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Date: 15 September 2021

Dear Member

JOINT INDEPENDENT AUDIT COMMITTEE – FINAL ACCOUNTS

You are requested to attend the Joint Independent Audit Committee meeting on Wednesday 22 September at 1400hrs by way of MS Teams.

Microsoft Teams meeting

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Phone Conference ID: 699 325 540#

Yours sincerely

A handwritten signature in black ink, appearing to read "Paul Hammond".

Paul Hammond
Chief Executive

To: Members of the Joint Independent Audit Committee

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1. Apologies – Chief Constable John Campbell, Chief Supt. Rob France, Stephen Page

-

Final Accounts 2020/21

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| 2. | Statement of Accounts 2020/21 Covering Report | 3 - 16 |
| | • Appendix 1 PCC Group Statement of Accounts 2020/21 (separately bound) | - |
| | • Appendix 2 Chief Constable Statement of Accounts 2020/21 (separately bound) | - |
| | • Appendix 3 PCC's letter to External Auditor | 17 - 22 |
| | • Appendix 4 Chief Finance Officer's (CFO) letter to External Auditor | 23 - 30 |
| | • Appendix 5 PCC & (CFO) Draft letter of Representation to support 2020/21 accounts | 31 - 36 |
| 3. | EY Audit Results Report 2020/21 | 37 - 94 |

Other Matters

| | | |
|----|-----|---|
| 4. | AOB | - |
|----|-----|---|

Date of next meeting Friday 1 October 2021 at 10.30am by way of MS Teams.



JOINT INDEPENDENT AUDIT COMMITTEE



Report for Decision: 22nd September 2021

Title: Statement of Accounts 2020/21

Executive Summary:

In accordance with the Police Reform and Social Responsibility Act 2011 (The Act) the PCC for Thames Valley and the Chief Constable are both required to produce separate Statement of Accounts. The PCC is also required to produce Group Accounts.

Attached at Appendix 1 is a copy of the PCC's Statement of Accounts for 2020/21. This includes the Group financial statements for the PCC and Chief Constable, the PCC's annual governance statement (AGS) and the single entity financial statements for the PCC.

The Chief Constable's separate Statement of Accounts is attached at Appendix 2 and includes Chief Constable's financial statement and the AGS.

Within both documents there is a Narrative Report which pulls together in a single document information on the budget preparation process, final accounts, performance information, medium term financial plans and other contextual information such as workforce numbers and strategic risks.

The Group revenue account is summarised on page 7 of Appendix 1. Overall the revenue budget was underspent by £0.199m which equates to less than 0.1% of the approved net cost of services of £448.730m, which demonstrates ongoing strong and effective financial management of the annual budget by the Chief Constable and his staff.

The capital outturn of £20.334m was £7.941m below the drawn down annual budget of £28.275m and the variance comprised slippage of expenditure of £7.149m and scheme underspends of £0.792m.

The Group balance sheet is summarised on page 11 of Appendix 1. Excluding the liability for defined benefit pension schemes the PCC group has net assets of £275m, including £60m in cash reserves. This is a relatively healthy position to be as we continue to deal with the ongoing financial and operational implications of the Covid-19 pandemic.

On page 9 we have explained how the aborted Equip scheme has been dealt with in the accounts.

The financial implications of Covid-19 are set out on page 16 of Appendix 1, with the Going Concern assessment provided on pages 31 and 32.

The PCC's letter to the External Auditor regarding management assurances is attached as Appendix 3, with the Chief Finance Officers letter attached as Appendix 4. Similar letters were sent from the Chief Constable and Director of Finance.

The draft letter of representation to support the 2020/21 accounts is attached as Appendix 5. This cannot be signed until after EY have concluded their audit. A similar letter will be sent from the Chief Constable and Director of Finance.

The accounts have been audited and the Audit Director will issue an unqualified audit opinion.

The External Auditors 'Audit results report' is attached at Agenda item 3.

Recommendation:

1. That the Committee:
 - CONSIDERS and NOTES the two separate Statement of Accounts for the PCC and Group (Appendix 1) and Chief Constable (Appendix 2); and
 - CONSIDERS and NOTES the management letters sent to the External Auditor
 - CONSIDERS and NOTES the draft letter of representation
 - NOTES the receipt of the external auditor's unqualified audit opinion on the accounts (Agenda item 5)

Chairman of the Joint Independent Audit Committee

I hereby approve the recommendation above.

Signature

Date

PART 1 – NON-CONFIDENTIAL

1 Introduction and background

- 1.1 The Police Reform and Social Responsibility Act 2011 (The Act) established two separate corporation sole bodies, the PCC for Thames Valley and the Chief Constable.
- 1.2 Following the “stage 2” transfer on 1st April 2014 the Chief Constable now employs all police officers and police staff, except those working directly for the PCC. Associated employments rights and liabilities also transferred from the PCC to the Chief Constable.
- 1.3 The PCC has also given consent for the Chief Constable to enter into contracts and to own “short life” assets (e.g. vehicles, plant and equipment). The PCC will retain ownership of land and buildings.
- 1.4 The balance sheet debtors, creditors and provisions are allocated according to the nature of the asset or liability.
- 1.5 All usable reserves remain with the PCC. The Chief Constable has unusable accounting reserves to enable the appropriate accounting treatment for fixed assets, pensions and employee benefits.
- 1.6 The Group continues to operate an intra group account and the PCC continues to pay for all financial resources consumed at the request of the Chief Constable.

Statement of accounts

- 1.7 Attached at **Appendix 1** is a copy of the **PCC’s Statement of Accounts** for 2020/21. This includes the Group financial statements for the PCC and Chief Constable, and the PCC’s Annual Governance Statement (AGS) and the single entity financial statements for the PCC.
- 1.8 There are two introductory statements designed to make the Statement of Accounts more user friendly. The Preface by the PCC is provided on page 2. The longer Narrative Report from the Chief Finance Officer is provided on pages 3 to 20. This includes specific sections on the aborted Equip project and the financial impact of the Covid-19 pandemic.
- 1.9 The Group Comprehensive Income and Expenditure Statement (CIES) is provided on page 31, with the Expenditure and Funding Analysis on page 28.
- 1.10 The Group Balance Sheet is provided on page 29. This shows that the Group has a net liability of £4.798 billion primarily due to the liabilities associated with the unfunded police officer pension scheme (£4.570 billion) and the funded local government pension scheme for police staff (£503m). Excluding the pension liabilities the Group has net assets of £275m
- 1.11 The separate accounts for the PCC single entity start on page 83 with the CIES provided on page 86 and the Balance Sheet on page 87.
- 1.12 The **Chief Constable’s** separate **Statement of Accounts** is attached at **Appendix 2** and includes Chief Constable’s financial statement and AGS.

- 1.13 The preface by the Chief Constable is provided on page 2 and the Director of Finance's narrative report starts on page 3.
- 1.14 Within the Comprehensive Income and Expenditure Statement (CIES) on page 24 the 'Financial resources of the PCC consumed at the request of the Chief Constable' shows the cost of operational policing, net of specific grants and other police income (e.g. fees and charges).
- 1.15 The Chief Constable's Balance sheet on page 25 shows the short-life assets which have been transferred from the PCC, together with appropriate sums for debtors, creditors and accumulated staff absences.
- 1.16 Although the PCC has retained ownership of usable reserves and balances, the insurance provision is shown in the Chief Constable's since, in the main, the liabilities relate to ongoing or historical policing operations and/or incidents, including motor claims.
- 1.17 The significant IAS pension liabilities for both police officers and staff (some £5.07 billion) mean that the Chief Constable has a negative balance sheet.

Revenue Account

- 1.18 A high level summary of the outturn position for 2020/21 is set out below.

Table 1

| | Annual Budget £000 | Annual Outturn £000 | Variance £000 |
|---|-----------------------------------|------------------------------------|--------------------------|
| PCC controlled budgets | 7,439 | 7,109 | - 330 |
| TVP Operational budgets – direction and control of the Chief Constable | | | |
| <i>Pay and Employment Costs</i> | | | |
| Police officer pay and allowances | 262,912 | 265,358 | 2,446 |
| Police officer overtime | 11,216 | 11,926 | 709 |
| PCSO pay and allowances | 12,289 | 12,301 | 12 |
| Police staff pay and allowances | 128,983 | 129,065 | 81 |
| Police officer injury / ill health / death benefits | 4,233 | 3,605 | - 628 |
| Other employee expenses | 2,959 | 2,837 | - 122 |
| Restructure, training & conference costs | 2,070 | 1,735 | - 335 |
| | 424,663 | 426,826 | 2,163 |
| <i>Overheads</i> | | | |
| Premises | 17,135 | 17,012 | - 123 |
| Transport | 10,115 | 9,455 | - 659 |
| Supplies & services | 63,507 | 61,786 | - 1,721 |
| Third party payments | 9,891 | 9,509 | - 382 |
| Specific grants | - 64,782 | - 64,897 | - 1,014 |
| Force income | - 35,956 | - 36,970 | - 115 |
| | - 90 | - 4,105 | - 4,014 |
| <i>Other</i> | | | |
| Capital financing | 18,238 | 18,256 | 18 |
| Interest on balances | - 890 | - 934 | - 44 |
| Statutory accounting adjustments | 432 | 435 | 3 |
| Appropriation from balances | - 862 | 1,143 | 2,005 |
| | 16,918 | 18,900 | 1,982 |

| | | | |
|--|----------------|----------------|--------------|
| Regional collaboration services | | | |
| South East Regional Organised Crime Unit | 20,494 | 20,494 | 0 |
| Counter Terrorist Police South East | 25,448 | 25,448 | 0 |
| Chiltern Transport Consortium | 19,519 | 19,519 | 0 |
| Regional CT firearms specialist officers | 5,062 | 5,062 | 0 |
| Government grants and partnership income | - 70,523 | - 70,523 | 0 |
| Cost of Services | 448,929 | 448,730 | |
| Funded by: | | | |
| General grant income | - 248,043 | - 248,043 | 0 |
| Council tax | - 200,886 | - 200,886 | 0 |
| Net Revenue position | 0 | - 199 | - 199 |

1.19 In total, the revenue budget was underspent by £0.199m, which equates to less than 0.1% of the approved net revenue budget. In accordance with normal accounting practice this surplus has been appropriated to general balances. The main items contributing to this underspend are set out in table 2 below:

| Table 2: Analysis of revenue underspend | Outturn Variance (£m) |
|--|--------------------------------------|
| Monies were transferred from the OPCC and community safety budgets to the victims and witnesses budget to ensure optimum use of the annual MoJ grant. A proportion of this underspend has been transferred in to the earmarked reserve for Community Safety | - 0.330 |
| Total PCC controlled expenditure | - 0.330 |
| Police Officer Pay and Allowances The police officer approved establishment at 31.3.21 is 4,005 FTE. The Force started the year with 3,973 FTE which was 32 officers below the approved establishment, however the continuing success of our recruitment campaign, plus lower wastage, meant that actual strength at 31.3.21 was 4,093 i.e. 88 officers over establishment, resulting in an overspend of £2.446m. The actual level of wastage remained low all year and CCMT revised the programmed recruitment intakes to help mitigate the financial implications of continually being over strength and bring us back on target by March 2022. In December we were informed that the Police Uplift allocation for 2021/22 is 171 officers (previous assumption 150) hence we are already 51% towards our target plus there is a potential for an increased number in 2022/23. | 2.446 |
| Police Officer Overtime The skills and experience gap as a result of the number of officers in training or not yet fit for independent patrol, the need for officers to self-isolate, together with significant operations and demonstrations caused pressures on this budget. | 0.709 |
| Police Staff and PCSOs The overall staff numbers, overtime pressure and some short term supernumerary posts put pressure on the budgeted vacancy factor which, alongside the direct employment of new officers whilst doing their certificate knowledge of policing earlier in the year, put pressures on the overall budget. PCSOs numbers were 50 below establishment which lead to a significant | 0.093 |

| | |
|---|----------------|
| underspend. £1.5m, has been vired with £1m to support the police pay budget and £0.5m used to support staff pay. | |
| Other employee expenses | - 0.122 |
| Minor variations across a number of individual budgets | |
| Police officer injury / ill health / death benefits | - 0.628 |
| The Forces ill health budget is based on 12 officers being medically retired annually; only 4 ill-health retirements occurred during 2020/21. | |
| Restructure, training and conference costs | - 0.335 |
| The increased recruitment to achieve the uplift of officers has been challenging, especially in the current conditions. The opportunities for eLearning are being embraced which with the reduced number of Degree Entry programme courses being run this year and the restrictions on other training activities resulted in an overall underspend. | |
| Premises | - 0.123 |
| Additional Covid workplace compliance costs were absorbed against the utility savings due to the lower utilisation of buildings. | |
| Transport | - 0.659 |
| An underspend on travel costs of £1.05m (primarily due to free fuel from BP) was partially offset by an overspend on the motor insurance premium of £0.39m. | |
| Supplies and Services | - 1.721 |
| There was an underspend of £1.4m on ICT, this is the net position, licensing requirement increases and resource pressures were mitigated by the timing of new contracts and contract savings. | |
| The net movement of on other supplies and services areas was a £0.321m underspend. Savings have arisen due to change in working practices combined with the Covid situation, however this masks the additional pressures of the forensic service provision and miscellaneous investigation expenditure. | |
| Third Party Payments | - 0.382 |
| LPA Commander Funds have historically been underspent and a saving of £0.140m arose this year; the MTFP reflects the removal of these funds in the future. In addition there has also been savings on CCTV activity, the annual helicopter charges and the Forces contribution to other collaborative levies in total saving a further £0.242m. | |
| Income | - 1.129 |
| A number of the force income streams were affected by the pandemic but these were supported by additional Home Office funding. The net impact of these areas of income is a £0.76m under recovery against the anticipated budgets. | |
| In contrast to this, other areas of income have over recovered to the level of £1.89m, giving an overall net over recovery of £1.13m for the year. The over recovery of income includes backdated radio mast income, additional apprenticeship income and additional income from collaborative activities. | |
| Total TVP operational budget | - 1.851 |
| Appropriation to balances | 2.005 |
| Please see below. This included a contribution to the Insurance Fund of | |

| | |
|--|----------------|
| £1.625m | |
| Other Variances | - 0.023 |
| Minor variations on capital financing costs and statutory accounting entries | |
| Net Revenue Position | - 0.199 |

Impact of Covid-19

1.20 The impact of the global pandemic has directly and indirectly affected the accounts of the force in many ways during the 2020/21 financial year.

1.21 We have seen increases in spend for PPE and specialist equipment, reduced income from training and service sales, and redirection of funds to enable technology development to be brought forward in support of changes to working practices.

1.22 Operational resources have been redirected to meet the change in crime types during the lockdowns, and the need to cover resilience in areas where officers and staff have had to isolate or have been infected has also had a knock on effect on the spend profiles for the force.

1.23 Key areas of the accounts that were impacted directly by the pandemic include:

| | £m |
|---|--------------|
| Additional costs of PPE, for which TVP played a pivotal role in the national distribution for all police forces as well as supplying the local needs of TVP | 13.89 |
| Additional staffing costs to support the logistics of operations and manage the change required during the periods | 0.99 |
| Additional infrastructure and estates costs to ensure Covid safe working environments | 0.51 |
| Loss of income from sales and services | 2.30 |
| Reduced costs for goods and services due to less office working | - 0.50 |
| Reduced transport costs due to less traveling and increased use of technology | - 1.00 |
| Net Directly Attributable Costs of Covid | 16.19 |

1.24 In response to the above we have been fortunate that additional funding has also been made available from the Home Office to cover the majority of these costs:

| | £m |
|---|----------------|
| Funding for PPE for TVP and nationally | 12.22 |
| Funding for the logistics and distribution costs relating to PPE | 1.42 |
| Funding for specific Covid related enforcement during the lockdowns | 0.91 |
| Funding to cover the loss of income directly attributable to the pandemic | 1.54 |
| Total Additional Funding Received | £16.09m |

Capital Accounts

- 1.25 In addition to spending on day to day activities, the PCC incurs expenditure on buildings, information technology and other major items of plant and equipment which have a longer-term life.
- 1.26 At the start of the financial year the PCC approved an annual Capital Programme of £38.401m. During the year the final active capital budget was adjusted downwards to £28.275m to reflect prior year re-phasing and the impact of Covid-19.
- 1.27 Actual spend for the year was £20.334m resulting in an underspend variance of £7.941m. Table 3 provides a high-level comparison between the annual active budget and actual spend. The variance comprises scheme underspends of £0.792m and slippage of expenditure of £7.149m.

Table 3

| | Annual Budget £m | Actual Spend £m | Variance £m |
|----------------------------|---------------------------------|--------------------------------|------------------------|
| Property schemes | 6.119 | 3.125 | - 2.996 |
| Vehicles and equipment | 9.196 | 8.674 | - 0.523 |
| ICT core schemes | 11.946 | 8.142 | - 3.804 |
| Business change programmes | 0.470 | 0.334 | - 0.136 |
| Schemes in preparation | 0.543 | 0.059 | - 0.482 |
| Total | 28.275 | 20.334 | - 7.941 |

- 1.28 A brief explanation for the main variations against active budget is provided below;

- **Property**

The significant variance is slippage of works, predominantly on three projects: Western Hub (£0.57m slippage) - re-works to design delayed the tender for construction phase so on-site works did not start until later than expected but are now progressing well. Fountain Court infrastructure (£0.624m slippage) – delays to phase 1 (roofing) and also issues with the tender process for phase 2 (first floor refurb) pushed back the start of phase 2, which was further impacted on by the need to bring existing plans and drawings up to date. Works are now expected to be complete by the end of the calendar year. Atlantic House (£0.44m slippage) delayed due to issue over site access. Main contract due to be signed with works now expected to complete by March 2022. In addition there was an inflation allowance of £0.657m which more than compensated for overspends incurred.

- **Vehicles and equipment**

The main reason for the variance in this area, was the slippage in the Safer Roads budget with spend now not expected until 2021/22.

- **ICT Core schemes**

The main reason for the variance against active budget on ICT schemes was the change, towards the end of the year, in the funding of new smartphone purchases. Initially, circa 5,500 phones were purchased and

paid for but subsequently a decision was taken to lease the phones, therefore, spreading the £1.7m cost over a 2 year period. Another significant factor was the timing of the delivery of the last batch of Windows 10 laptops – initially this was expected to be delivered in 20/21 but will now fall in 2021/22, therefore delaying the £0.39m cost. Slippage in major programmes such as Digital Technology Enablers and ESMCP also contributed to the variance.

- **Schemes in preparation**

Delays in starting projects due to Covid 19 impacted this area, with one of the more significant examples being the PACE/Digital Interview Recording equipment with spend dropping back into 2021/22.

Capital Financing

1.29 Capital expenditure was financed from the following sources:

| Table 4 | £m |
|--|---------------|
| Capital receipts | 0.654 |
| Capital grants | 4.451 |
| Revenue contributions | 6.301 |
| Reserves | 7.851 |
| Borrowing | 0.828 |
| 3 rd party contributions | 0.248 |
| Total Capital Financing 2020/21 | 20.334 |

Reserves, Balances and Provisions

1.30 This section provides a brief update on the revenue and capital balances

General Revenue Balances

1.31 Table 5 shows the movement in general balances during the year.

| Table 5- General Revenue Balances | £m |
|--|---------------|
| Opening balance as at 1 April 2020 | 19.899 |
| Less used to fund bank holidays | - 0.205 |
| Add revenue account surplus | 0.198 |
| General Revenue Balance as at 31 March 2019 | 19.892 |

1.32 The current policy is to maintain general balances around a guideline level of 3% of annual net revenue expenditure budget, with an absolute minimum level of 2.5%. The current level of balances (£19.892m) equates to 4.2% of the net budget requirement in 2021/22. This is a relatively healthy position to be in given the uncertainty over future police grant and council tax precepting levels.

Earmarked Revenue Reserves

1.33 In total, earmarked reserves have increased from £21.816m to £23.158m primarily due to the creation of the PUP Infrastructure Reserve and the Covid-

19 Support Reserve. We also transferred £1.625m into the Insurance Reserve at year-end to help mitigate the increased value of actuarially assessed insurance liabilities at 31st March 2021.

| Table 6 - Earmarked Revenue Reserves | 31.3.20 | 31.3.21 |
|--|----------------|----------------|
| | £m | £m |
| Chiltern Transport Consortium | 0.390 | 0.461 |
| Improvement & Performance | 8.882 | 8.934 |
| Optimisation Bias | 5.512 | 0 |
| Insurance | 0.499 | 1.625 |
| Community safety | 1.150 | 1.510 |
| Police Uplift Infrastructure reserve | 0 | 3.000 |
| Covid-19 Support | 0 | 2.606 |
| Sub-total | 16.433 | 18.155 |
| SE Regional Organised Crime Unit | 0.813 | 1.737 |
| Conditional Funding reserve | 3.570 | 3.266 |
| Total Earmarked Revenue Reserves as at 31 March | 21.816 | 23.158 |

1.34 We have created 2 new reserves this year, both of which should be time limited reserves to reflect cashflow transactions.

- The Police Uplift Infrastructure reserve holds PUP grant monies pending their use to fund one-off costs associated with the significant increase in police officer numbers
- The Covid-19 support reserve holds grant monies pending their use to fund covid-19 related costs over the next 2-3 year, including to offset lower council tax receipts

1.35 Based on current estimates and future expenditure plans, earmarked reserves will be reduced to around £7.9m by the end of 2024/25 as monies are applied to fund one-off expenditure items in the revenue budget and capital programme over the next three years. This includes circa £3.0m in the SEROCU and conditional funding reserves which are not available to support general operational policing in Thames Valley.

Capital Balances

1.36 Capital grants and capital receipts have increased during the year due to a number of asset sales and at 31st March they amounted to £18.5m. These reserves will be further utilised in coming years to finance the medium term capital plan.

Provisions

1.37 The Insurance Provision has increased in value from £9.028m to £9.103m. As shown above, we have also transferred £1.625m into the Insurance Reserve to help fund the increase in the actuarially assessed value of insurance liabilities which, at 31st March 2021, amounted to £10.728m.

1.38 As in previous years, a further actuarial assessment of the insurance provision will be undertaken during the autumn to inform the 2022/23 budget setting process.

Management Assurances

- 1.39 Each year the external auditor writes to the PCC and Chief Constable to understand their arrangements for oversight of management processes and arrangements. A copy of the PCC's response is attached as Appendix 3. The Chief Constable's response is very similar. They also write to the CFO, Chief Executive and Director of Finance in a similar vein, but asking a few more questions. A copy of the CFOs response is attached as Appendix 4. The Director of Finance's response is very similar.

Letter of Representation

- 1.40 Each year the PCC and Chief Constable have to submit separate, but very similar, letters of representation to help external audit form an opinion as to whether their financial statements give a true and fair view of the financial position at year-end, and of its income and expenditure for the year then ended, in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (CIPFA Code). A copy of the PCCs draft response for 2020/21 is attached at Appendix 5. This letter will be signed after EY has concluded its audit.

Audit Results report (Agenda item 3)

- 1.41 The Audit Director has almost finished his audit of the financial statements and intends to issue an unqualified opinion on both sets of accounts, as well as unqualified value for money opinions. His Audit results report for the year ended 31 March 2021 is attached as Agenda item 3.
- 1.42 Members are asked to receive and comment upon the Audit Results report as appropriate.
- 1.43 As set out on page 28 of the Audit Results report there are two unadjusted audit differences that were above the reporting threshold but below materiality i.e.
- PCC and Group Note 15: Capital Expenditure and Financing - This incorrectly excludes finance lease additions (prior year £1,338k and current year £5,157k)

Response

The leased assets recorded in Note 14 (movement on Fixed assets) have been financed from revenue under a finance lease. We have not previously included these leased assets in our annual capital programme so including them in Note 15 would mean that these figures are different to those that we have already published on our website in Final Accounts reports for 2020/21. However, we will review this process in the coming months and will consider whether we should include the acquisition of leased assets (which have been funded from revenue) in future iterations of the annual capital programme and medium term capital plan

- PCC and Group: The PFI model has not accounted for contingent rents (as defined by IAS 17). The amount involved for 2020/21 is £371k.

Response

EY produced their own version of the Abingdon PFI lease liability in 2018 and concluded that only trivial differences identified between EY recalculation and client's accounting model. The journal to correct this 'error' of £0.371m would make no difference to our bottom line surplus/deficit so we decided not to adjust the accounts

2 Issues for consideration

- 2.1 The Committee's operating principles require members to provide assurance to the PCC and Chief Constable regarding the adequacy of the arrangements, capacity and capability available to their respective chief finance officers to ensure the proper administration of the Commissioner's and Force's financial affairs.
- 2.2 Production on the annual financial statements is a key element of this work. The fact that we have produced the accounts on time and in accordance with all the relevant statutory requirements and received an unqualified audit opinion should demonstrate to the Committee that we have the necessary capability and capacity to ensure the proper administration of our combined financial affairs.
- 2.3 In agenda item 3 the Committee will be asked to consider the Audit Results report for 2020/21.

3 Financial Implications

- 3.1 The Group revenue account is summarised on page 9 of Appendix 1. This shows that, overall, the revenue budget was underspent by £0.199 or less than 0.1% of the approved net cost of services of £448.730m which demonstrates continued strong and effective financial management and control by the Chief Constable and his staff.
- 3.2 The capital outturn of £20.334m was £7.941m below the drawn down annual budget of £28.275m and the variance comprised slippage of expenditure of £7.149m and scheme underspends of £0.792m.
- 3.3 The Group balance sheet is summarised on page 11 of Appendix 1. Excluding the liability for defined benefit pension schemes the PCC group has net assets of £275m, including £60m in cash reserves. This is a relatively healthy position to be as we continue to deal with the ongoing financial implications of the Covid-19 pandemic.

4 Legal Implications

- 4.1 All local authorities, including the PCC and Chief Constable, are required to produce an annual Statement of Accounts in accordance with the Accounts and Audit (England) Regulations 2016.

5 Equality Implications

- 5.1 There are none arising specifically from this report

Background papers

CIPFA Code of Practice on Local Authority Accounting 2020/21
LAAP bulletins
Advice from CIPFA and EY
Closing working papers in both the OPCC and Force Finance Department
Audit Results Report – ISA (UKA & Ireland) 260

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the website within 1 working day of approval. Any facts and advice that should not be automatically available on request should not be included in Part 1 but instead on a separate Part 2 form. Deferment of publication is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of this form to be deferred? No

Is there a Part 2 form? No

| Name & Role | Officer |
|---|---------------------------|
| Head of Unit This is the eighth year that 2 separate statement of accounts have been produced for the PCC and Chief Constable. The accounts have been audited and the external auditor is likely to issue an unqualified audit opinion. | PCC Chief Finance Officer |
| Legal Advice The two separate statement of accounts have been produced in accordance with the Accounts and Audit (England) Regulations 2016 | PCC Chief Finance Officer |
| Financial Advice The group revenue account shows an annual underspend of £0.199m which equates to less than 0.1% of the approved 'cost of services' budget for 2020/21 which demonstrates strong and effective financial control. | Director of Finance |
| Equalities and Diversity No specific issues arising from this report | PCC Chief Finance Officer |

CHIEF OFFICERS' APPROVAL

We have been consulted about the report and confirm that appropriate financial and legal advice has been taken into account.

We are satisfied that this is an appropriate report to be submitted to the Joint Independent Audit Committee.

PCC Chief Finance Officer

Date 14 September 2021

Director of Finance

Date 14 September 2021



Suresh Patel
Associate Partner
Ernst & Young LLP
Apex Plaza
Reading
Berkshire
RG1 1YE

Matthew Barber
Police & Crime Commissioner
for Thames Valley

Date: 11 June 2021
Our Ref: Closing 2020/21 TR5
Your Ref: PCC TCWG

Dear Suresh

Understanding the TVP management processes and arrangements

In response to your letter and email dated 22nd April 2020 I set out below answers to each of the 9 specific questions on management processes and arrangements.

1) How do you as ‘those charged with governance’ of Thames Valley Police, exercise oversight of management’s processes in relation to:

- a) **Undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);**

Closing the accounts is a business critical exercise that is undertaken jointly by experienced and appropriately qualified staff in my office and the Force Finance Department. There is a detailed workplan and timetable, which is rigorously adhered to, and weekly meetings between key accountancy staff are held to ensure that all tasks remain on track, if not remedial measures are agreed and implemented as soon as possible.

The overall closing process is closely monitored by Ian Thompson (my CFO) and Linda Waters (the Force Director of Finance)

In previous years the External Auditor has commented favourably on the accounts closedown process. No significant changes to staff, systems or process have been made this year.

- b) **Identifying and responding to risks of fraud, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;**

The Force and OPCC have very effective risk management processes. Regular updates on risk management are provided to the Joint Independent Audit Committee which reports to the Chief Constable and I.

Internal audit annually review the key financial processes and procedures. No significant weaknesses or omissions have been identified.

- c) **Communication to employees its views on business practice and ethical behavior (e.g. by updating, communicating and monitoring against the code of conduct);**
- Force values apply equally to all police officers and staff and are set out in the Standards of Professional Behaviour and The Code of Ethics. These publications lay out the values and expectations that everyone in Thames Valley Police are required to adhere to, not only whilst in the work place, but also whilst off duty too.
 - Since the issue of the Code of Ethics by The College of Policing in April 2014 everyone who works in policing has undergone training to ensure they fully understand the organisations expectations which places an absolute duty on all officers and staff to comply with the code.
 - We are working continuously to embed The Code of Ethics in the organisation:
 - Business as usual activities encompasses the code of Ethics which is themed through all officer foundation training and is included at the appropriate points in all new training packages.
 - All new staff are required to complete the introduction to Ethics and Integrity on-line learning package on appointment.
 - The police staff induction course includes a section on the Code which is delivered by the Force Security Team.
 - A series of short '60 second' videos have been produced to succinctly deliver information about PSDs key policies and procedures and the PSD newsletter carries regular reminders and includes thematic review of lessons learnt and highlights cases where breaches of the discipline policy/misconduct policy have occurred:
 - Disclosable Associations
 - Business Interests
 - Drugs, Alcohol and Substance Misuse
 - Sexual Gain
 - Data Misuse Practice requiring improvement
 - Reflective Practice
 - Discreditable conduct of a sexualised nature
 - Ethical social media and on-line communications
 - PSD have produced a 10-minute PowerPoint briefing, designed for Sergeants/supervisors to deliver to their teams, or individuals can read it alone if this is not possible. This briefing covers a wide range of topical information to update frontline officers to current matters they should be aware of – these relate to the videos above and ethical issues
 - PSD have presented the '3Ps,' (Professional, Proportionate and Pragmatic) strategy to senior managers and further comms releases and updates will be taking place ensuring all officers and staff understand the '3Ps.' This is included in the departments 3-year strategy – 'promoting a culture of learning and constructive challenge.'
 - Senior Vetting Advisors have set up a vetting decision making forum which runs 4 times a year. The panellists are invited from minority groups, support staff associations and developing potential scheme. Various cases are presented and panellists are asked to provide feedback on decisions being made within the vetting unit.
 - The Professional and Ethical Standards Panel (PESP) formerly the Complaints, Integrity and Ethics Panel monitors and challenges the way the Force handles complaints, integrity issues, and makes ethical decisions. This is overseen by the OPCC, and was set up to help ensure that TVP has clear ethical standards and achieves the highest levels of integrity and professional standards. The PESP actively

conduct thematic reviews and attend PSD case reviews which contribute to ensuring the force is independently appraised of the progress against set criteria.

- Following an HMICFRS inspection in 2019, the PEEL Report on Ethical and lawful workforce behaviour indicated the force should take steps to make sure that officers and staff are aware of how to raise ethical issues within the force. The actions taken so far are:
 - An Ethics & Integrity Sub Group has been set up to look at issues around ethics and promoting greater awareness.
 - Revised terms of reference have been agreed in 2020 and a decision made to re-establish the Ethics Champions roles and re-brand what we call them, together with expanded training for these individuals.
 - PSD appointed a Force Ethics Researcher, who has supported the re-establishment of the Ethics sub committees and driven forward the agenda for promoting awareness and engagement through the ethics champions, senior managers and teams.
 - To enhance and expand ethics training deliveries to include inputs in to all development course for sergeants and Inspectors
 - The group will also consider how organisational learning can be fed back to front line and examine ways to raise dilemmas which can be encapsulated learning outcomes
- The Anti-Fraud and Corruption Policy was updated in December 2020 and all employees were made aware of its existence by an article in 'In the Know.'. Work continues to ensure the messages are continually reinforced, examples include:
 - Debt Management Awareness continues throughout the Force and is included on all training inputs delivered by Force Security Staff.
 - Policies relating to business interests, disclosable associations were reviewed and updated in February and March 2020. Compliance with these is randomly checked
 - Since May 2020 PSD has produced a quarterly/bi-monthly Managers Briefing which is used to highlight themes and topics to managers who then cascade to team members. This is aimed at promoting greater awareness and compliance with force policies and procedures
 - Monitoring of the force telecommunications systems is carried out in accordance with the Lawful Business Monitoring policy. All staff have been made aware through information in the force-wide weekly information bulletin – 'In the know,' and via the PSD intranet pages that, *'Monitoring of all force staff using force issue devices will occur in order to identify inappropriate use of the software & data provided by the organisation to carry out policing business. This information can and will be reviewed in order to ensure that information and networks are being used for lawful and legitimate policing purpose.'*
 - PSD Investigators provide an input at all Leadership Development Days. They discuss lessons learnt; a professional, proportionate and pragmatic approach to misconduct investigations and identify current risk areas/themes.
 - The Force Professional Standards Department (PSD) is responsible for monitoring compliance with this Code and taking action against those who do not comply.
 - The force has undertaken a vetting compliance project to ensure all persons are vetted and those previously vetted are also subject to regular reviews to ensure full compliance with the Vetting Code of practice. This will provide monitoring and aftercare/management of risks.

d) **Encouraging employees to report their concerns about fraud, and**

The Standards of Professional Behaviour (Code of Ethics) includes a positive obligation on all members of TVP to "*Challenging and reporting improper behaviour*". The Anti-Fraud, Bribery and Corruption Policy was updated in December 2020 and also includes details on

whistle blowing. In Thames Valley we use a confidential reporting system called i-line which is monitored by PSD and advertised on their intranet site.

e) Communicating to you the processes for identifying and responding to fraud or error.

The processes for identifying and responding to fraud or error are clearly set out in Financial Regulations (section 3.4) and the Anti-Fraud, Bribery and Corruption policy. I have seen and approved both documents.

2) How do you oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?

Along with the Chief Constable I have established a Joint Independent Audit Committee which meets quarterly to maintain oversight over the organisations internal control and governance procedures. One of the key documents they receive is the Chief Internal Auditor's opinion on the System of Internal Audit. The JIAC also receives regular quarterly updates on risk management in both the Force and the OPCC

The Annual Governance Statement explains how the Joint (with the Chief Constable) Code of Corporate Governance is operating in practice and highlights any deficiencies in internal control or governance that need to be rectified as a matter of urgency.

I hold the Chief Constable to account for delivering the policing aspects of my Police and Crime Plan. As part of this process the Professional and Ethical Standards Panel oversees integrity, ethics, professional standards and misconduct matters, which includes any fraudulent activity by current officers or staff.

3) Are you aware of any:

a) Breaches of, or deficiencies in internal control;

No, the Annual Governance Statement for 2019/20 did not identify any significant problems or potential issues with the current system of internal control.

The draft Annual Governance Statement for 2020/21, which was presented to JIAC in March, has not identified any breaches or deficiencies in internal control, nor any potential governance issues that may have an impact in 2021/22. The final annual Governance Statement for 2020/21 will be presented to the Joint Independent Audit Committee on 18 June 2020.

b) Actual, suspected or alleged frauds during 2020/21

I am not aware of any actual or alleged frauds during 2020/21

4) Are you aware of any organisational or management pressure to meet financial or operating targets?

Clearly the organisation is under pressure to respond to the increasing demand with finite resources but the Chief Constable and I, and our respective chief officers, are very clear that internal control must not be compromised in order to meet these fiscal reductions.

In terms of operational performance I have set challenging but realistic targets for the Force to achieve and these are measured and monitored on a regular basis throughout the year. Good governance arrangements are in place to ensure that performance recording and monitoring remains ethical, honest and timely. This area of business is subject to regular scrutiny by HMICFRS.

5) How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any non-compliance during 2020/21?

Both statutory chief finance officers have a personal responsibility to ensure the implementation of effective internal control systems to prevent and detect fraud or error. Within that specific context they will ensure that:

- All the accounting supporting records will be made available to you for the purpose of your audit and all the transactions undertaken by the PCC and Force have been properly reflected and recorded in the accounting records to the best of my knowledge.
- All other records and related information, including minutes of all level 1 public meetings and committees (e.g. JIAC and CIEP) meetings, have been made available to you.

The Annual Governance Statement for 2020/21 does not identify any breaches of internal control or corporate governance during the year.

To the best of my knowledge and belief I am not aware of any non-compliance with laws, regulations and codes of practice during 2020/21.

6) Are you aware of any actual or potential litigation or claims that would affect the financial statements?

No I am not aware of any potential litigation or claims that would have a material effect on the financial statements.

7) How do you satisfy yourself that it is appropriate to adopt the going concern basis in preparing the financial statements?

Apart from the unfunded pension liabilities associated with IAS19 valuation of police officer and staff pensions (£5.072 billion as at 31st March 2021) the Group balance sheet is very healthy.

I have recently approved a medium term financial plan (MTFP) covering the four-year period 2021/22 to 2024/25 which is currently balanced in 2020/21 but, still shows variations in the latter three years due to the lack of reliable information on future grant and precept levels. This was a recommendation from officers, which I fully supported. This MTFP currently includes cash savings of £16.1m and significant work is being undertaken within the force, including the Efficiency and Effectiveness Review, to ensure delivery of these savings and identify potential further savings. Further savings will be identified as and when appropriate to balance future year budgets

HMICFRS published its first integrated PEEL assessment for Thames Valley on 27th September 2019. Due to Covid-19 HMICFRS paused its inspection programme last year so the previous gradings awarded to TVP (i.e. an overall grading of GOOD as well as for each of the 3 component parts i.e. Effectiveness, Efficiency and Legitimacy) were also reported in the State of Policing Report 2019, as published in July 2020.

The Covid pandemic has had a huge impact on the work and the accounts of TVP during 2020/21. We have seen significant increases in spend for PPE and specialist equipment, reduced income from training and service sales and the redirection of funds to support technology and remote working, against this we have seen reductions in other areas of spend such as Travel. We have been fortunate to receive additional funding from the Home Office (£16m) which has covered the majority of our additional costs.

I maintain a healthy level of reserves, balances and provisions.

A risk assessment is produced by the two chief finance officers to support and complement the annual revenue budget and the level of general balances currently held. There is nothing in either of these two risk assessments to suggest that Thames Valley Police cannot and will not continue to operate as a going concern in either the short or medium term.

Thames Valley Police will remain a going concern since we are backed by Home Office core grants, special grants and council tax income. I also maintain an adequate level of reserves and balances which can be drawn upon to help fund unforeseen expenditure.

8) **What do you consider to be the related parties that are significant to Thames Valley Police and what is your understanding of the relationships and transactions with those related parties?**

There are a number of operational collaborations which TVP belongs to and, in most cases, leads. The main ones are summarized below.

The **Chiltern Transport Consortium** (CTC) provides a vehicle fleet management service to TVP, Bedfordshire Police, Hertfordshire Police, Cambridgeshire Constabulary and the Civil Nuclear Constabulary. The majority of costs for the CTC go through the TVP accounts and we issue invoices to the other parties for their share of the overall costs.

The **South East Regional Organised Crime Unit** (SEROUC) comprises several different capabilities as recommended by the National ROCU Board. As with the CTC most costs are incurred by TVP initially before we seek an appropriate reimbursement from our partners.

The **Counter Terrorism Policing South East** (CTPSE) comprises several different CT capabilities. TVP leads this regional unit with all the costs going through our books. This unit is fully funded by specific grants from the Home Office

TVP also leads the SE regional **Counter Terrorism Specialist Firearms Officers** (CTSFO) unit. The majority of costs are funded by the Home Office. Residual costs are shared between Hampshire, Surrey, Sussex and TVP.

We collaborate with **Hampshire Police** in terms of ICT, Information Management, and Operations. Two of these (ICT and Information management) are led by TVP whilst Hampshire leads on operations. In October 2020 we finally implemented the joint Contact Management Platform (CMP) programme with Hampshire.

In December 2020 the PCCs for Surrey, Sussex and Thames Valley accepted a recommendation from our respective Chief Constables that we should formally cease the shared **Enterprise Resource Planning** (ERP) solution. We are now seeking separate solutions. In Thames Valley this is being facilitated through the Next Steps programme. Police.

9) **Does the PCC have concerns regarding relationships or transactions with related parties and, if so, what is the substance of those concerns.**

No. I am not unduly concerned by the underlying relationship with any of our key partners.

Yours sincerely



Matthew Barber
Police & Crime Commissioner for Thames Valley



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Date: 11 June 2021
Our Ref: Closing 2020/21 TR5
Your Ref: PCC Mgmt

Dear Suresh

Understanding the TVP management processes and arrangements

In response to your letter dated 22nd April I set out below answers, to the best of my knowledge and belief, to each of the 13 specific questions on management processes and arrangements. The answers provided relate to both the PCC and Group financial statements for the year ended 31st March 2021. I would also refer you to the Annual Governance Statement which provides further information on our internal control procedures.

1) What are the management processes in relation to:

- a) **Undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);**
 - The closing of accounts workplan and timetable sets out all the relevant tasks to be undertaken by both OPCC and the Force Finance Department as part of the closure and preparation of the annual accounts, including all relevant reconciliation tasks and checks necessary to help identify fraud and error within the accounts. Responsibility for the monitoring and management of the work plan is undertaken jointly by Linda Waters and me.
 - Financial monitoring reports have been prepared and presented to the PCC on a regular basis throughout the financial year, including an estimate of the year-end outturn position. A key element of the closedown process is to reconcile the year-end accounts to the final monitoring report to understand the key changes and why they have occurred.

In addition, the risk assessment will take into account evidence obtained from the following sources:

- The annual internal audit plan sets out which key financial systems and controls will be subject to audit based on a risk assessment. Progress reports are issued during the

year and an annual report after the year-end summarising key findings, which would include any risk that the financial statements may be materially misstated due to fraud.

- The Joint Independent Audit Committee (JIAC) receives and considers independent reports from the external auditor (e.g. Annual Audit Letter and the Annual Governance Report) which set out any key weaknesses and risks identified from the audit of the organisation concerning financial systems, the internal control environment and the quality/accuracy of the financial statements.
- b) **Identifying and responding to risks of fraud, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;**
- Within the OPCC finance function we give control procedures the highest level of importance. In addition to the normal vetting of staff etc. we use the concept of segregation of duties and manual and automated authorisation processes to minimise the risk of fraud.
 - Force Strategic Risk Register and Risk Management User Guide: Risk registers were maintained for each Local Police Area (LPA), Operational Command Unit (OCU), HQ Department and for the OPCC as a discrete unit. The Force Risk Management Group oversees risk management within the Force and is responsible for ensuring that all LPAs, OCUs and HQ Departments have risk mitigation plans in place and are being implemented effectively. The separate OPCC and Force risk registers' and associated risk mitigation plans are reported to and monitored by the JIAC on a regular basis.
- c) **Communication to employees its views on business practice and ethical behavior (e.g. by updating, communicating and monitoring against the code of conduct);**
- Force values apply equally to all police officers and staff and are set out in the Standards of Professional Behaviour and The Code of Ethics. These publications lay out the values and expectations that everyone in Thames Valley Police are required to adhere to, not only whilst in the work place, but also whilst off duty too.
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- The Anti-Fraud and Corruption Policy was updated in December 2020 and all employees were made aware of its existence by an article in 'In the Know.' Work continues to ensure the messages are continually reinforced, examples include:
 - Debt Management Awareness continues throughout the Force and is included on all training inputs delivered by Force Security Staff.
 - Policies relating to business interests, disclosable associations were reviewed and updated in February and March 2020. Compliance with these is randomly checked
 - Advice around debt management and all PSD policies are included in PSD newsletters – 'Professional as Standard,' which is being issued every 2 months. The newsletters include articles and case studies relating to various themes which are scheduled at planned intervals during the year. This information is also

included within the PSD Intranet pages and PSDs force-wide briefing which is updated monthly.

- Since May 2020 PSD has produced a quarterly/bi-monthly Managers Briefing which is used to highlight themes and topics to managers who then cascade to team members. This is aimed at promoting greater awareness and compliance with force policies and procedures
- Monitoring of the force telecommunications systems is carried out in accordance with the Lawful Business Monitoring policy. All staff have been made aware through information in the force-wide weekly information bulletin – ‘In the know,’ and via the PSD intranet pages that, *‘Monitoring of all force staff using force issue devices will occur in order to identify inappropriate use of the software & data provided by the organisation to carry out policing business. This information can and will be reviewed in order to ensure that information and networks are being used for lawful and legitimate policing purpose.’*
- PSD Investigators provide an input at all Leadership Development Days. They discuss lessons learnt; a professional, proportionate and pragmatic approach to misconduct investigations and identify current risk areas/themes.
- The Force Professional Standards Department (PSD) is responsible for monitoring compliance with this Code and taking action against those who do not comply.
- The force has undertaken a vetting compliance project to ensure all persons are vetted and those previously vetted are also subject to regular reviews to ensure full compliance with the Vetting Code of practice. This will provide monitoring and aftercare/management of risks.

d) Encouraging employees to report their concerns about fraud, and

- The Standards of Professional Behaviour (Code of Ethics) include “Challenging and reporting improper behaviour”. The ethics training referred to above specifically reminds individuals of their responsibility to report, and the methods of reporting, any fraud or misconduct. The Anti-Fraud, Bribery and Corruption Policy also includes details on whistle blowing. In Thames Valley we use a confidential reporting system called i-line which is monitored by PSD and advertised on their intranet site.
- The processes for identifying and responding to fraud or error are clearly set out in Financial Regulations (section 3.4) and the Anti-Fraud, Bribery and Corruption policy.

e) Communication to the PCC and Joint Independent Audit Committee (i.e. those charged with governance) the processes for identifying and responding to fraud or error.

Within the wider governance context of all relevant persons charged with responsibility to implement, maintain or exercise oversight of management processes concerning the prevention and detection of fraud or error, the following internal control environment (policies, control processes and communication arrangements) is in place:

- Financial Regulations - specifically section 3.4 (Preventing fraud and corruption) which sets out organisational expectations of employees, the PCC and partners and the respective roles and responsibilities of the PCC and Chief Constable. This includes the requirement to maintain an anti-fraud, bribery and corruption policy, a whistle-blowing policy and a clear internal financial control framework.
- Chief Constable’s Financial Instructions - these detailed operational instructions complement Financial Regulations and expand on the roles and responsibilities of all budget holders and managers (including “*responsibility for the prevention and detection of fraud and other illegal acts within TVP*”) as well as on the internal control systems and policies in place (including the role of internal audit and the existence and requirements of the anti-fraud and corruption policy).
- The JIAC meets quarterly. It receives and considers regular reports that enables it to oversee management processes, and to identify and respond to the risk of fraud and possible breaches of internal control, as follows:

- Reports from both internal and external audit.
 - The external auditor's annual audit letter and the audit results report.
 - Regular updates to the OPCC and Force risk registers' and monitoring of the associated risk mitigation plans.
 - Consideration, development and maintenance of the Joint Code of Corporate Governance, Annual Governance Statement (AGS) and inherent internal control systems prior to submission to the PCC and Chief Constable for approval. These documents are also submitted to the JIAC for consideration and endorsement.
 - Monitoring of the effective implementation of the AGS Action Plan, when appropriate.
 - Consideration and input to the development of the Internal Audit Strategy and Annual Audit Plan
 - Regular progress updates on the delivery of the annual audit plan and agreed actions arising from internal audit reports.
- The Professional and Ethical Standards Panel monitors and challenges the way complaints, integrity, ethics and professional standards issues are handled by the Force and is overseen by the PCC, to help ensure that TVP has clear ethical standards and achieves the highest levels of integrity and professional standards of service delivery
 - The above policies and documents setting out relevant control systems, roles and responsibilities are generally communicated to all employees via:
 - the PCC's website (i.e. AGS; Financial Regulations, Anti-Fraud, Bribery and Corruption Policy)
 - the Force intranet (i.e. Knowzone) which also presents the above documents together with the Chief Constable's Financial Instructions and the Force's Risk Management framework
 - specific working groups (e.g. Governance Advisory Group and the Force Risk Management Group)
 - Public "Level 1" meetings between the PCC and Chief Constable, as well as the JIAC
 - The AGS sets out the corporate arrangements for scrutinising operational and financial performance; systems of internal audit and internal control; managing risks, and the opinion of the Chief Internal Auditor on the organisation's system of internal control.
 - On-the-job training.

2) What are Management's views about whether there are areas within the organisation that are at risk of fraud?

It is virtually impossible to eliminate the risk of any fraud occurring throughout the organization but through good internal control and proportionate risk management processes we aim to reduce the risk of fraud to a manageable and tolerable level.

3) Does Management have knowledge of any actual or suspected or alleged instances of fraud or fraudulent financial reporting?

Not that I am aware of

4) What was Management's response to the situation identified?

Not applicable

5) Is Management satisfied that internal controls to prevent and detect fraud, including segregation of duties, exist and work effectively?

I am satisfied that all other internal controls are operating effectively.

6) Are there any deficiencies in internal control?

Not that I am aware of.

7) Are you aware of any instances where controls have been overridden?

No

8) Is there is any organisational or management pressure to meet financial or operating targets?

Clearly the organisation is under pressure to respond to the growing level of demand with a finite level of resources but Management is very clear that internal control will not be compromised in order to meet these fiscal reductions.

Good governance arrangements are in place to ensure that performance recording and monitoring remains ethical, honest and timely. This area of business is subject to regular scrutiny by HMICFRS and internally by the Force Crime Registrar.

9) Are there any particular areas of the accounts that are more susceptible to false entries or omissions or other forms of manipulation? Are management aware of any such manipulation having occurred?

I am not aware of any particular areas of the accounts that are more susceptible to false entries or omissions or other forms of manipulation. For those items in the accounts that are imported from systems outside Aptos, reconciliations are undertaken to ensure the correct totals are incorporated in the accounts. Cash figures are reconciled on a regular basis to approved bank accounts. All control accounts, including suspense accounts are fully reconciled.

Management is not aware of any false entries, omissions or other form of manipulation having occurred in the 2020/21 accounts.

10) How does management gain assurance that all relevant laws and regulations have been complied with.

Both Linda Waters (Director of Finance) and I have a personal responsibility to ensure the implementation of effective internal control systems to prevent and detect fraud or error. Within that specific context we ensure that:

- All the accounting supporting records have been made available to you for the purpose of your audit and all the transactions undertaken by the OPCC and Force have been properly reflected and recorded in the accounting records to the best of my knowledge.
- All other records and related information, including minutes of all public PCC and Committee meetings, have been made available to you.

The corporate review of the organisation's general compliance with all relevant laws and regulations is undertaken by the Governance Advisory Group. This Group, which comprises senior officers from both the Force and OPCC, is responsible for capturing, reviewing and developing the organisation's systems of internal control, as summarised in the Code of Corporate Governance and the Annual Governance Statement.

Based on the work undertaken by the Governance Advisory Group, supplemented by the work and assurances of the Internal Audit Service, the ongoing monitoring of the organisation's risk registers and mitigation plans, and the specific work of relevant officers responsible for coordinating and managing the closure and preparation of the accounts, I can confirm that to the best of my knowledge there are no known instances of non-compliance with laws, regulations and codes of practice likely to have had a significant effect on the finances or operations of the PCC and the Force.

11) Are there any actual or potential litigation or claims that would affect the financial statements?

Having consulted colleagues, I am not aware of any potential litigation or claims that would have any material effect on the financial statements.

12) How does Management satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

Apart from the unfunded pension liabilities associated with IAS19 valuation of police officer and staff pensions (£5.072 billion as at 31st March 2021) the Group balance sheet is very healthy.

The PCC has recently approved a medium term financial plan (MTFP) covering the four-year period 2021/22 to 2024/25 which is currently balanced in 2020/21 but still shows variations in the latter three years due to the lack of reliable information on future grant and precept levels. This was a conscious decision by officers, with full support from the PCC. This MTFP currently includes cash savings of £16.1m and significant work is being undertaken within the force, including the Efficiency and Effectiveness Review, to ensure delivery of these savings and identify potential further savings. Further savings will be identified as and when appropriate to balance future year budgets

We maintain a healthy level of reserves, balances and provisions and these are reported formally to the PCC on a regular basis during the budget preparation cycle and also at year-end.

The Covid pandemic has had a huge impact on the work and the accounts of TVP during 2020/21. We have seen significant increases in spend for PPE and specialist equipment, reduced income from training and service sales and the redirection of funds to support technology and remote working, against this we have seen reductions in other areas of spend such as Travel. We have been fortunate to receive additional funding from the Home Office (£16m) which has covered the majority of our additional costs.

HMICFRS published its first integrated PEEL assessment for Thames Valley on 27th September 2019. Due to Covid-19 HMICFRS paused its inspection programme last year so the previous gradings awarded to TVP (i.e. an overall grading of GOOD as well as for each of the 3 component parts i.e. Effectiveness, Efficiency and Legitimacy) were also reported in the State of Policing Report 2019, as published in July 2020.

The budget report includes a comprehensive section on budget risks and uncertainties. In addition, a risk assessment is produced for the PCC's information to support and complement the annual revenue budget and the level of general balances currently held. There is nothing in either of these two risk assessments to suggest that Thames Valley Police cannot and will not continue to operate as a going concern in either the short or medium term.

Thames Valley Police will remain a going concern since we are backed by Home Office core grants, special grants and council tax income. We also have adequate reserves and balances which can be drawn upon to help fund unforeseen expenditure.

13) In respect of related parties

a) Have there been any changes in related party relationships and transactions from the prior period?

In addition to the related parties disclosed in the 2020/21 Statement of Accounts TVP is also involved in the following operational collaborations or partnerships.

We have implemented a joint Contact Management Platform (CMP) programme with Hampshire Constabulary. TVP went live in October 2020.

In December 2020 a decision was taken to cease work on the shared Enterprise Resource Planning (ERP) solution with Surrey and Sussex Police. We are now exploring separate solutions. In TVP this is being facilitated through the Next Steps programme.

b) What is the nature of the relationship with the identified related parties, how have these been accounted for disclosed?

Not applicable

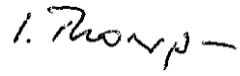
c) Have there been any transactions with related parties during the period that have been conducted outside the Authority's normal course of business?

No

d) What is the purpose of material transactions entered into with related parties?

The delivery of operational policing

Yours sincerely

A handwritten signature in black ink, appearing to read "I. Thompson", with a horizontal line extending from the end.

Ian Thompson
Chief Finance Officer & Deputy Chief Executive



Andrew Brittain
Ernst & Young
Apex Plaza
Forbury Road
Reading
RG1 1YE

Matthew Barber
Police & Crime Commissioner
for Thames Valley

22 September 2021

Dear Andrew,

This letter of representations is provided in connection with your audit of the consolidated and PCC financial statements of PCC (“the PCC and Group”) for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and PCC financial statements give a true and fair view of the PCC and Group financial position of PCC/CC as of 31 March 2021 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the PCC and Group, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of our consolidated and PCC financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the PCC and Group the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

2. We acknowledge, as members of management of the PCC and Group, our responsibility for the fair presentation of the consolidated and PCC financial statements. We believe the consolidated and PCC financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the PCC and Group in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. We have approved the consolidated and PCC financial statements.
3. The significant accounting policies adopted in the preparation of the PCC and Group financial statements are appropriately described in the PCC and Group financial statements.
4. As members of management of the PCC and Group, we believe that the PCC and Group have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the PCC and that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and PCC financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because:
 - Capital expenditure and financing: The leased assets recorded in Note 14 (movement on Fixed assets) have been financed from revenue under a finance lease. We have not previously included these leased assets in our annual capital programme so including them in Note 15 would mean that these figures are different to those that we have already published on our website in Final Accounts reports for 2020/21. However, we will review this process in the coming months and will consider whether we should include the acquisition of leased assets (which have been funded from revenue) in future iterations of the annual capital programme and medium term capital plan
 - PFI model: EY produced their own version of the Abingdon PFI lease liability in 2018 and concluded that *only trivial differences identified between EY recalculation and client's accounting model*. The journal to correct this 'error' of £0.371m would make no difference to our bottom line surplus/deficit so we decided not to adjust the accounts
6. We confirm the PCC and Group does not have securities (debt or equity) listed on a recognized exchange.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the PCC and Group's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and PCC financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the PCC or Group (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or [PCC]’s financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the PCC or Group’s activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and [all material transactions, events and conditions are reflected in the consolidated and PCC financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Group and of the PCC, and the following committees: Joint Independent Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 18 June 2021.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the PCC and Group's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and PCC financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with applicable financial reporting framework.
6. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
7. We have disclosed to you, and the PCC and Group has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and PCC financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. From 20 November 2020 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and PCC financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent.

E. Going Concern

1. Group general accounting policies, note a. General principles, to the consolidated and parent entity financial statements discloses all the matters of which we are aware that are relevant to the PCC and Group's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. There have been no events, including events related to the COVID-19 pandemic, subsequent to year end which require adjustment of or disclosure in the

consolidated and PCC financial statements or notes thereto.

G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst PCC, subsidiary undertakings and associated undertakings.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

I. Reserves

1. We have properly recorded or disclosed in the consolidated and PCC financial statements the useable and unusable reserves.

J. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated and PCC financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated and PCC financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except for matters of routine, normal, recurring nature none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the consolidated and PCC financial statements or as a basis for recording a loss contingency.

K. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

(Chief Finance Officer)

(Police and Crime Commissioner for Thames Valley)

The Police and Crime Commissioner for Thames Valley Group Audit results report

Year ended 31 March 2021

14 September 2021



Private and Confidential

14 September 2021

The Office of Police and Crime Commissioner and Chief Constable 8 March 2021
Thames Valley Police
Kidlington, OX5 2NX

Dear Matthew and John

2021 Audit results report

We are pleased to attach our audit results report, summarising the status of our audit of the Police and Crime Commissioner for Thames Valley Group (the PCC and CC) for the forthcoming meeting of the Joint Independent Audit Committee (JIAC). We will update JIAC at its meeting scheduled for 22 September 2021 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2021 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the PCC and CC's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

This report is intended solely for the information and use of the Joint Independent Audit Committee (JIAC), other members of the PCC and CC, and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the JIAC meeting on 22 September 2021.

Yours faithfully

Andrew Brittain
Associate Partner
For and on behalf of Ernst & Young LLP
Encl

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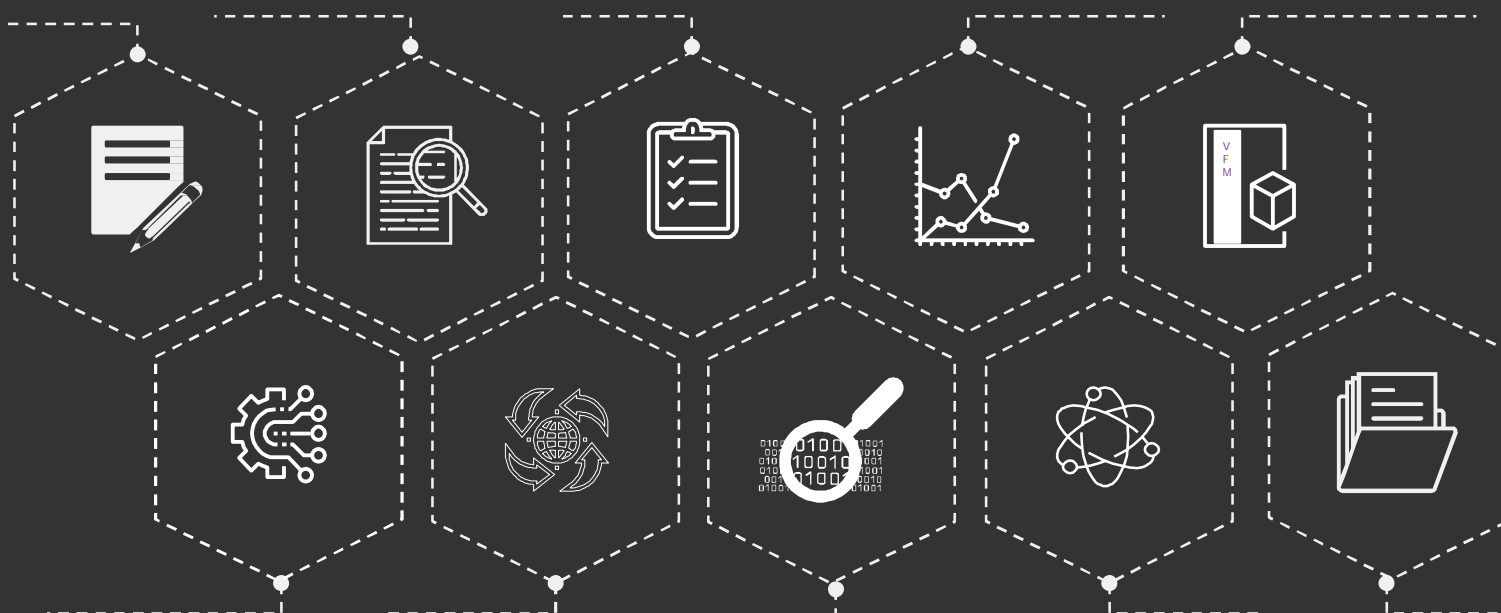
01 Executive Summary

02 Areas of Audit Focus

03 Audit Report

04 Audit Differences

05 Value for Money



06 Other Reporting Issues

07 Assessment of Control Environment

08 Data Analytics

09 Independence

10 Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the JIAC and management of the PCC and CC in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the JIAC, and management of the PCC and CC those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the JIAC and management of the PCC and CC for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Executive Summary



Executive Summary

Scope update

In our Outline Audit Plan tabled at the 19 March 2021 JIAC meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Changes in materiality: In our Outline Audit Plan, we communicated that our audit procedures would be performed using a materiality of £11.4 million for the PCC Group; £6.7 million for the PCC Single Entity and £11.1 million for the CC Single Entity. Performance materiality at 75 % of overall materiality and thresholds for reporting misstatements at 5% of performance materiality.

We updated our planning materiality assessment using the draft consolidated accounts and have also reconsidered our risk assessment.

Based on our materiality measurement bases, we have updated our overall materiality assessment to £12.6 million for the PCC Group; £7 million for the PCC Single Entity; and £12.2 million for the CC Single Entity. Performance materiality, at 75% of overall materiality and thresholds for reporting misstatements at 5% of performance materiality have remained unchanged.

Other factors

- Change in Audit Partner: Suresh Patel has now left EY and Andrew Brittain will now be signing your audit report.

A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Amendment) Regulations 2021 No 263, have been published and came into force on 31 March 2021. This announced a change to publication date for final, audited accounts from 31 July to 30 September 2021 for all relevant authorities.

Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the PCC/CC's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.



Executive Summary

Status of the audit

Our audit work in respect of the PCC and CC opinion is substantially complete. The following are the main items relating to the completion of our audit procedures were outstanding at the date of this report:

- Land and buildings valuation: We are waiting for some supporting information from your valuer.
- IAS 19 assurances: We have yet to receive the IAS 19 assurances we have requested from the auditor of the Buckinghamshire Pension Fund. The auditor, Grant Thornton, has stated they will provide the letter w/c 6 September 2021, but we have not received it to date. In addition, we are currently seeking additional assurances over the pension liability calculations and are waiting for some information from one of your actuaries (GAD – Barnett Waddingham have already responded) for our EY pension specialists to review.
- Going concern disclosure: EY need to perform final procedures to assess the assurances that have been provided.
- Whole of Government Accounts: We have yet to receive the NAO instructions on this for 2020/21.

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix D.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion, a current draft of which is included in Section 3.

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the PCC and CC have put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the PCC and CC a commentary against specified reporting criteria (see below) on the arrangements the PCC and CC has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
How the PCC and CC plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the PCC and CC ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
How the PCC and CC uses information about its costs and performance to improve the way it manages and delivers its services.

Executive Summary

Status of the audit – Value for Money

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We have included the findings from our work on the risk of significant weakness we identified in section 5. We plan to issue the VFM commentary by the end of September as part of issuing the Auditor's Annual Report.

Audit differences

- PCC and Group: The PFI model does not account for contingent rents (as defined by IAS 17), i.e. . Amounts not fixed or agreed in advance at inception, for example indexed unitary charges, services and finance lease rental. The impact of this for 2020/21 is £371k which although not material is above the reporting threshold for misstatements. This has not been amended in the statement of accounts.
- PCC and Group Note 15: Capital Expenditure and Financing - This incorrectly excludes finance lease additions (prior year of £1,338k and current year of £5,157k) which although not material is above the reporting threshold for misstatements. This has not been amended in the accounts.
- PCC and Group – Note 15 Capital expenditure and financing: Land and buildings initially stated at £7,152k corrected to £6,152k.
- CC and Group – Note 15 Capital expenditure and financing: Vehicles, plant and other equipment initially £4,370k now corrected to £5,370k.
- PCC and Group – Note 17 Financial instruments: In the fair value table, a local authority amount of £7,000k initially excluded and trade creditors initially £19,577k adjusted to £26,650k. This has now been corrected.
- CC and Group: There was a reclassification misstatement for the insurance provision, short term provisions were understated by £971k and long term provisions were overstated by the same amount. This has now been corrected.
- Some minor adjustments have been identified and actioned in disclosures relating to leases, termination benefits, financial instruments, earmarked reserves, capital expenditure and financing account, property, plant and equipment note and related parties.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the PCC & CC. We have no matters to report as a result of this work.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. The NAO (National Audit Office) are currently reviewing the Data Collection Tool and it will not be available until autumn 2021. We will audit this once your officers have the updated software and have been able to submit their entries.

We have no other matters to report.



Executive Summary

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of the PCC and CC. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Audit findings and conclusions: Significant risk - Misstatements due to fraud or error – Management override

We have not identified any material misstatements arising from fraud in revenue and expenditure recognition and management override.

Audit findings and conclusions: Significant risk - Misstatements due to fraud or error - Inappropriate capitalisation of revenue expenditure

We have not identified any material misstatements arising from fraud in revenue and expenditure recognition and the inappropriate capitalisation of revenue.

Audit findings and conclusions : Area of audit focus - Valuation of land and buildings

Our work is still in progress at the time of writing this report.

Audit findings and conclusions : Area of audit focus - Accounting for Covid-19 related government grants

We are satisfied that management have accounted for Covid-19 related government grants correctly for 2020/21.

Audit findings and conclusions : Area of audit focus - Accounting for personal, protective equipment (PPE)

We are satisfied that management have accounting for the personal, protective equipment correctly, in accordance with the CIPFA Code of Practice.

Audit findings and conclusions : Area of audit focus - Pension liability valuation & actuarial assumptions

Our work is still in progress at the time of writing this report.

Audit findings and conclusions : Area of audit focus - Going concern disclosure

Our work is still in progress at the time of writing this report.

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Joint Internal Audit Committee or Management.



Executive Summary

Control observations

We have adopted a fully substantive approach, and so have not tested the operation of controls. We have, however, updated our understanding of the key processes and the controls which are in place to detect or prevent error. Through this work, we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Independence

We can confirm that we remain independent of the PCC and CC and include an update in Section 9.



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Risk of misstatements due to fraud or error – Management override

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What did we do and what judgements did we focus on?

We:

- ▶ Identified fraud risks during the planning stages.
- ▶ Enquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Tested journals at year-end to ensure that there were no unexpected or unusual postings.
- ▶ Reviewed accounting estimates for evidence of management bias.
- ▶ Looked for and investigated any unusual transactions.

We used our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale. We specifically reviewed any elements where judgement could influence the financial position or performance of the PCC/CC in a more positive or more favourable way.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied or management bias. We did not identify any other transactions during our audit which appeared unusual or outside the normal course of business.



Areas of Audit Focus

Significant risk

Risk of misstatements due to fraud or error – Inappropriate capitalisation of revenue expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting TVP, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund. In arriving at this conclusion we have considered the continuing pressure on the revenue budget and the financial value of its annual capital programme which is many times out materiality level.

This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

What judgements are we focused on?

We focus on whether expenditure is properly capitalised in its initial recognition, or whether subsequent expenditure on an asset enhances the asset or extends its useful life.

What are our conclusions?

Our testing of capital additions is complete and has not identified any instances where expenditure had been inappropriately capitalised.

What did we do?

We have:

- ▶ Tested PPE additions to ensure that the expenditure incurred and capitalised is clearly capital in nature; and
- ▶ Sought to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

We have utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries more generally for evidence of management bias and evaluated them for business rationale.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

| What is the area of focus? | What did we do? | What are our conclusions? |
|--|--|---|
| <p>Valuation of Land and Buildings</p> <p>At 31 March 2020 the value of TVP's land and buildings, including Police Houses, was £215 million and represents the largest balance in the accounts. It is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>For 2020/21 TVP will continue to engage an external valuation expert to support the valuation of these assets. As this is one of the largest accounting estimates on the balance sheet and one dependent on a high degree of subjectivity we deem the valuation of property, plant and equipment to represent an inherent risk of material misstatement.</p> | <p>We have:</p> <ul style="list-style-type: none">• Considered the work performed by the PCC/CC's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;• Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);• Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;• Reviewed assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;• Considered changes to useful economic lives as a result of the most recent valuation; and• Confirmed accounting entries have been correctly processed in the financial statements. | <p>At the time of writing this report, our work in this area was incomplete. We will verbally update the committee when we meet on 22 September 2021.</p> |

Audit risks

Other areas of audit focus (continued)

| What is the area of focus? | What did we do? | What are our conclusions? |
|--|---|--|
| <p>Accounting for Covid-19 related government grants</p> <p>During 2020/21 TVP has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that TVP will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.</p> | <p>We have considered TVP's judgements on material grants received in relation to whether it is acting as:</p> <ul style="list-style-type: none"> • An Agent, where it has determined that it is acting as an intermediary; or • A Principal, where TVP has determined that it is acting on its own behalf. <p>The finance team had already provided an initial assessment of grant accounting which we have given an indicative view.</p> | <p>We are satisfied that management have accounted for Covid-19 related government grants correctly for 2020/21.</p> |
| <p>Accounting for personal, protective equipment (PPE)</p> <p>During 2020/21 TVP has obtained significant levels of PPE from different sources including from the Home Office, DHSC and direct procurement. Although TVP has been reimbursed in full for the PPE that they have purchased on behalf of other forces, there is some uncertainty over how PPE should be accounted for in year as well as at the year end.</p> <p>The CFO has proposed an accounting treatment which we are currently reviewing against the requirements of the CIPFA Code</p> | <p>We have considered TVP's accounting treatment of its in-year acquisition and receipt of PPE as well as the year end treatment of inventory with reference to:</p> <ul style="list-style-type: none"> • The requirements of the CIPFA Code; and • Any national guidance from the Home Office and DHSC. | <p>We are satisfied that management have accounting for the personal, protective equipment correctly, in accordance with the CIPFA Code of Practice.</p> |

Audit risks

Other areas of audit focus (continued)

| What is the area of focus? | What did we do? | What are our conclusions? |
|---|---|---|
| <p>Pension liability valuation & actuarial assumptions</p> <p>The police body Accounting Code of Practice and IAS19 require the CC to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Buckinghamshire Council. The PCC must also do similar in respect of the Police Pension Fund. The PCC and CC's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the respective balance sheets of the PCC and CC. At 31 March 2020 this totalled £2.4 million and £4.47 million respectively. The information disclosed is based on the IAS 19 report issued to the PCC and CC by the actuary to the County Council and also the Police Pension Fund. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> | <p>We have:</p> <ul style="list-style-type: none"> • Liaised with the auditors of Buckinghamshire Council Pension Fund, for assurances over the information supplied to the actuary in relation to Thames Valley Police. • Assessed the work of the LGPS Pension Fund actuary (Barnett Waddingham) and the Police Pension actuary (GAD) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and • Reviewed and tested the accounting entries and disclosures made within the PCC and CC's financial statements in relation to IAS19. | <p>At the time of writing this report, work in this area is incomplete since we are still waiting for the IAS 19 letter from Grant Thornton, the auditors of Buckinghamshire Council Pension Fund.</p> <p>In addition, we are currently seeking additional assurances over the pension liability calculations and are waiting for some information from one of your actuaries (GAD – Barnett Waddingham have already responded) for our EY pension specialists to review.</p> <p>We will verbally update the committee when we meet on 22 September 2021.</p> |
| <p>Going concern disclosure</p> <p>There is a presumption that the PCC and CC will continue as a going concern for the foreseeable future. However, both the PCC and CC are required to carry out a going concern assessment that is proportionate to the risks they face.</p> <p>In light of the continued impact of Covid-19 on day to day finances, annual budgets, cashflow and the medium term financial strategy, there is a need for the PCC and CC to ensure their going concern assessments are thorough and appropriately comprehensive. The PCC and CC are then required to ensure that their going concern disclosures within the statement of accounts adequately reflects their going concern assessment and in particular highlights any uncertainties identified.</p> <p>In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.</p> | <p>We have met the requirements of the revised auditing standard on going concern (ISA 570) and considered the adequacy of the PCC and CC's going concern assessment and its disclosure in the accounts by:</p> <ul style="list-style-type: none"> • Challenging management's identification of events or conditions impacting going concern. • Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias). • Reviewing the cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern. • Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern. • Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties. | <p>We have discussed the detailed implications of the revised auditing standard with finance staff and received an early draft of the going concern assessments in advance of the 2020/21 year-end audit in order to provide management with feedback on the adequacy and sufficiency of the proposed disclosures in relation to going concern.</p> <p>Our work on the going concern disclosure is still ongoing at the time of writing this report. We will verbally update the committee when we meet on 22 September 2021.</p> |



03 Audit Report



Audit Report

Draft audit report for PCC

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR THAMES VALLEY POLICE

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Thames Valley for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Police and Crime Commissioner for Thames Valley and Group Movement in Reserves Statement;
- Police and Crime Commissioner for Thames Valley and Group Comprehensive Income and Expenditure Statement;
- Police and Crime Commissioner for Thames Valley and Group Balance Sheet;
- Police and Crime Commissioner for Thames Valley and Group Cash Flow Statement;
- Related notes 1 to 48 and the Expenditure & Funding Analysis; and
- Police Pension Fund Account Statements and related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Thames Valley and Group as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Police and Crime Commissioner for Thames Valley and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Police and Crime Commissioner's ability to continue as a going concern for a period of twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the police and crime commissioner's ability to continue as a going concern.



Audit Report

Draft audit report for PCC (continued)

Our opinion on the financial statements

Other information

The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information contained within the statement of accounts.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014; or
- we are not satisfied that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 25, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Police and Crime Commissioner's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Police and Crime Commissioner either intends to cease operations, or have no realistic alternative but to do so.



Audit Report

Draft audit report for PCC (continued)

Our opinion on the financial statements

The Police and Crime Commissioner is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

• We obtained an understanding of the legal and regulatory frameworks that are applicable to the Police and Crime Commissioner and determined that the most significant are:

- Local Government Act 1972,
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- The Local Audit and Accountability Act 2014,
- The Accounts and Audit Regulations 2015,
- The Police Reform and Social Responsibility Act 2011,
- Anti-social behaviour, Police and Crime Act 2014,
- Police Pensions scheme regulations 1987,
- Police Pensions regulations 2006; and
- Police Pensions regulations 2015.

In addition, the Police and Crime Commissioner has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

• We discussed as an engagement team how and where fraud may arise. We understood how the Police and Crime Commissioner is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit, those charged with governance, and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Police and Crime Commissioner's committee minutes, through enquiry of employees to confirm the Police and Crime Commissioner's policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.



Audit Report

Draft audit report for PCC (continued)

Our opinion on the financial statements

- We assessed the susceptibility of the Police and Crime Commissioner's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance through improper recognition of revenue (inappropriate capitalisation of revenue expenditure) and management override of controls to be our fraud risks.
- To address our fraud risk around the manipulation of reported financial performance through improper recognition of revenue, we obtained the Police and Crime Commissioner's manual year end income accruals, challenging assumptions and corroborating the income to appropriate evidence.
- To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Police and Crime Commissioner's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine, lowering testing thresholds in our testing.
- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately. In addition, we assessed whether the judgements made in making accounting estimates were indicative of a potential bias and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether the PCC had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the PCC put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the PCC had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Audit Report

Draft audit report for PCC (continued)

Our opinion on the financial statements

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Police and Crime Commissioner's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Use of our report

This report is made solely to Police and Crime Commissioner for Thames Valley, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner for Thames Valley, for our audit work, for this report, or for the opinions we have formed.

Andrew Brittain (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Reading

September 2021



Audit Report

Draft audit report for CC

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE OF THAMES VALLEY POLICE

Opinion

We have audited the financial statements of the Chief Constable of Thames Valley for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Chief Constable of Thames Valley Movement in Reserves Statement;
- Chief Constable of Thames Valley Comprehensive Income and Expenditure Statement;
- Chief Constable of Thames Valley Balance Sheet;
- Chief Constable of Thames Valley Cash Flow Statement
- the related notes 1 to 24 and the Expenditure and Funding Analysis; and
- Chief Constable of Thames Valley Pension Fund Account.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable of Thames Valley as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Chief Constable for Thames Valley in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Chief Constable's ability to continue as a going concern for a period of twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the chief constable's ability to continue as a going concern.



Audit Report

Draft audit report for CC (continued)

Our opinion on the financial statements

Other information

The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information contained within the statement of accounts.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the entity;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014; or
- we are not satisfied that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

Responsibilities of the Director of Finance

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 22, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Constable either intends to cease operations, or have no realistic alternative but to do so.



Audit Report

Draft audit report for CC (continued)

Our opinion on the financial statements

The Chief Constable is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

• We obtained an understanding of the legal and regulatory frameworks that are applicable to the Chief Constable and determined that the most significant are:

- Local Government Act 1972,
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- The Local Audit and Accountability Act 2014,
- The Accounts and Audit Regulations 2015,
- The Police Reform and Social Responsibility Act 2011,
- Anti-social behaviour, Police and Crime Act 2014,
- Police Pensions scheme regulations 1987,
- Police Pensions regulations 2006; and
- Police Pensions regulations 2015.

In addition, the Chief Constable has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

• We discussed as an engagement team how and where fraud may arise. We understood how the Chief Constable is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit, those charged with governance, and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through reading the Chief Constable's committee minutes, through enquiry of employees to confirm the Chief Constable's policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.



Audit Report

Draft audit report for CC (continued)

Our opinion on the financial statements

- We assessed the susceptibility of the Chief Constable's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance through improper recognition of revenue (inappropriate capitalisation of revenue expenditure) and management override of controls to be our fraud risks.
- To address our fraud risk around the manipulation of reported financial performance through improper recognition of revenue, we obtained the Chief Constable's manual year end income accruals, challenging assumptions and corroborating the income to appropriate evidence.
- To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Chief Constable's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine, lowering testing thresholds in our testing.
- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately. In addition, we assessed whether the judgements made in making accounting estimates were indicative of a potential bias and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether the Chief Constable had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Chief Constable had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Chief Constable of Thames Valley has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Audit Report

Draft audit report for CC (continued)

Our opinion on the financial statements

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Chief Constable's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Use of our report

This report is made solely to the Chief Constable of Thames Valley, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable of Thames Valley, for our audit work, for this report, or for the opinions we have formed.

Andrew Brittain (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
September 2021



04 Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted and unadjusted differences

We highlight the following misstatements greater than £610k for the CC and £350k for the PCC which have been corrected by management that were identified during the course of our audit:

- CC and Group: There was a reclassification misstatement for the insurance provision, short term provisions were understated by £971k and long term provisions were overstated by the same amount. This has now been corrected.
- PCC and Group – Note 17 Financial instruments: In the fair value table, a local authority amount of £7,000k initially excluded and trade creditors initially £19,577k adjusted to £26,650k. This has now been corrected.
- PCC and Group – Note 15 Capital expenditure and financing: Land and buildings initially stated at £7,152k corrected to £6,152k.
- CC and Group – Note 15 Capital expenditure and financing: Vehicles, plant and other equipment initially £4,370k now corrected to £5,370k.
- Some minor adjustments have been identified and actioned in disclosures relating to leases, termination benefits, earmarked reserves, property, plant and equipment note and related parties.

At the time of writing, we have identified two unadjusted audit differences, that is above our reporting threshold but below materiality.

- PCC and Group Note 15: Capital Expenditure and Financing - This incorrectly excludes finance lease additions (prior year £1,338k and current year £5,157k)
- PCC and Group: The PFI model has not accounted for contingent rents (as defined by IAS 17). The amount involved for 2020/21 is £371k.

There were no material uncorrected misstatements.



05 Value for Money



Value for money

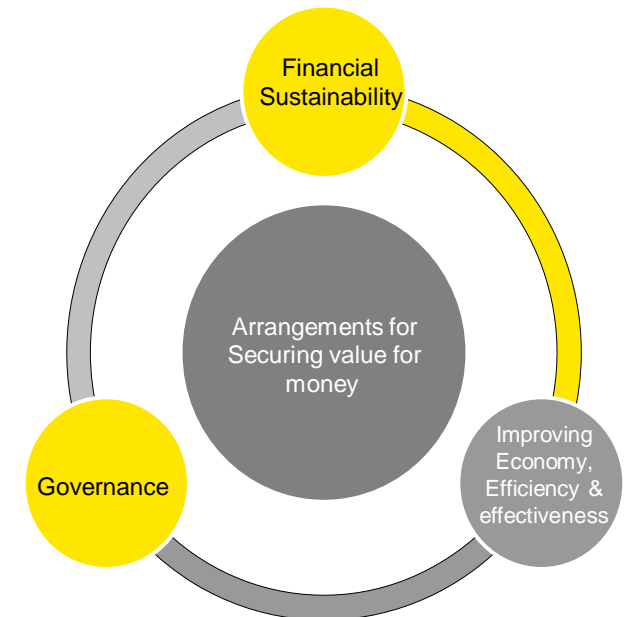
The PCC and CC's responsibilities for value for money (VFM)

The PCC and CC is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the PCC and CC is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the PCC and CC tailor the content to reflect its own individual circumstances, consistent with the requirements set out in the Cipfa code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

We have previously reported to the Joint Internal Audit Committee the outcome of our assessment of the risk of significant weaknesses in the PCC and CC's VFM arrangements - that we had identified a risk in relation to the exit from the EQUIP programme. We have revisited our risk assessment and have not identified any additional risks.



Status of our VFM work

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We include below the findings from our work on the risk of significant weakness we identified. We plan to issue the VFM commentary by the end of September as part of issuing the Auditor's Annual Report.



Responding to a risk of significant weakness in VFM arrangements

| What is the risk of significant weakness? | What arrangements did this impact? | What did we do? |
|---|---|--|
| We have identified the exit from EQUIP as a risk of significant weakness. | Financial sustainability – How the Authority ensures that it identifies all the significant financial pressures that are relevant to its short and medium term plans and builds into these. | We reviewed how the Authority had identified and recorded the financial implications of pulling out of EQUIP, including a review of the Medium Term Financial Plan. |
| | Governance – How the Authority ensures effective processes and systems are in place to ensure budgetary control: to communicate relevant, accurate and timely management information; supports its statutory financial reporting requirements; and ensures corrective action is taken where needed. | We reviewed evidence of the minutes of various meetings to show that the Authority has in place the arrangements we would expect in order for them to make an informed decision about exiting EQUIP. |

Findings

No issues were identified on review of how the Authority managed the withdrawal of the EQUIP contract.

Recommendations

No recommendations identified.



06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the PCC and CC Statement of Accounts 2020/21 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We are currently waiting to start work in this area once the NAO instructions have been released and will report any matters arising to the Joint Internal Audit Committee.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the PCC and CC’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have nothing to comment in respect of these.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention/details of issues noted.



08 Data Analytics



Data Analytics - Journal Entry Testing

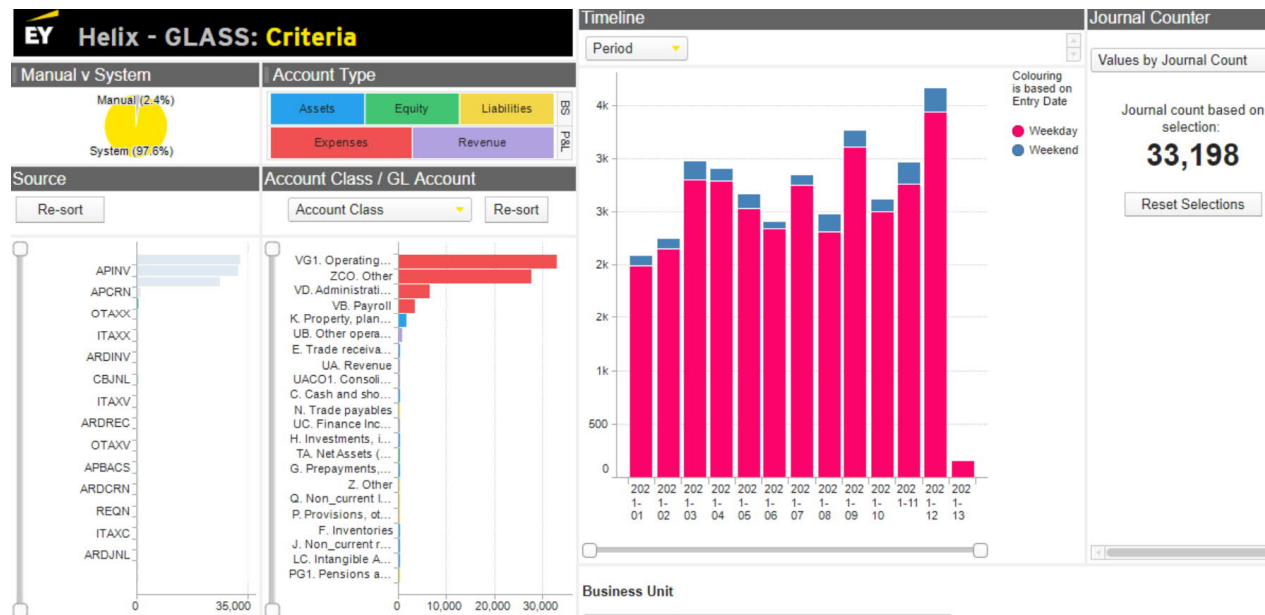
What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

Journal entry data criteria – PCC/CC's – 31 March 2021



What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



09

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the PCC/CC, and its members and senior management and its affiliates, including all services provided by us and our network to the PCC/CC, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

| Description | Final Fee 2020/21 £ | Planned Fee 2020/21 £ | Final Fee 2019/20 £ |
|--|---------------------------|-----------------------------|---------------------------|
| Total Audit Fee – Code work | 78,552 | 78,552 | 78,552 |
| Additional Fees: | | | |
| - Additional work on PPE | 0 | TBC | 8,005 |
| - VFM additional procedures | TBC | TBC | 4,007 |
| - Going concern assessment & disclosure | 3,830 | 2,000 – 4,000 | 4,886 |
| - EY internal consultation on audit report | 1,099 | 2,000 – 3,000 | 2,968 |
| - Revised auditing standard for estimates | 2,000 – 3,000 | TBC | - |
| - Accounting for C-19 related grants | 1,369 | TBC | - |
| Non-audit work | 0 | 0 | 0 |
| Total | 89,498 | 78,552 | 98,488 |

We set out here a summary of the fees for the year ended 31 March 2021. We confirm that we have not undertaken non-audit work outside the NAO Code. At the June 2020 JIAC meeting, the PCC/CC agreed the proposed additional fee of £32.9k from the scale fee set by PSAA of £46.7k, giving a Code work fee of £78.5k, which applies to both the 19/20 and 20/21. This additional fee did not include any further additional procedures required due to the impact of Covid-19, the new auditing standards on going concern and estimates and the changes in the Code of Audit Practice affecting VfM procedures. We will be discussing with the Chief Financial Officer and Director of Finance any additional audit fee in relation to these matters on completion of the audit. Any increase from the scale fee also requires approval from PSAA. The proposed changes to the scale fee are yet to be determined by PSAA for 19/20 and 20/21.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

[EY UK Transparency Report 2020 | EY UK](#)



10 Appendices





Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:




- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Appendix A

| Balance sheet category  | Audit Approach in current year  | Audit Approach in prior year  | Explanation for change  |
|--|--|--|--|
| Trade receivables | We substantively tested all relevant assertions with no controls testing performed in accordance with auditing standards | We substantively tested all relevant assertions with no controls testing performed in accordance with auditing standards | No change |
| Trade payables | We substantively tested all relevant assertions with no controls testing performed in accordance with auditing standards | We substantively tested all relevant assertions with no controls testing performed in accordance with auditing standards | No change |
| Tangible fixed assets | Substantively tested all relevant assertions | Substantively tested all relevant assertions, involved EY Real Estate Specialist for year end valuation | No requirement to involve EYRE in current year |
| Cash | Substantively tested all relevant assertions | Substantively tested all relevant assertions | No change |

Appendix B





Summary of communications

| Date  | Nature  | Summary  |
|--|--|--|
| 8 March 2021 | Report/Meeting | The Audit Planning Report, including confirmation of independence, was issued to the JIAC for meeting on 19 March 2021 |
| April 2021 | Planning enquiries | Planning enquiries made of management |
| 22 April 2021 | Management and TCWG letters issued | The PCC, CC and senior officers were all sent formal letters of enquiry in respect of key matters such as fraud, laws and regulations, Going Concern and litigation and claims |
| June 2021 | Letters | Formal responses received from the PCC, CC and senior officers in respect of year end letters issued as at 31 st March 2021 |
| 18 June 2021 | Meeting | Suresh Patel, the partner in charge of the engagement, accompanied by the manager of the audit team, Alison Kennett, updated JIAC on the progress of the audit. |
| 29 June 2021 | Report | External audit update VFM risk assessment |
| 28 July 2021 | Report | Draft VFM Commentary agreed with senior officers |
| September 2021 | Report | The Audit Results Report, including confirmation of independence, was issued to the JIAC. |
| 22 September 2021 | Meeting | Andrew Brittain, the partner in charge of the engagement, accompanied by the manager of the audit team, Alison Kennett, will meet with the JIAC, the PCC and CC and senior members of the management team to discuss the Audit Results Report. |
| | | |
| | | |
| | | |

Appendix C

Required communications with the Joint Internal Audit Committee





There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

| | |  Our Reporting to you |
|-------------------------------------|---|--|
| Required communications |  What is reported? |   When and where |
| Terms of engagement | Confirmation by the PCC and CC of acceptance of terms of engagement as written in the engagement letter signed by both parties. | The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. |
| Our responsibilities | Reminder of our responsibilities as set out in the engagement letter. | Audit planning report presented at the JIAC meeting on 19 March 2021. |
| Planning and audit approach | Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. | Audit planning report presented at the JIAC meeting on 19 March 2021. |
| Significant findings from the audit | <ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process | Audit results report presented at the JIAC meeting on 22 September 2021. |




Appendix C

| | | Our Reporting to you |
|--------------------------|--|--|
| Required communications | What is reported? | When and where |
| Public Interest Entities | <p>For the audits of financial statements of public interest entities our written communications to the audit committee include:</p> <ul style="list-style-type: none"> • A declaration of independence • The identity of each key audit partner • The use of non-member firms or external specialists and confirmation of their independence • The nature and frequency of communications • A description of the scope and timing of the audit • Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits • Materiality • Any going concern issues identified • Any significant deficiencies in internal control identified and whether they have been resolved by management • Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee • Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof • The valuation methods used and any changes to these including first year audits • The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework • The identification of any non-EY component teams used in the group audit • The completeness of documentation and explanations received • Any significant difficulties encountered in the course of the audit • Any significant matters discussed with management • Any other matters considered significant | <p>Audit planning report presented at the JIAC meeting on 19 March 2021.</p> <p>Audit results report presented at the JIAC meeting on 22 September 2021.</p> |

Appendix C

| | |  Our Reporting to you |
|-------------------------|--|--|
| Required communications |  What is reported? |   When and where |
| Going concern | Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty related to going concern • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The appropriateness of related disclosures in the financial statements | Audit results report presented at the JIAC meeting on 22 September 2021. |
| Misstatements | <ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management | Audit results report presented at the JIAC meeting on 22 September 2021. |
| Subsequent events | <ul style="list-style-type: none"> • Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. | Audit results report presented at the JIAC meeting on 22 September 2021. |
| Fraud | <ul style="list-style-type: none"> • Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to PCC, CC & Management responsibility. | Audit results report presented at the JIAC meeting on 22 September 2021. |

Appendix C

| | |  Our Reporting to you |
|-------------------------|--|---|
| Required communications |  What is reported? |  When and where |
| Related parties | Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity | Audit results report presented at the JIAC meeting on 22 September 2021. |
| Independence | Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place. | Audit planning report presented at the JIAC meeting on 19 March 2021. Audit results report presented at the JIAC meeting on 22 September 2021. |

Appendix C

| | | Our Reporting to you |
|---|--|---|
| Required communications | What is reported? | When and where |
| External confirmations | <ul style="list-style-type: none"> Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures. | Audit results report presented at the JIAC meeting on 22 September 2021. |
| Consideration of laws and regulations | <ul style="list-style-type: none"> Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of. | Audit results report presented at the JIAC meeting on 22 September 2021. |
| Significant deficiencies in internal controls identified during the audit | <ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. | Audit planning report presented at the JIAC meeting on 19 March 2021. Audit results report presented at the JIAC meeting on 22 September 2021. |




Appendix C

| | | Our Reporting to you |
|--|--|--|
| Required communications | What is reported? | When and where |
| Group Audits | <ul style="list-style-type: none"> An overview of the type of work to be performed on the financial information of the components An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. | <p>Audit planning report presented at the JIAC meeting on 19 March 2021.</p> <p>Audit results report presented at the JIAC meeting on 22 September 2021.</p> |
| Written representations we are requesting from management and/or those charged with governance | <ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance | <p>Audit results report presented at the JIAC meeting on 22 September 2021.</p> |
| Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | <ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | <p>Audit results report presented at the JIAC meeting on 22 September 2021.</p> |
| Auditors report | <ul style="list-style-type: none"> Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report | <p>Audit results report presented at the JIAC meeting on 22 September 2021.</p> |

Appendix D

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

| Item  | Actions to resolve  | Responsibility  |
|--|--|--|
| Whole of Government Accounts | Completion of work in line with NAO Group Instructions once released. | EY and management |
| Pensions and IAS 19 Review | Response required from Grant Thornton as external auditor of Buckinghamshire Pension Fund | EY, management and Grant Thornton |
| Land and buildings (PPE) | EY to complete work on valuations, once calculations and information requested obtained from Lambert Smith Hampton as external valuer. | EY, management and Lambert Smith Hampton |
| Accounts | Incorporation of EY review comments on disclosure notes | EY and management |
| Management representation letter | Receipt of signed management representation letter | Management and JIAC |
| Subsequent events review | Completion of subsequent events procedures to the date of signing the audit report | EY and management |
| Going Concern Assessment | EY to complete review of Management's Going Concern assessment in light of the financial impact of Covid-19 | EY and management |
| Final Manager and Engagement Partner Review | EY to complete final review of audit file upon full completion of all procedures above | EY |

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion. A draft of the current opinion is included in Section 3.

Appendix E

Management representation letter – For PCC and Group*

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Andrew Brittain

Ernst & Young

Apex Plaza

Forbury Road

Reading

RG1 1YE

Dear Andrew,

This letter of representations is provided in connection with your audit of the consolidated and PCC financial statements of PCC("the PCC and Group") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and PCC financial statements give a true and fair view of the PCC and Group financial position of PCC/CC as of 31 March 2021 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the PCC and Group, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of our consolidated and PCC financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the PCC and Group the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

2. We acknowledge, as members of management of the PCC and Group, our responsibility for the fair presentation of the consolidated and PCC financial statements. We believe the consolidated and PCC financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the PCC and Group in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. We have approved the consolidated and PCC financial statements.

3. The significant accounting policies adopted in the preparation of the PCC and Group financial statements are appropriately described in the PCC and Group financial statements.

*-a separate letter will be issued in relation to the CC

Management representation letter (continued)

Management Rep Letter

4. As members of management of the PCC and Group, we believe that the PCC and Group have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the PCC and that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and PCC financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because [specify reasons for not correcting misstatement].

6. We confirm the PCC and Group does not have securities (debt or equity) listed on a recognized exchange.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the PCC and Group's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the consolidated and PCC financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the PCC or Group (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or PCC's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the PCC or Group's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and [all material transactions, events and conditions are reflected in the consolidated and PCC financial statements, including those related to the COVID-19 pandemic.

Management representation letter (continued)

Management Rep Letter

3. We have made available to you all minutes of the meetings of the Group and of the PCC, and the following committees: Joint Independent Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: [list date].

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the PCC and Group's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and PCC financial statements.

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with applicable financial reporting framework.

6. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

7. We have disclosed to you, and the PCC and Group has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and PCC financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

8. From 20 November 2020 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and PCC financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent.

E. Going Concern

1. Group general accounting policies, note a. General principles, to the consolidated and parent entity financial statements discloses all the matters of which we are aware that are relevant to the PCC and Group's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. There have been no events, including events related to the COVID-19 pandemic, subsequent to year end which require adjustment of or disclosure in the consolidated and PCC financial statements or notes thereto.

Management representation letter (continued)

Management Rep Letter

G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst PCC, subsidiary undertakings and associated undertakings.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

I. Reserves

1. We have properly recorded or disclosed in the consolidated and PCC financial statements the useable and unusable reserves.

J. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated and PCC financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated and PCC financial statements).

2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except for matters of routine, normal, recurring nature none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the consolidated and PCC financial statements or as a basis for recording a loss contingency.

K. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

(Chief Finance Officer)


(Police and Crime Commissioner for Thames Valley)

Appendix F

Implementation of IFRS 16 Leases

In previous reports to the Joint Independent Audit Committee, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect for the PCC and CC until 1 April 2022. However, officers should be acting now to assess the PCC and CC's leasing positions and secure the required information to ensure the PCC and CC will be fully compliant with the 2022/23 Code. The following table summarises some key areas officers should be progressing.

| IFRS 16 theme | Summary of key measures  |
|--|--|
| Data collection | <p>Management should:</p> <ul style="list-style-type: none"> Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors. Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied. |
| Policy Choices | <p>The PCC and CC needs to agree on certain policy choices. In particular:</p> <ul style="list-style-type: none"> Whether to adopt a portfolio approach What low value threshold to set and agree with auditors Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components What is managements policy in relation to discount rates to be used? |
| Code adaptations for the public sector | Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption). |
| Transitional accounting arrangements | Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where the PCC or CC is lessee; and potentially for sub-leases, where the PCC or CC is a lessor, that were operating leases under the old standard. |
| Ongoing accounting arrangements | Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events. |
| Remeasurements and modifications | Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease. |

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