i.e. Use of PwC as auditors expert to assess actuary and assumptions made by actuary – see results for key assumptions in the table below.
• Completeness and accuracy of the underlying information used to determine the estimate
• Impact of any changes to valuation method
• Consistency of estimate against peers/PwC
• Reasonableness of increase/decrease in estimate
• Adequacy of the accounting treatment in the financial statements
• Adequacy of disclosure of estimate in the financial statements
<table>
<tr><th>Police Pension Scheme Assumptions</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>4.80%</td><td>4.8%-4.85%</td><td>● [Green]</td></tr>
<tr><td>CPI Inflation</td><td>2.95%</td><td>2.65% - 2.95%</td><td>● [Green]</td></tr>
<tr><td>Salary growth</td><td>3.95%</td><td>1.00% > CPI</td><td>● [Green]</td></tr>
<tr><td>Life expectancy – Males currently aged 65 Current Pensioners</td><td>21.2</td><td>19.5 – 22.1</td><td>● [Green]</td></tr>
<tr><td>Life expectancy – Females currently aged 65 current pensioners</td><td>23.5</td><td>22.9 – 24.5</td><td>● [Green]</td></tr>
<tr><td>Life Expectancy – Males Currently aged 65 future pensioners</td><td>22.5</td><td>20.9 – 23.4</td><td>● [Green]</td></tr>
<tr><td>Life Expectancy – Females currently aged 65 future pensioners</td><td>25</td><td>24.3 – 25.9</td><td>● [Green]</td></tr>
</table>
Conclusion: Subject to the outstanding matters as set out on page 5, our work has not identified any material issues with regards to this estimate.</td>
<td>Green
(see key below)</td>
</tr>
</table>

Assessment

- ● [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Property, Plant and Equipment: depreciation including useful life of capital equipment.	(PFCC and Group)	Buildings are depreciated in accordance with the valuers estimation of value/remaining life. Equipment including vehicles are depreciated based on standard lives and estimates from relevant managers and contract lengths where relevant. For existing assets the source data is the carrying value at the start of the year. For existing buildings this was provided by the valuer. For other existing assets it is the brought forward depreciated replacement cost. For new assets it is the purchase cost during the year. For buildings this is the revaluation performed at year end. The point estimate for depreciation is generated by the asset register based on the inputs of costs and expected lives for each asset.	• We are satisfied that the estimate of your depreciation charge is not materially misstated.	Green (see key below)

Assessment

- ● [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Annual Leave Provision (£3,169k)	(CC, PFCC and Group)	An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that for taxation purposes holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.	• We are satisfied that the estimate of your annual leave provision is not materially misstated.	🟩 **Green** **(see key below)**

Assessment

- 🔴 [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- 🟡 [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- 🔵 [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- 🟢 [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
SAP	ITGC assessment (design and implementation effectiveness only)	🟢	🟢	🟢	🟢	Management override of controls	N/A

Assessment

- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟡 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ Not in scope for testing

2. Financial Statements: 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.

Issue	Commentary
Matters in relation to fraud	We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	Our work on related party transactions is complete - we are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	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.
Written representations	Letters of representation has been requested from both the PFCC and the Chief Constable
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the force's banker. This permission was granted, and the requests were sent. These requests were returned with positive confirmations.
Accounting practices	We have evaluated the appropriateness of the PFCC's and Chief Constable's accounting policies, accounting estimates and financial statement disclosures. We have nothing to report in respect of these matters.
Audit evidence and explanations/ significant difficulties	Except for the outstanding matters set out on page 5, all information and explanations requested from management was provided. It is important to note that we expect all information set out on page 5 which is in the control of the Group to be provided to us.

2. Financial Statements: other communication requirements

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).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the PFCC's and Chief Constable's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the PFCC and Chief Constable meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the PFCC and Chief Constable and the environment in which they operate • the PFCC's and Chief Constable's financial reporting framework • the PFCC's and Chief Constable's system of internal control for identifying events or conditions relevant to going concern • management’s going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified for either the PFCC or the Chief Constable • management’s use of the going concern basis of accounting in the preparation of both sets of financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with each set of audited financial statements, including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Our work to date has not identified any inconsistencies. Subject to the completion of all outstanding work we plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statements do not comply with disclosure requirements set out in CIPFA/SOLACE guidance or are misleading or inconsistent with the information of which we are aware from our audits, • if we have applied any of our statutory powers or duties. We have nothing to report on these matters with the exception
Specified procedures for Whole of Government Accounts	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. Note that detailed work is not required as neither the CC nor the PFCC exceed the threshold. Whilst both entities are below the threshold, we are still required to return an assurance statements to the NAO which we will be completed ahead of issuing our audit reports.
Certification of the closure of the audit	We intend to certify the closure of the 2022/23 audit of the PFCC and the CC in the audit reports.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the PFCC and Chief Constable's arrangements for securing economy, efficiency and effectiveness in their use of resources. We did not identify any risks of significant weakness. We are satisfied that the PFCC and Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources.

4. 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 and consider that an objective reasonable and informed third party would take the same view. 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 in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group, PFCC and Chief Constable. No non-audit services charged from the beginning of the financial year to date were identified.

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Group that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

A. Communication of audit matters to those charged with governance

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

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

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

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

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

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan– Audit of Financial Statements

We have identified 2recommendations as a result of issues identified during the course of our audits. We have agreed our recommendations with management. 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	Recommendations
High	**Skills and capacity of your finance:** As in the previous year, we experienced issues on the audit because of delays in obtaining evidence from management. Most of the delays were limited to two areas, PPE and journals. In both areas, the working papers originally provided to us did not reconcile to the financial statements. This meant that we could not select samples in to significant risk areas which ultimately led to delays. Risk: There are two risks which arise: 1) Producing materially inaccurate draft financial statements; and 2) Delays in the audit process leading to the PFCC and CC missing statutory deadlines	Recommendation: Going forward, additional capacity and resilience is required within your finance team to ensure both entities can produce materiality accurate accounts and service an audit that meets the statutory deadline. **Management response** This recommendation is agreed Management accept that there have been delays due to skills and capacity, and one key post in the Corporate Accounting team vacant. There are two separate issues here, the ability of the SAP Finance system to provide outputs of sufficient enough quality for the requirements of an external audit, as well as a specific staffing issue which is subject to an ongoing development plan. In respect of the former, the shortfalls of the SAP system to produce a fully comprehensive journal listing is frustrating but has nonetheless been an issue that has been known for several years with alternate evidence always provided instead. Likewise with PPE, the asset side of the system is not user friendly, and it is proposed to purchase the CIPFA Asset Module to provide more robust asset accounting outputs going forward, and to move away from the requirement to complete work 'off system' on spreadsheets.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

B. Action Plan– Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**Seized cash reconciliation:** As part of our work on seized cash, we reconciled management's underlying schedule of cash deposits and cash repayments to the £4.130 million of cash excluded from year end cashbook. Whilst the schedule agreed to the £4.130 million, upon closer inspection, there were formula issues which meant that the correct amount that should have been excluded was £4.339 million. The difference of £269k arises for two reasons. 1. There was £115k of cash that was repaid which failed to reduce the total outstanding balance. This leads to an understatement of your cash balance. 2. There was £384k of cash that was received in March 2023 that is not captured in the schedule as an outstanding balance. This leads to an overstatement of your cash balance. Having found issues in the seized cash schedule – it only reinforces our view that the PFCC should not co-mingle seized cash monies in their operational bank accounts. **Risk:** Failure to correctly record seized cash receipts and payments could result in your cash balance being misstated. Equally, there is a risk that the PFCC fails to meet its statutory responsibilities in line with the proceeds of crime act if monies in and out are not recorded correctly.	**Recommendation:** The underlying schedule for seized cash should be routinely checked and reconciled including a review of the underlying formulas to ensure the cash outstanding balance is correct. Management response **This recommendation is agreed.** Management accept that there were issues with the seized cash reconciliation provided, which related to missing formulae within some rows of the spreadsheet concerned. As the accounting entries were then based on this spreadsheet, management also accept that the third party monies value omitted from the balance sheet is slightly misstated, but this certainly does not result in a material difference. Going forward controls will be enacted to ensure similar issues with the spreadsheet cannot occur again, specifically ensuring the 23/24 year-end value of third party funds to be omitted is calculated correctly. As a general comment, management do not agree with the fact that this error reinforces the need to split out seized monies from the force balance sheet. This has never been an issue previously, and the force have demonstrated sound accounting processes relating to the co-mingling of funds over a number of years.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

C. Follow up of prior year recommendations

2021/22 control findings: 3 control findings were raised following our audit of 2021/22. Our follow up of those recommendations found that X of 3 have not been implemented. Details can be found in the table below and overleaf.

2020/2021 control findings: In our 2021/22 audit findings report, we reported to you that 4/5 control recommendations raised in 2020/21 were not implemented. Therefore, we have followed up on these 4 control findings in 2022/23. Our follow up of those recommendations found that X of 4 have not been implemented. Details can be found in the table below and overleaf.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	2021/22 issue (1): Management have designed a control to investigate all valuation movements in excess of 25% compared to the prior year. **Risk:** In our view this threshold is not sensitive enough. It would allow for material movements in the asset portfolio without appropriate challenge or scrutiny. The assessment also does not take account of any changes from the last valuation date such as additions and transfers from AUC which meant that a significant impairment at Chelmsford PS in 21/22 was not challenged by management. We have assessed this as a high priority recommendation given it pertains to estimate with significant estimation uncertainty. **(High priority) recommendation in the prior year:** Management should consider lowering the threshold for investigation from 25% to a level that would identify material issues. Additionally, this assessment should use the GBV prior to revaluation which takes account of any movements since the last valuation date such as capital additions and transfers from the assets under construction register. **Prior year management response:** This recommendation is agreed. In order to give more time to the valuations exercise for the 22/23 Statement of Accounts, both in respect of the processing time and subsequent review process, a revised valuation date of the 31st January 2023 has been adopted, one month earlier than the equivalent date for the 21/22 accounts. In respect of the aforementioned review process, the gross valuation basis will be used to compare to new valuations, with all movements investigated where they equate to either the lower of 15% or £1m.	**Management's update:** This recommendation has been adopted within the 2022/23 Statement of Accounts process and it is fully expected that the action will be discharged within the Audit Findings Report. **External audit 2022/23 update:** Work is still ongoing in this area and so we cannot draw a conclusion as to whether the recommendation has been implemented yet

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**2021/22 issue (2):** Per the draft financial statements there was £16m of fully depreciated assets as at 31 March 2022. Management's processes and controls to derecognise fully depreciated assets which are no longer in use are not effective. **Risk:** Without effective processes and controls to derecognise assets no longer in use, the accounts can contain a material misstatement in the disclosure of PPE. To be clear, this is a disclosure only risk because the write-out of fully depreciated assets has no net impact on either the Balance Sheet or the CIES. **(Medium priority) prior year recommendation:** Management should carry out an exercise at least annually to assess whether any fully depreciated asset is no longer in use. This process will involve representation and work from other parts of the business i.e. Estates and IT. **Prior year management response:** This recommendation is agreed. Whilst the work undertaken to derecognise £9.2m of these assets in the 21/22 accounts have significantly alleviated the issue, management agree that the remaining assets need to be thoroughly reviewed to check for any no longer in use or which need to have their useful economic lives reviewed. Management will undertake its standard asset existence process in advance of 22/23 year-end, and look to write out any erroneous balances at the earliest opportunity. This will not result in any bottom line impact to the PFCC. Furthermore, the relevant accounting policy has now been updated to reference that derecognition processes will be adopted as standard where an asset has exceeded a specific time period, and where management can no longer verify its existence and/or value.	**Management's update:** A significant amount of work was undertaken to rectify these issues in the 2021/22 Statement of Accounts, and despite the short proximity of time since the completion of these accounts and the 2022/23 process commencing, work has progressed to deal with some of the remaining issues. Therefore, whilst there may be some minor asset write out balances still required after 2022/23 year-end, there are not expected to be any material issues remaining in respect of fully depreciated assets within the final 2022/23 audited accounts, with the expectation being that the current audit process will confirm this within the final Audit Findings Report. **External audit 2022/23 update:** Through our work around PPE closing balances, we have identified that this control recommendation is now in place and operating effectively. We have tested the closing nil NBV balance with no issues identified.

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<u>2021/22 issue (3):</u> From our testing of creditors, we identified several unreconciled creditor accounts. Because these creditor accounts were unreconciled, it meant it was challenging to obtain sufficient assurance that the balances represented genuine liabilities. In some instances we could see payments offsetting liabilities in the listing and in other examples it was not possible to ascertain whether management had appropriately recorded the liability / expense in their accounts. We have quantified such impacts and where they are non-trivial we have reported them to you as an unadjusted misstatement. Given the value and quantum of unreconciled payments and the age of these unreconciled accounts, some dating back more than 5 years, we deem that there is a reportable control deficiency. See Appendix C for the unadjusted misstatement. **Risk:** Over time, unreconciled creditor account codes could lead to a growing misstatement in your financial statements. It is important for this to be rectified as misstatements do flow straight into the general fund. **(Medium priority) prior year recommendation:** The first step is for management to clearly identify the different holding accounts on your creditor codes. For each, a control account reconciliation should be performed. We expect this account reconciliation to identify legacy balances that requires writing off. Having done this exercise, management should continue to monitor these holding accounts on a semi-regular basis. For next year's audit, instead of producing a full general ledger transaction history of these balances dating back to 2012 – management should provide the auditors with just the control account which shows only those open liabilities at year end of testing. The net figure however should reconcile to that on the general ledger. **Prior year management response** This recommendation is agreed. For 2022/23 year-end the creditor balances will be cleansed and re-posted into a different accounting period which will enable management to provide a breakdown of creditors to the auditors which does not require the inclusion of legacy balances. It is expected that this will provide a solution to the system-related issues which have meant that historic years' balances have been included in transaction listings provided to the auditors. Whilst management acknowledge that there are some creditor balances which may need to be written off as part of this exercise it does not expect the impact to be material.	**Management's update:** This work is ongoing and was not fully completed in time for the 2022/23 Statement of Accounts based on the complexity and amount of work involved. Nevertheless, revised debtor and creditor breakdowns were provided to the auditors as part of the 2022/23 audit engagement to provide further transparency with these balances. A full review of the Balance Sheet is ongoing with some of the areas progressed, but not all. Prior to the audit of the 2023/24 accounts there will be further reclassification work undertaken on the Balance Sheet to make the breakdown of balances clearer and more transparent. This should enable the external auditors to form a clearer opinion of the PFCC's Balance Sheet position for inclusion in their 2023/24 AFR, with the proposal being that this work is completed, and the related audit action formally discharged by the end of the 2023/24 year. **External audit 2022/23 update:** Although we have not identified any errors to date as a result of this issue, based on our review of your creditors listing and from discussions with management, this recommendation is not yet fully implemented.

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**2020/21 issue (1):** Legal claims estimation process **Risk:** Management have historically applied a 25% reduction to the value of legal claims in estimating the provision on the balance sheet. Our work identified that management had not performed an assessment to support and justify this assumption. **(Medium priority) 2020/21 recommendation:** We recommend that management carry out an assessment to determine what reduction (if any) ought to be applied to the value of claims provided by your Insurance expert and ensure this assumption is supported with appropriate evidence. This assessment should be carried out sufficiently regularly to ensure the assumption remains appropriate.	**Management's update:** Work has been undertaken to try and resolve this action, ever since the original AFR finding was agreed in 2020/21. This included an assessment of a number of high value open claims based on their estimated value at 2021/22 year-end compared to their actual settlement values. A similar process has also been progressed at 2022/23 year-end but to date this has yet to be completed. Based on the work completed to date the results have been inconclusive with nothing to support a change to the currently applied 25% discount factor approach. **External audit 2022/23 update:** Management continue to use the 25% reduction and no evidence has been provided to support it. This is a recommendation we have raised to management since 2020/21 and we are disappointed that it has not been implemented. We have calculated the impact of this unsupported assumption on the financial statements to be a debit to the general fund of £1,130,000. We have therefore reported this uncertainty to you as an unadjusted misstatement in Appendix D.

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**2020/21 issue (2):** Contingent liability assurance **Risk:** Management made a decision to reverse a provision on the PFCC balance sheet despite not receiving sufficient supporting evidence to form a conclusion compliant with the relevant accounting standard (IAS 37) **(Medium priority) 2020/21 recommendation:** Management should obtain sufficient evidence from its legal department to carry out a full assessment under IAS 37 to determine: a) Whether a provision exists under IAS 37 b) The best estimate as to the value of the provision under IAS 37 c) What disclosure, if any, is required in terms of contingent liabilities	**Management update:** Whilst management agreed to follow up on the action set out in the AFR it nonetheless disagreed with the auditor view that the provision was reversed in 2020/21 without the application of IAS 37 guidance (this related to the Allard-related legal claims). The issue actually related to a disagreement between auditor and client in respect of the underlying information used for the decision-making process by management. In 2021/22 the Allard position was substantially unchanged in terms of uncertainty and management therefore chose to not amend its existing accounting presentation. Subsequently, based on work undertaken for the 2022/23 unaudited accounts, and a review of the updated position, it is felt that significant uncertainties remain in respect of both the value of, and the number of potential claims, meaning a contingent liability continues to be recognised rather than a provision. This accounting approach has been discussed with the auditors during the current engagement, but there remains some difference in opinion in respect of this accounting approach and further discussions will be required between client and auditor before a final consensus can be reached on this matter. **External audit 2022/23 update:** From the work carried out this year, we are not satisfied that this control has been fully implemented. Under the auditing standards, a judgement that a liability is contingent because an estimate cannot be reliably and reasonably made is rare. If we do form this view, and the matter could be material, then it may be something we need to reflect in our auditor's report as a limitation of scope. Our view since 2020/21 is that whilst there is uncertainty around the issue, management should be able to form a 'best estimate' based on information provided by your legal team. During 2023/24 we have discovered that the Force is now making payments against the liability which therefore provides strong evidence that as at the balance sheet date, it should be recognised as a provision rather than a contingent liability. Following our challenge, management have obtained updated information from legal which they have assessed a provision of £168k which is trivial. As it is trivial, management have not adjusted the financial statements but have improved their disclosure of contingent liabilities. Going forward then, it is important that management are provided a 'best estimate' from legal regarding the probably outflow of economic benefit.

Assessment

✓	Action completed
X	Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**2020/21 issue (3):** Control procedures performed over the PPE valuation rolling programme **Risk:** The PFCC revalues its Land and Buildings on a five year rolling programme. As part of our work in 2020-21 we identified two assets which, whilst valued in 2020-21, had not been revalued in more than five years. The processes and controls management have put in place did not ensure compliance with the five year rolling programme in these instances. **(Medium priority) 2020/21 recommendation:** Management should strengthen existing processes and controls to ensure compliance with the five year rolling programme. We would expect this to include a reconciliation of records in the fixed asset register to the estates system. Furthermore, the date of last valuation should be stored within the fixed asset register.	**Management update:** The auditor stated in the 2021/22 AFR that despite management not providing a reconciliation to support this assumption, they were satisfied that all assets had been included in the valuation programme for 2021/22 and nothing was missing. From a client perspective it was agreed that supporting evidence to demonstrate the revised controls now implemented between Estates and Corporate Finance had not yet been provided and this was actioned during the 2022/23 closedown/audit process. It should nevertheless be noted that the recommendation in respect of adding a valuation date to each asset in the asset register is not achievable at the current time due to the system limitations of SAP. An alternate proposal to acquire a standalone asset accounting system similar to that recently purchased by the Kent Police Corporate Finance team and which would remedy this audit action, is now actively being progressed. The system proposed is the CIPFA Asset Module. It is proposed to visit colleagues in Kent to see their system in operation and to get their feedback as to whether the system is meeting their requirements in respect of PPE accounting and desired reporting outputs. **External audit 2022/23 update:** **Management have provided us with evidence of a reconciliation of records in the fixed asset register and estates system however through our audit work input errors relating to assets last valuation dates were identified, this had no impact on the PPE valuation. No evidence of the date of last valuation being stored in the asset register has been provided.** **Despite this we are satisfied that all assets that should have been included in the valuation this year have been. Nonetheless this control recommendation has been partially implemented.**

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Third party monies - Issue raised first raised in 2019/20:** In accordance with the Proceeds of Crime Act (POCA) 2002, the PFCC holds monies on behalf of third parties arising from its operational responsibilities. Monies held under the POCA are correctly not accounted for on the balance sheet as the cash does not belong to the PFCC at this stage. As part of our audit we identified POCA third party cash is co-mingled in the PFCC operational bank accounts from which payments and investments are made. As at 31 March 2019, the POCA cash co-mingled in operational bank accounts was circa £2.1m. In co-mingling third party monies, the PFCC is benefiting from several cashflow benefits, namely: • higher interest rates on investments; and • reduced interest payments because the increased liquidity could result in the PFCC not needing to borrow when it otherwise would Given that the third-party cash does not belong to the PFCC, we recommend that management set up a separate non-operational bank account for third party cash to be deposited and maintained. In doing so, the PFCC would no longer inappropriately benefit from cash which is not theirs. The other reason we are recommending the PFCC to stop co-mingling third party cash is that it reduces the risk of third-party cash being incorrectly recognised on the balance sheet. This is because the current process requires third party deposits to be manually identified and coded during the reconciliation process. Given the weaknesses identified in the controls around the reconciliation process as set out on the previous page, there is a risk that third party deposits are missed during the bank reconciliation and inappropriately recognised on the PFCC balance sheet. This risk is significantly reduced with a separate bank account for third party monies. We are satisfied based on our audit work that there is no material misstatement in the accounts because of third-party monies. Our recommendation is being made to reduce the risk of misstatement and strengthen the controls in place to ensure the propriety of third party assets held by the PFCC. **Recommendation:** 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.	Third party monies continue to be co-mingled in the PFCC's bank account. The total amount as at 31 March 2023 was £4,130,000. The PFCC has considered our recommendation and taken the decision not to implement having considered the associated risks and benefits. Note – the control weakness around the bank reconciliation identified in 2019/20 was closed as part of our work in the 2020/21 audit. For transparency, we continue to recommend that the PFCC set up a separate bank account to hold third party monies for the reasons previously communicated.

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments – adjusted misstatements

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

As at the date of writing, there are no adjusted misstatements that impact the net reported position of the PFCC, CC or Group.

D. Audit Adjustments – unadjusted misstatements

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022-23 audit which have not been made within the final set of PFCC, CC and Group financial statements. The PFCC and CC is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Relates to	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Reason for not adjusting
25% reduction to legal claims provision estimate: Management have historically applied a 25% reduction to the value of legal claims in estimating the provision on the balance sheet. Our work identified that management had not performed an assessment to support and justify this assumption. As there is no evidence to support the 25% reduction, we report the impact of the 25% reduction as an uncertainty in our unadjusted misstatements schedule. An associated control finding has been raised in appendix C.	PFCC and Group	Expenditure 1,130	Provisions (1,130)	1,130	Not material

D. Audit Adjustments – unadjusted misstatements

Detail	Relates to	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Reason for not adjusting
PPE – revaluation reserve: Upon review of the PPE working papers, we flagged some reconciliation issues. Management reviewed their working papers and identified a misstatement in the financial statements. The misstatement arose because journals were either not posted, or posted incorrectly in relation to revaluation movements. The impact of the misstatement is an understatement of the CIES of £416k and an overstatement of the revaluation reserve by £416k. Note – the £416k understatement in the CIES would not go on to impact your general fund because it would be taken to the Capital Adjustment Account (CAA) as part of the statutory adjustments. Therefore, the true misstatement on your closing balance is an understatement of your CAA and an overstatement of your revaluation reserve.	PFCC and Group	Revenue (416)	Revaluation reserve 416	(416)	Not material
Total impact		714	(714)	714	In aggregate not material

Impact of prior year unadjusted misstatements

In our prior year audit we reported to you 10 unadjusted misstatements. The net impact of these unadjusted misstatements were not material (£522k credit to the CIES). Prior year unadjusted misstatements when added together with current year unadjusted misstatements is £224k credit to the CIES. As this is not material, we are satisfied that the cumulative effect of prior year unadjusted misstatements and the current year unadjusted misstatements is not material.

D. Audit Adjustments – misclassification and disclosure changes

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 misstatement, misclassification or omission	Relates to	Auditor recommendation	Adjustment agreed?
Prior period adjustment of your debtors note: In the draft financial statements, management have processed a restatement of the debtors note. The prior year disclosure has been restated to show the provision for doubtful debt net rather than gross. We are of the view that presenting the provision for doubtful debt as net is less transparent. Moreover, under IAS 8, prior period adjustments should only be carried out where the misstatement was material. In this scenario, the provision against doubtful debt was only £117k so highly immaterial. Following our challenge, management agreed to reverse the PPA and continue to present the provision for doubtful debt gross within the debtors note.	Group and PFCC	To comply with IAS 8 and for a better presentation under IAS 1, continue to present the provision for doubtful debt as gross	Yes
Note 19 – PPE historic valuation table: In the draft accounts valuation profile table the 31st March 2023 valuation balance is £7,364k which represents the entire surplus asset balance. This should be £6,946k as an asset valued at £418k had not been revalued in 22/23. Client has agreed to amend for presentation to £6,946k revalued at 31st March 2023 and £418k revalued at 31st March 2022.	Group and PFCC	To amend the disclosure note accordingly	Yes
Note 26 - AHFS: Note 26 contains two disclosure errors. 1. Assets newly classified from PPE should be £1,419k. It was £1,139k in the draft accounts. 2. Assets sold should be £543k. It was £262k in the draft accounts. This has no net impact on the closing balance for AHFS. This is simply a disclosure issue that has arisen because of reconciliation issues in the presentation of transfers to/from PPE.	Group and PFCC	To amend the disclosure note accordingly	Yes

D. Audit Adjustments – misclassification and disclosure changes

Disclosure misstatement, misclassification or omission	Relates to	Auditor recommendation	Adjustment agreed?
Note 19 – PPE reclassification disclosure misstatements: In your draft financial statements, the presentation of transfers to/from PPE contained several misstatements. Your financial statements have been updated for the following: 1. Assets reclassified within PPE now net to £0. In your draft accounts it netted to £486k which is incorrect 2. Assets reclassified to AHFS will now total £1,419k. In your draft accounts it came to £933k. These have no net impact on your balance sheet but do serve to highlight the reconciliation issues within your PPE working papers.	PFCC and Group	To update the accounts accordingly	**Yes**
Note 7 – contingent liability We identified several issues in the disclosure of contingent liabilities in the draft financial statements. 1. Reference to an earmarked reserve is inappropriate and suggests that a potential liability could be estimated. This has been removed in the final version of the accounts. 2. Payments were made in 2023/24 in respect of Allard vs Ors which undermines the argument that it is a contingent liability as at 31 March 2023. The disclosure has been updated to reflect this fact. 3. The disclosure around "business cases" is not material and therefore should not be disclosed under IAS 1. Management agree and have removed the disclosure. 4. Even at worse case scenario, the Allard and Ors is not something that could be material. On this basis, we do not believe it should be disclosed under IAS 1. Management however disagree and believe that it is qualitatively material and therefore have retained the disclosure.	PFCC and Group	To update the accounts accordingly	(1), (2) and (3) have been adjusted for. Issue (4) is unadjusted but not material.

D. Audit Adjustments – misclassification and disclosure changes

Disclosure misstatement, misclassification or omission	Relates to	Auditor recommendation	Adjustment agreed?
Balance sheet earmarked reserves restatement: Management have agreed to update the narrative on the balance sheet regarding the restatement of earmarked reserves. This update should make clear that there was a prior period restatement in 2021/22 to correct for the misstatement which was to present to the 'future capital funding' as a separate reserve rather than being included within earmarked reserve. In the prior year, management correctly restated their MIRS and the earmarked reserves note however failed to correctly update the balance sheet. The prior period error and restatement on the balance therefore relates to correcting for this. Management have agreed to update the narrative to make this clear to the reader of the accounts.	PFCC and Group	**To update the balance sheet accordingly**	Yes
35. Transfers to/from Earmarked Reserves In note 35 of the draft financial statements, management explain that this note has been restated. This is untrue, as the note was restated in the prior year to amalgamate the future capital funding reserve within the earmarked reserve. Management have therefore removed references to this note being restated in accordance with IAS 8.	PFCC and Group	**To update the note accordingly**	Yes

D. Audit Adjustments – misclassification and disclosure changes

Disclosure misstatement, misclassification or omission	Relates to	Auditor recommendation	Adjustment agreed?
Note 6 – sources of estimation uncertainty Our review of your disclosure in relation to PPE estimation uncertainty found that it did not fully meet the requirements of IAS 1. The note on PPE estimation uncertainty has been improved to meet the requirements of IAS 1. This includes drawing out the key assumptions within the PPE valuation that gives rise the estimation uncertainty. These key assumptions are: 1. market rental levels 2. investment yields, 3. comparable market assets, 4. the current established use of the asset continuing in perpetuity 5. the assumption that additional expenditure on assets will maintain the asset in a serviceable condition rather than significantly increasing its value	PFCC and Group	To update the note accordingly	Yes
Note 6 – sources of estimation uncertainty In your draft accounts, you disclosed that the estimated difference between the carrying value of assets as at 31 March 2023 and current value is £0.244m. Following our review and challenge, management identified issues in their underlying working paper used to form this estimate. Having updated their working paper, management are now disclosing the difference as £0.954m. The final accounts have been updated with this revised figure.	PFCC and Group	To update the note accordingly	Yes
EFA – prior period restatement: Within note 10 ‘Notes to the Expenditure and Funding Analysis’ of the draft financial statements, management processed a £55k prior period restatement. In the prior period, the movement on the collection fund was reported as £1,832k but this was restated to £1,887k in the 2022/23 draft financial statements. In accordance with IAS 8, a restatement of prior year figures should only be transacted where the error in the prior year figure is material. We challenged management to explain how this restatement met the requirements of IAS 8. Following this challenge, management have updated their final accounts such that the restatement is removed and they continue to report the figures from the prior year audited accounts.	PFCC and Group	To update the note accordingly	Yes

E. Fees

We confirm below our fees charged for the audit. There are no fees for the provision of non audit services. None of the below services were provided on a contingent fee basis

	PFCC	CC	Joint	Rationale
Audit fee in the 2021/22 Audit Plan	£47,000	£12,000	**£59,000**	
Fee variation in respect of becoming a major local audit	£9,794		**£9,794**	This fee variation is in respect of the PFCC becoming a 'major local audit' in 2021-22 as a result of crossing the £500m total expenditure threshold. The additional work includes: • reduced materiality levels • audit subject to a technical review by our in-house quality team • mandated use of an auditor's expert as part of our PPE work • a series of other enhanced audit procedures for major local audits
Increased audit requirements of revised ISAs 315	£6,680		**£6,680**	
Experience of audit challenges	£10,000		**£10,000**	This is an increase to the base to reflect consistent challenges we face on the audit in terms of response times to queries and quality of working papers. By agreeing an increase in the base fee, it reduces the need for fee variations and means we can plan to provide additional resource to Essex Police from the start of the engagement.
Audit fee agreed in the 2022/23 Audit Plan	£73,474	£12,000	**£85,474**	This is the figure that reconciles to your financial statements
Fee variation	£16,700		£16,700	Despite building in a fee variation for known challenges of the audit, the level of delays has meant an additional fee variation is required. This covers the work around PPE, Journals, 4 PPAs as well as specialist support on IFRIC 14. This is an indicative fee variation and subject to rise should more issues and delays arise or if significant work is required beyond the end of March.
Indicative final fee	£90,174		£102,174	

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69)). The audit fee in the financial statements reconciles to the fee agreed at the audit plan.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

Grant Thornton

grantthornton.co.uk