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Date : 25th November 2020

To: ALL MEMBERS OF THE JOINT AUDIT COMMITTEE

- i. David Daw, Jude Ferguson (Chair), Zoe Rice, Martin Speller
- ii. Chief Constable ("CC"), CFO for CC and Relevant Officers
- iii. The Police & Crime Commissioner ("PCC")
- iv. The CFO and CEO for the PCC
- v. External and Internal Auditors

Dear Member

NOTICE OF MEETING

You are invited to an extra meeting of the **Joint Audit Committee** to be held via Teams (link included in the meeting invite) at **15:30** on **27th November 2020**.

The agenda for the meeting is set out overleaf.

Yours sincerely

Alaina Davies
Office of the Police and Crime Commissioner

INFORMATION ABOUT THIS MEETING

- (i) Car Parking Provision

N/A – Virtual meeting

- (ii) Wheelchair Access

N/A – Virtual meeting

- (iii) Emergency Evacuation Procedure

N/A – Virtual meeting

- (iv) If you have any questions about this meeting, require special facilities to enable you to attend. If you wish to inspect Minutes, reports, or a list of the background papers relating to any item on this agenda, please contact:

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Portishead
BS20 8JJ

Telephone: 01278 646188

Email: JAC@avonandsomerset.pnn.police.uk

- (v) REPORT NUMBERS CORRESPOND TO AGENDA NUMBER

AGENDA

27th November 2020, 15:30 – 16:00

To be held via Teams (link included in the meeting invite)

1. Apologies for Absence

2. Emergency Evacuation Procedure

N/A – Virtual meeting

3. Declarations of Gifts/Offers of Hospitality

To remind Members of the need to record any personal interests or any **prejudicial interest** relating to the agenda and disclose any relevant receipt of offering of gifts or hospitality

4. Public Access

(maximum time allocated for this item is 30 minutes)

Statements and/or intentions to attend the Joint Audit Committee should be e-mailed to JAC@avonandsomerset.pnn.police.uk

Statements and/or intentions to attend must be received no later than 12.00 noon on the working day prior to the meeting.

5. External Audit: Joint Audit Findings

6. Statement of Accounts (to follow)

The Joint Audit Findings

Year ended 31 March 2020

Police and Crime Commissioner for Avon and Somerset and Chief Constable for Avon and Somerset

November 2020



Contents



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

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

COVID-19	<p>The outbreak of the COVID-19 coronavirus pandemic has had a significant impact on the normal operations of the group/PCC.</p> <p>Avon and Somerset Police's Finance team began remote working from home arrangements from the end of March. The finance team is relatively small and made up of key members who are involved in the accounts process. The identified that there was a risk of delays if staff were impacted by illness and therefore other staff members may need to step in to support roles in the financial statements process.</p> <p>Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum in May 2020. In that addendum we reported an additional financial statement risk in respect of Covid-19 and highlighted the impact on our VfM approach. Further detail is set out on page 7.</p> <p>Restrictions for non-essential travel has meant both the PCC's and Chief Constable's staff and our audit staff have had to adapt to remote working arrangements. Both teams have had to be flexible in approaches to sharing information. We agreed to use video calling to watch your finance team run the required reports to gain assurance over completeness and accuracy of information produced by you. We have made more use of conference calls and emails to resolve audit queries. Inevitably in these circumstances resolving audit queries has taken a little longer than face to face discussion. Regular meetings were held with the finance teams to highlight key outstanding issues and findings to date. We have used a query log to track and resolve outstanding items; ensuring that the process was as smooth as possible.</p>
Financial Statements	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the entity's (and where relevant, the group's) financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the financial position of the entity and the entity's income and expenditure for the year 2019/20; and• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on remotely during June-November. Our findings are summarised on pages 7 to 15. Audit adjustments are detailed in Appendix B. We have also raised recommendations for management as a result of our audit work in Appendix A.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion for the PCCs financial statements (including the group financial statements which consolidate the financial activities of the Chief Constable) or the Chief Constable's financial statements or material changes to the financial statements.</p> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisations. The financial statements we have audited is up until 31 March 2020 which was prior to the outbreak of the COVID-19 coronavirus pandemic.</p> <p>We anticipate that the opinions in our audit reports will be unqualified for both the PCC and group, and Chief Constable.</p> <p>Our audit report for the PCC and group will include an Emphasis of Matter paragraph, highlighting the material uncertainty disclosed by management in respect of land and building and pension fund property valuations as a result of the COVID -19 pandemic.</p> <p>The audit report for the Chief Constable will include an Emphasis of Matter paragraph highlighting the material uncertainty disclosed by management in relation to the valuation of pension fund property/assets as a result of the COVID-19 pandemic.</p>

Headlines

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

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, both entities have made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	<p>We have completed our risk based reviews of the PCC's and Chief Constable's value for money arrangements. We have concluded that both Avon and Somerset PCC and Avon and Somerset Chief Constable has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to COVID-19.</p> <p>We therefore anticipate issuing unqualified value for money conclusions, as detailed in Appendices D and E. Our findings are summarised on pages 18 to 21.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none">• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and• To certify the closure of the audits.	<p>We have not exercised any of our additional statutory powers or duties for either entity.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audits when we give our audit opinion.</p>

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

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Summary

Overview of the scope of our audit

This Joint Audit Findings Report presents the observations arising from the audits that are significant to the responsibility of the PCC and Chief Constable to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management. As auditor we are responsible for performing the audits, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the PCC and Chief Constable. The audit of the financial statements does not relieve management or the PCC and Chief Constable of their responsibilities for the preparation of the financial statements.

Audit approach

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

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

We have had to alter our audit plan, as communicated to you in March 2020, to reflect our response to the COVID-19 pandemic. This included identifying a new significant financial statement risk for COVID-19, reviewing the materiality determined for the audit and updating our VFM risk assessment.

Conclusion

We have substantially completed our audits of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Joint Independent Audit Committee meeting on 27 November 2020, as detailed in Appendix D and E. These outstanding items pending final manager and engagement lead review include:

- Final manager and engagement lead quality assurance review;
- Receipt of management representation letter; and
- Review of the final set of financial statements and Annual Governance Statements.

Materiality

Our approach to materiality

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

Materiality levels remain the same as reported in our Joint Audit Plan, however we have set specific materiality levels for Senior Officer Remuneration as outlined below.

	Group Amount (£)	Chief Constable Amount (£)	Qualitative factors considered
Materiality for the financial statements	£7.448m	£7.334m	<ul style="list-style-type: none">Net Expenditure on Policing Services was determined as the appropriate benchmark for determining materiality. As a result of the environment surrounding the Police due to the nature of their work, it was considered that the risk of fraud was low. Therefore, 2% was deemed an appropriate rate to apply to the benchmark. This is consistent with that reported in our Joint Audit Plan in March 2020.
Performance materiality	£5.586m	£5.501m	<ul style="list-style-type: none">As a result of the environment surrounding the Police due to the nature of their work, it was considered that the risk of fraud was low. Therefore, 75% of materiality was deemed an appropriate level for Performance Materiality. This is consistent with that reported in our Joint Audit Plan in March 2020.
Trivial matters	£0.372m	£0.367m	<ul style="list-style-type: none">As a result of the environment surrounding the Police due to the nature of their work, it was considered that the risk of fraud was low. Therefore, 5% of materiality was deemed an appropriate level for triviality.
Materiality for Senior Officers Remuneration	£25k	£25k	<ul style="list-style-type: none">A lower level of materiality was determined for the Senior Officer Remuneration balance due to the sensitivity surrounding this disclosure.

Significant findings – audit risks

	Risks identified in our Audit Plan	Relates to	Commentary
1	COVID– 19	Group, PCC and the Chief Constable	<p>We:</p> <ul style="list-style-type: none"> worked with management to understand the implications the response to the COVID-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 19th June 2020; liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the PCC's property valuation expert/ PCC/group's actuary; evaluated the adequacy of the disclosures in the financial statements that arose in light of the COVID-19 pandemic; evaluated whether sufficient audit evidence could be obtained through remote technology; evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and pension fund net liability valuations ; evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence. <p>Our audit report for the PCC and group will include an Emphasis of Matter paragraph, highlighting the material uncertainty disclosed by management in respect of land and building and pension fund property valuations as a result of the COVID -19 pandemic.</p> <p>The audit report for the Chief Constable will include an Emphasis of Matter paragraph highlighting the material uncertainty disclosed by management in relation to the valuation of pension fund property assets as a result of the COVID-19 pandemic.</p>
2	The revenue cycle includes fraudulent transactions (rebutted)	Group, PCC and the Chief Constable	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams of the PCC and the Chief Constable, we have determined that the risk of fraud arising from revenue recognition can be rebutted, . There are no changes to our assessment reported in the audit plan.</p> <p>Our audit work has not identified any issues in respect of revenue recognition.</p>


Significant findings – audit risks

	Risks identified in our Audit Plan	Relates to	Commentary
3	Management override of controls	Group, PCC and the Chief Constable	<p>Auditor commentary</p> <p>We have</p> <ul style="list-style-type: none"> gained an understanding of the accounting estimates and judgements applied and decisions made by management and considered their reasonableness; obtained a full listing of journal entries and identified and subsequently tested any unusual journal entries for appropriateness; and evaluated the rationale for any changes in accounting policies and any significant unusual transactions or estimates. <p>Our audit work identified issues in regard to journal controls. These are outlined on page 14 of this report.</p>
4	Valuation of land and buildings	Group & PCC	<p>Auditor commentary</p> <p>We:</p> <ul style="list-style-type: none"> reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; considered the competence, expertise and objectivity of any management experts used; engaged our own valuer to assess the instructions and final valuation reports of the group's valuer; challenged the key assumptions where appropriate; reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding; tested revaluations made during the year to ensure they are input correctly into the asset register; and evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. <p>In line with RICS guidance, the valuer disclosed a material uncertainty in the valuation of the PCC's land and buildings at 31 March 2020 as a result of the COVID-19 pandemic. The financial statements have been updated to reflect the material uncertainty within note 4. We will highlight this disclosure within an "emphasis of matter" paragraph in our opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies where the valuer has highlighted a material valuation uncertainty.</p> <p>Our work did not identify any other issues to bring to your attention.</p>

Significant findings – audit risks

	Risks identified in our Audit Plan	Relates to	Commentary
5	Valuation of pension fund net liability	Group, PCC and the Chief Constable	<p>Auditor commentary</p> <p>We:</p> <ul style="list-style-type: none"> identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement; evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuations and gained an understanding of the basis on which the valuations were carried out; undertook procedures to confirm the reasonableness of the actuarial assumptions made; checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial reports; and gained assurances over the data provided to the actuary to ensure it was robust and consistent with our understanding. <p>An emphasis of matter paragraph will be included within our audit report to draw attention to the material uncertainty disclosed in relation to the material uncertainty disclosed in respect of the valuation of the LGPS pension fund property assets.</p> <p>Our work has not identified any other material issues in relation to this risk.</p>
6	International Financial Reporting Standard (IFRS) 16 Leases – (issued but not adopted)	Group	As confirmed in our Audit Plan update the implementation of IFRS 16 has been delayed for the public sector until 2020/21.

Significant findings – key estimates and judgements

Accounting area	Relates to	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Other - £186m	Group & PCC	<p>Land and buildings comprises of specialised assets such as the Constabulary's main regional police centres, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>The PCC engaged Jones Lang LaSalle Limited (JLL) to complete a full valuation of land and buildings as at 31 March 2020 as part of the cyclical programme.</p> <p>A number of properties have changed in valuation approach this year, being a change from specialist property to one based on market value as a result of external valuers reviewing the property portfolio.</p> <p>The valuation of land and buildings has resulted in a net decrease of £20m.</p> <p>In line with RICS guidance, the Group/PCC's valuer disclosed a material uncertainty in the valuation of the Group/PCC's land and buildings at 31 March 2020 as a result of Covid-19. The Group/PCC have included disclosures on this issue in note 1.8.</p>	<p>We have reviewed the detail of your assessment of the estimate, considering:</p> <ul style="list-style-type: none"> • Assessment of management's expert to be competent, capable and objective; • Completeness and accuracy of the underlying information used to determine the estimate; • Consistency of estimate against the Gerald Eve reported indices; • Reasonableness of increase/decrease in estimates on individual assets • Adequacy of the disclosure of the estimate in the financial statements <p>The financial statements have been updated to reflect the material uncertainty within note 4. We will highlight this disclosure within an "emphasis of matter" paragraph in our opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies where the valuer has highlighted a material valuation uncertainty.</p> <p>Our review of the valuation of land and buildings is complete and there are no other issues to bring to your attention..</p>	 Green

Assessment

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

Significant findings – key estimates and judgements

Accounting area	Relates to	Summary of management’s policy	Auditor commentary	Assessment
Net pension liability – PCC and Chief Constable - £3.222bn	Group, PCC and the Chief Constable	The PCC and Chief Constable’s total net pension liability at 31 March 2020 is £3.493bn (PY £3.716bn).	<p>In assessing the estimate, we have considered the following:</p> <ul style="list-style-type: none">• Assessment of management’s expert;• Completeness and accuracy of the underlying information used to determine the estimate;• Impact of any changes to valuation method;• Consistency of estimate against peers/PwC• Reasonableness of increase/decrease in estimate• Adequacy of the accounting treatment in the financial statements• Adequacy of the disclosure of estimate in the financial statements <p>External auditors are provided with assurance in the form of an auditor’s expert report from PwC to assess the assumptions made by the Actuary, the table below sets out the key assumptions:</p>	<div><div></div><div>Green</div></div>
		£3.222bn (PY £3.444bn) is in respect of Avon Police Pension Fund. The group/PCC and Chief Constable uses Barnett Waddingham to provide actuarial valuations of the group’s assets and liabilities derived from these schemes.		
		The latest full actuarial valuation was completed in 2016. A roll forward approach is used in the intervening periods, which utilises key assumptions such as life expectancy, discount rates and salary growth.		
		Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.		
		There has been a £381m net actuarial adjustment during 2019/20 which has impacted the Comprehensive Income and Expenditure Statement.		
		.		
		.		

Assessment


● We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated

● We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic

● We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious

● We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Relates to	Auditor commentary	Assessment
Net pension liability – PCC and Chief Constable - £3.222bn (continued)	Group, PCC and the Chief Constable	<p>Subsequent event - Impact of HMT Consultation on police pension scheme</p> <p><u>Background</u></p> <p>On 16 July 2020 HM Treasury published their Public service pension schemes consultation which contained the proposed remedy regarding the McCloud/Sargeant remedy.</p> <p>Included in this proposal are details of which members are eligible for remedy. In particular, those who were members of a public sector pension scheme on or before 31 March 2012 and on or after 1 April 2015 will be in scope to choose between their 2015 Scheme or legacy scheme benefits for the period April 2015 to April 2022.</p> <p>The approach used when calculating the past service cost in respect of McCloud/Sargeant in 2018/19 pension liabilities and the current service cost in respect of McCloud/Sargeant in 2019/20 accounts was to assume that all members who were in service on 1 April 2015 would be eligible. At the point of producing these estimates, details of the case and the potential form of the eventual remedy were still unclear, and it was necessary to make assumptions for many of the details. Therefore, when compared to the eligibility set out in HMT's consultation document, the approach adopted by actuaries in assessing the impact of McCloud/Sargeant would overstate the potential liability.</p> <p>Management have obtained updated figures for the PPS and LGPS from the actuary to reflect the potential impact of the consultation.</p> <p>Management have considered whether disclosure is necessary in line with the requirements of IAS 10 (for material non-adjusting events - disclose the nature of the event and either an estimate of its financial effect, or a statement that such an estimate cannot be made).</p> <p>The estimated impact of this McCloud adjustment would be a reduction in the pension liability for police officer pension schemes of £28.9m and a reduction in liability for staff (LGPS) schemes of £0.1m in the Balance Sheet. There would be a past service gain in the Net Cost of Services of the same value.</p> <p>This will be disclosed as a non-adjusting event as a Post Balance sheet events within the financial statements.</p> <p>Auditor's consideration:</p> <p>Following receipt of management's judgement and updated actuary assessment, we undertook work to consider its reasonableness. This involved communication with GT's internal actuarial expert as well as our internal audit technical team. Based on this work we are satisfied that management's judgement is reasonable.</p> <p>Additional work was then performed to ensure the estimate produced by management's actuarial expert based on the revised eligibility criteria assumption was reasonable. No issues were identified as part of this work.</p> <p>We are also satisfied that adequate disclosures in line with IAS 10 have been made.</p>	<div> Green</div>

Assessment

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

Significant findings – key estimates and judgements

Accounting area	Relates to	Summary of management's policy	Auditor commentary	Assessment																								
Net pension liability – LGPS - £271m	Group, PCC and the Chief Constable	The PCC and Chief Constable's total net pension liability at 31 March 2020 is £3.828bn (PY £4.073bn).	<p>In assessing the estimate, we have considered the following:</p> <ul style="list-style-type: none">• Assessment of management's expert;• Completeness and accuracy of the underlying information used to determine the estimate;• Impact of any changes to valuation method;• Consistency of estimate against peers/PwC• Reasonableness of increase/decrease in estimate• Adequacy of the accounting treatment in the financial statements• Adequacy of the disclosure of estimate in the financial statements <p>External auditors are provided with assurance in the form of an auditor's expert report from PwC to assess the assumptions made by the Actuary, the table below sets out the key assumptions:</p> <table><tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr><tr><td>Discount rate (%)</td><td>2.35</td><td>2.35</td><td>●</td></tr><tr><td>Pension increases rate (%)</td><td>1.90</td><td>1.85-1.95</td><td>●</td></tr><tr><td>Salary growth</td><td>2.70</td><td>1.80-2.80</td><td>●</td></tr><tr><td>Life expectancy – Males currently aged 45 / 65</td><td>23.3 / 21.6</td><td>22.8 – 24.7 / 21.4 – 23.3</td><td>●</td></tr><tr><td>Life expectancy – Females currently aged 45 / 65</td><td>25.5 / 23.7</td><td>25.2 – 26.2 / 23.7 – 24.7</td><td>●</td></tr></table> <p>An emphasis of matter paragraph will be included within our audit report to draw attention to the material uncertainty disclosed in relation to the valuation of property assets within the Avon and Somerset LGPS as a result of the COVID 19 coronavirus pandemic.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate (%)	2.35	2.35	●	Pension increases rate (%)	1.90	1.85-1.95	●	Salary growth	2.70	1.80-2.80	●	Life expectancy – Males currently aged 45 / 65	23.3 / 21.6	22.8 – 24.7 / 21.4 – 23.3	●	Life expectancy – Females currently aged 45 / 65	25.5 / 23.7	25.2 – 26.2 / 23.7 – 24.7	●	<div><div></div><div>Green</div></div>
		Assumption		Actuary Value	PwC range	Assessment																						
		Discount rate (%)		2.35	2.35	●																						
		Pension increases rate (%)		1.90	1.85-1.95	●																						
		Salary growth		2.70	1.80-2.80	●																						
Life expectancy – Males currently aged 45 / 65	23.3 / 21.6	22.8 – 24.7 / 21.4 – 23.3	●																									
Life expectancy – Females currently aged 45 / 65	25.5 / 23.7	25.2 – 26.2 / 23.7 – 24.7	●																									
£271m (PY £272) is in respect of the Local Government Pension Scheme. The group/PCC and Chief Constable uses Barnett Waddingham to provide actuarial valuations of the group's assets and liabilities derived from these schemes.																												
The latest full actuarial valuation was completed in 2019. A roll forward approach is used in the intervening periods, which utilises key assumptions such as life expectancy, discount rates and salary growth.																												
Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.																												
There has been a £381m net actuarial adjustment during 2019/20 which has impacted the Comprehensive Income and Expenditure Statement.																												

Assessment

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

Significant findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view and management response
Land and Buildings Valuations	<p>The Covid-19 pandemic led to RICS publishing guidance in relation to the impact of this on valuations, issued on the 2 April 2020.</p> <p>The valuation report provided by External Valuer Jones Lang LaSalle Limited (JLL) states that valuations are reported on the basis of 'material valuation uncertainty' and consequently less certainty and a high degree of caution should be attached to the valuations than would normally be the case.</p> <p>This has been reflected in note 4 of the financial statements and will result in an emphasis of matter paragraph in our audit report for the Group and PCC accounts. Our opinion is not modified in this respect.</p>	<p>Emphasis of matter paragraph included within the audit opinion in respect of the valuers 'material valuation uncertainty'</p> <p>Management have agreed the findings</p>
LGPS Property Assets	<p>Avon and Somerset Pension Fund have disclosed the following in its draft financial statements: 'The Fund's property investments are subject to an industry standard material uncertainty disclosure as at 31 March 2020. This disclosure reflects increased difficulty in determining property values when few comparable transactions have occurred.'</p> <p>Per the IAS19 Schedule provided by the actuary, Avon and Somerset Police share of this balance is £29.5m.</p> <p>This has been reflected in note 4 of the financial statements and will result in an emphasis of matter paragraph in our audit report for the Group and PCC accounts. Our opinion is not modified in this respect.</p>	<p>An emphasis of matter paragraph will be included within our audit report to draw attention to the material uncertainty disclosed in relation to the valuation of property assets within the Avon and Somerset LGPS as a result of the COVID 19 coronavirus pandemic.</p> <p>Management have agreed the findings</p>
Journal Controls	<p>Journals Testing has identified:</p> <ul style="list-style-type: none"> • That there is a risk that descriptions of the journals can be amended after they have been posted to the ledger • This was identified and brought to managements attention in the prior year. <p>We recommend that sufficient controls are implemented and monitored regularly. There is currently a risk that an inappropriate or erroneous journal could be processed and impact on the financial statements.</p>	<p>A recommendation has been added to the action plan at Appendix A</p> <p>Management have agreed the findings</p>

Significant findings - Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process

The Group's accounts have been prepared on the going concern basis. Public sector bodies are assumed to be going concerns where the continuation of the provision of a service in the future is anticipated, as evidenced by inclusion of financial provision for that service in published documents.

Auditor commentary

We have subjected the 2020/21 budget, Medium Term Financial Strategy and cash flow forecast to December 2021 to detailed scrutiny and in our consideration of the appropriateness of management's use of the going concern assumption.

Management have produced an assessment of the Group's use of the going concern assumption. We have reviewed this and the underlying support and concur with his opinion that the going concern basis is appropriate.

In only exceptional circumstances would we expect a Police Force not to prepare its accounts on a going concern, in line with the Code and the public sector adoption of the going concern assumption.

In 2020/21 the Group is forecasting an underspend of £1.6m and the usable reserves at 31 March 2020 stood at £49m.

The Covid-19 pandemic has resulted in a reduction of income in 2020/21, some of which has been covered through government support. Management have set a balanced budget for 2020/21.

Conclusion

Management did not disclose any material uncertainty about the Group's ability to continue as a going concern and our audit procedures led us to conclude that was appropriate.

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to the PCC and Chief Constable for Avon and Somerset Police and Crime Commissioner and Avon and Somerset Chief Constable.

	Issue	Commentary
1	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Joint Independent Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed
3	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the PCC and Chief Constable.
5	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to the external treasury manager and organisations with which the PCC holds bank accounts with. This permission was granted and the requests were sent. These requests were returned with positive confirmation.
6	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements
7	Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none"> All information and explanations requested from management was provided.

Other responsibilities under the Code

	Issue	Commentary
1	Other information	<ul style="list-style-type: none"> We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
2	Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
3	Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> Note that work is not required as the PCC and Chief Constable do not exceed the threshold.
4	Certification of the closure of the audit	<p>We intend to certify the closure of the 2019/20 audit of Avon and Somerset PCC and Avon and Somerset Chief Constable in the audit report, as detailed in Appendix D and E.</p>

Value for Money

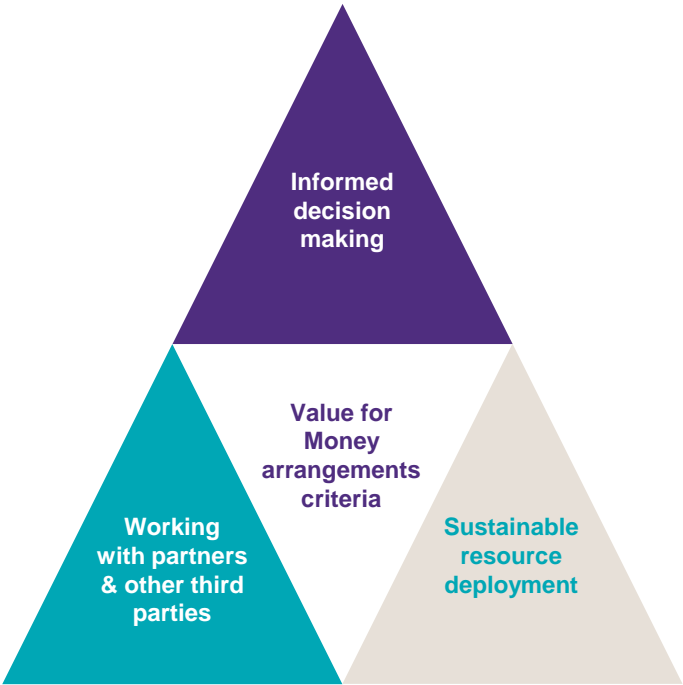
Background to our VFM approach

We are required to satisfy ourselves that the PCC and Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the PCC and Chief Constable. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in February 2020 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Joint Audit Plan dated March 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We have not identified any new VFM risks in relation to COVID-19.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the PCC's and Chief Constable's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the PCC's and Chief Constable's arrangements. In arriving at our conclusion, our main considerations were:

- The revenue outturn position, including the recurrent and non-recurrent steps taken in delivering outturn.
- The arrangements for monitoring and managing the delivery of the budget and savings plans for 2019/20
- The arrangements for developing and agreeing the 2020/21 budgets and updated medium term financial plan.
- The Constabulary's plans for recruitment to ensure that these are aligned to the future financial plans
- The capital and borrowing plans to ensure these are sustainable into the future.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 20 to 21.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that both the PCC and Chief Constable had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix E and F.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed a recommendation for improvement.

Our recommendation and management's response to these can be found in the Action Plan at Appendix A.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or the PCC and Chief Constable.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
<p>1 Medium Term Financial Planning</p> <p>The latest police finance settlement announced in January 2020 provides PCC's with the option to raise additional monies through an increase in the policing precept and includes an increase to the police grant that Avon and Somerset receive. Whilst this was largely better than expected by the sector, financial challenges still remain in the medium term due to increasing and more complex demand and other cost pressures such as increases to police pension contributions. The PCC and Chief Constable need to continue to plan prudently for the future to ensure that they can continue to set balanced budgets in line with their statutory responsibilities.</p> <p>In considering this risk, we:</p> <ul style="list-style-type: none"> - Reviewed the outturn revenue position and considered the impact on our responsibilities, including the balance between recurrent and non-recurrent steps taken in delivering outturn; - Considered the arrangements for monitoring and managing the delivery of budget and savings plans for 2019/20; - Reviewed the arrangements for developing and agreeing the 2020/21 budgets and updated Medium Term Financial Plan, including the identification of savings plans, and considered the level of risk within these plans; and - Reviewed the Constabulary's plans for recruitment to ensure that these are aligned to the future financial plans. 	<p><u>2019/20 Outturn</u></p> <p>The 2019/20 revenue outturn position was a break-even position after a planned contribution to capital reserves, but before other year-end adjustments, was £5.1m underspend.</p> <p>Included within the year end position is an underspend of £11.2m in employee costs. The majority of this underspend, £8m, is due to the fact that whilst recruitment has taken place throughout the year, the majority of new officers started in March and the financial impact will not be fully seen until 2020/21.</p> <p>Approximately £5m of the underspend was due to the assumptions included in planning for officer salary. High levels of officer recruitment and the profile of officers within the spinal points has become less weighted towards the top of the scale. Recurring savings of £5.2m have been included in the MTFP from 2020/21 onwards.</p> <p>The majority of the remaining underspends so not result from recurring areas and are largely due to underspends in officers pay, PSCO's and police vacancies and additional grant income.</p> <p><u>Budget monitoring</u></p> <p>Throughout the year revenue monitoring reports are taken to the Police and Crime Panel to allow the PCC to scrutinise budget performance. The reports set out performance against budget in sufficient detail and provide information on significant variances to allow the reader to understand the reasons for them.</p> <p><u>Medium Term Financial Planning</u></p> <p>The latest Medium Term Financial Plan (MTFP) was agreed in February 2020 and covers the period from 2020/21 to 2024/25.</p>	<p>Recommendation:</p> <p>The group should consider whether the level of savings proposed in the MTFP are achievable and have the detailed business cases fully developed such that the savings can be identified and realised.</p> <p>Management response:</p> <p>The last published MTFP in February 2020 is in the process of being updated, with material changes to the outlook expected as a consequence of COVID-19 and the wider impact this has had on public finances. We have now fully delivered all historic saving, and despite the financial uncertainty surrounding us we have already identified and substantially agreed over £7m of savings and adjustments for 21/22 with the implementation of many of these already achieved or being progressed. We remain unsure whether these alone will be sufficient to balance our 21/22 budget and remain in discussion as to what further options might be available to us to balance the budget in the short-term. We recognise that further savings will be needed over the medium term, and will progress our plans here so that we will be able to engage the new PCC following the May 2021 elections on the detail of these plans, thereby enabling us to commence implementation sufficiently in advance of the 22/23 financial year.</p>

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Findings

Conclusion

The MTFP identifies a £6.5m budget deficit by the end of 2024/25. The MTFP also includes £41.880 of savings to be delivered. The savings for 2019/20 were not fully achieved, however the MTFP shows high level of savings needed to balance in future years. The group should therefore consider whether the level of savings proposed in the MTFP are achievable and have the detailed business cases fully developed such that the savings can be identified and realised.

Constabulary recruitment plans

Officer recruitment is on an upwards trajectory which has coincided with the introduction of the Police Constable Degree Apprenticeship (PCDA) which is being delivered in partnership with UWE.

Officer headcount for 31 March 2021 is 3,000 and the forecasts indicate that this will be achieved.

The recruitment currently in progress was built into the MTFP and is monitored by the finance team and HR to ensure that all targets are achieved.

Impact of COVID-19

Shortly before the year end a worldwide pandemic was declared due to the spread of the COVID-19 virus. This resulted in a nationwide lockdown declared by the government which has lasted, in various forms, up to the point of the financial statements audit.

The situation has been closely monitored by the force and reported to the Police and Crime Panel.

The finance team set up separate codes on the ledger with the intention that this will allow the COVID-19 costs to be easily identified and monitored as the pandemic continues.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Findings

Conclusion

Impact of COVID-19 continued

Staffing costs have remained relatively consistent as officers were continuing with their police duties when back office staff were successfully redeployed to work from home with the need for overtime decreasing as crime levels decreased during this time. Additional costs relate to equipment expense for remote working and increased cleaning costs for buildings and equipment/fleet cars.

The Government have not formally agreed any police funding. However on the 6 May 2020 a request for information was received from the Home Office.

The closure of the building sector has led to some delays in capital build projects with a 3 month delay the standard. This will result in some capital slippage but this will be positive for cash flow. Buildings marked for renovation or closure have also been repurposed during this time to ensure staff are correctly social distanced and spread out across the force's sites.

To date the Government has allowed costs to be recovered using the Uplift grant. This will mitigate some risk. There is likely to be some shortfall, however the reserves in place are expected to be able to mitigate this without a significant impact on the PCC's financial sustainability.

There are concerns around future funding of the service with uncertainty on levels of both local and central income. The Government are frequently providing more guidance on support available, with all PCCs across the country in the same position this will be managed during 2020/21.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.




Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the PCC and Chief Constable. No non-audit services were identified which were charged from the beginning of the financial year to current date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Action plan



We have identified 10 recommendations for the Group PCC and Chief Constable as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Relevant to	Recommendations
1	 <p>Suspense accounts</p> <p>Testing has identified that there is a significant number of suspense accounts in the ledger that are used on a daily basis. In particular suspense code 99016 has a high absolute value and high volume of transactions, although these do have a nil effect on the total financial balance.</p> <p>We recommend that management review the usage of suspense accounts to reduce the risk of transactions being left in these accounts.</p>	Group, PCC and the Chief Constable	<p>We recommend that management review the usage of suspense accounts to reduce the risk of transactions being left in these accounts.</p> <p>Management response: Suspense account reconciliations are now being prepared and reviewed on a monthly basis and actions agreed to clear any outstanding items, which will reduce the risk of transactions being left in these accounts. The majority of the transactions in the 99016 account relate to Misuse of Drugs as per Section 27 of the Misuse of Drugs Act. A schedule is maintained on a monthly basis to record and monitor these transactions and they are reported to the Force Drug Expert Lead. For the 2020-21 financial year we have created a new GL account dedicated to separately record these transactions.</p>
2	 <p>Journals description</p> <p>We reported in previous years that it was possible to amend the description of journal entries after they had been posted to the ledger. There is a risk that descriptions for journal entries could be amended and that this could result in fraud or error in the financial statements.</p> <p>Management have not addressed this recommendation from prior year. Management should review the system and identify if it is possible to remove the ability to change journal descriptions on the general ledger once they have been posted.</p>	Group, PCC and the Chief Constable	<p>We recommend that Management should review the system and identify if it is possible to remove the ability to change journal descriptions on the general ledger once they have been posted.</p> <p>Management response: We will ensure that a control process is implemented to check any changes in journal descriptions after they have been posted into SAP. It should be noted that if a journal description has been changed, SAP already retains an audit record of the change and who made the change, allowing this to be traced if necessary.</p>
3	 <p>Creditors raised on purchase orders</p> <p>Testing has identified that creditors have been raised on Purchase Order accruals that have not been cleared down. Three items in our sample were deemed to be errors due to their historic nature as these were over two years old.</p> <p>Management should therefore review the creditors balances to ensure that these remain accurate.</p>	Group, PCC and the Chief Constable	<p>Management should therefore review the creditors balances to ensure that these remain accurate.</p> <p>Management response: The historic accruals related to purchase orders that had been good receipted but not invoiced, so there was a risk we would still be charged. Suppliers can take a long time to submit invoices, and purchase orders over two years old may still be active if they relate to long term projects, so it is often prudent to retain accruals. We will ensure that we continue to review and close down any historic purchase orders that are no longer required.</p>




Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice




Action plan

	Assessment	Issue and risk	Relevant to	Recommendations
4		<p>IT</p> <p>Our testing around ITGC performed by TRS identified one significant deficiency in the IT system. It was observed that the system administrator has development keys in the production and development environments, the former giving them the ability to make changes directly in the production environment. The risk of maintaining active users in the production environment with development access keys is very high since it allows system functionality to be changed potentially leading to inappropriate financial postings.</p> <p>Our recommendation is that no user (except for the emergency user in exceptional circumstances by an emergency change management process) should have any direct editing ability via a development key in production. All development and editing should be confined to development.</p> <p>Management should consider removing the user's development key in the development and production environments.</p>	Group, PCC and the Chief Constable	<p>Management should consider removing the user's development key in the development and production environments.</p> <p>Management response: We will work with ICT to establish if the system administrator's direct editing ability in the SAP production environment can be removed.</p>
5		<p>Holding accounts</p> <p>As reported in the prior year, we reported a mismatch between the total comprehensive income and expenditure statement and the movement in reserves per the balance sheet. We identified this mismatch related to the way that certain holding accounts relating to collaborations were reflected in the financial statements.</p> <p>We would not normally expect a difference to arise and recommend that management review the accounting treatment in order to confirm that this was appropriate.</p> <p>Although trivial at £154k, we would recommend that management review the accounting treatment applied to ensure that it is in line with the CIPFA code and International Financial Reporting Standards.</p>	Group, PCC and the Chief Constable	<p>We would recommend that management review the accounting treatment applied to ensure that it is in line with the CIPFA code and International Financial Reporting Standards.</p> <p>Management response: The mismatch relates to the SWROCU collaboration which has historically been managed separately and we note that the value is not material. We will review the accounting treatment applied during the next financial year to identify how we can bring this into line with the CIPFA code and International Financial Reporting Standards.</p>




Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice



Action plan

Assessment	Issue and risk	Relevant to	Recommendations
6	 <p>Debtors balance</p> <p>Testing identified that historic balances remain with the debtors balance. One item in our sample related to a payroll overpayment from 2007/08, which is still included in the debtors balance. We understand that actions are in place to address this, however we would recommend that Management review the debtors balances to ensure that these are accurate and collectable.</p>	Group, PCC and the Chief Constable	<p>We would recommend that Management review the debtors balances to ensure that these are accurate and collectable.</p> <p>Management response:</p> <p>Aged debtors are reviewed on a monthly basis and we will ensure that items which are not recoverable will be written off. We are reluctant to write off old debts if there is still a possibility that they will be recovered. Some historic payroll overpayments may not be appropriate to write off as they are gradually being repaid as per agreed repayment plans. It should be noted that a provision for bad debts was made to provide for the value of any old and un-recoverable debt in the 2019-20 accounts.</p>
7	 <p>Parked Transactions</p> <p>Our review of the trial balance noted that there were three transactions posted during the year that had become 'parked' within the system and therefore had not made it through to the trial balance.</p> <p>We would therefore recommend that management review the posting process to ensure that transactions are recorded accurately.</p>	Group, PCC and the Chief Constable	<p>We would therefore recommend that management review the posting process to ensure that transactions are recorded accurately.</p> <p>Management response:</p> <p>We will put in place a regular review to ensure that any parked transactions are identified and appropriate action is taken so that these transactions are included within the trial balance and month end management accounts.</p>
8	 <p>Mapped Trial Balance</p> <p>We received the draft accounts on 19 June and the mapping document which agrees to the Trial Balance on 3 July. This means that there has been a delay in selecting our samples.</p> <p>We would therefore recommend that Management review the accounting closedown process and ensure that a mapping document is prepared alongside the financial statements.</p>	Group, PCC and the Chief Constable	<p>We would therefore recommend that Management review the accounting closedown process and ensure that a mapping document is prepared alongside the financial statements.</p> <p>Management response:</p> <p>We will ensure that the mapping document in the format required by the auditors is prepared at the same time as the statement of accounts next financial year and have included this as part of our year end processes.</p>

Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

Action plan (continued)

Assessment	Issue and risk	Relevant to	Recommendations
9	 <p>Payroll Reconciliation</p> <p>During the audit we review the reconciliation prepared by management agreeing the payroll system to the general ledger. We requested this reconciliation on 6 July but did not receive this until 12 August as it appears that this document had not been previously prepared.</p> <p>We would recommend that Management prepare this reconciliation as part of the accounts close down process to ensure that transactions are recorded accurately.</p>	Group, PCC and the Chief Constable	<p>We would recommend that Management prepare this reconciliation as part of the accounts close down process to ensure that transactions are recorded accurately.</p> <p>Management response: Due to the separation of duties between payroll and finance and due to the high volume of payroll transactions, this reconciliation was time-consuming to perform. In addition this was a new audit request this year. Over recent months, we have worked with our IT department to create a new SAP report that will enable this reconciliation to be produced more quickly next financial year. The reconciliation report is currently being tested and we anticipate the report will be used regularly once it is launched in the live version of SAP.</p>
10	 <p>Value for Money - savings plans</p> <p>The MTFP identifies a £6.5m budget deficit by the end of 2024/25. The MTFP also includes £41.880 of savings to be delivered. The savings for 2019/20 were not fully achieved, however the MTFP shows high level of savings needed to balance in future years. The group should therefore consider whether the level of savings proposed in the MTFP are achievable and have the detailed business cases fully developed such that the savings can be identified and realised.</p> <p>See pages 20 and 21 for more detail on the value for money work undertaken.</p>	Group, PCC and the Chief Constable	<p>The group should consider whether the level of savings proposed in the MTFP are achievable and have the detailed business cases fully developed such that the savings can be identified and realised.</p> <p>Management response: The last published MTFP in February 2020 is in the process of being updated, with material changes to the outlook expected as a consequence of COVID-19 and the wider impact this has had on public finances. We have now fully delivered all historic saving, and despite the financial uncertainty surrounding us we have already identified and substantially agreed over £7m of savings and adjustments for 21/22 with the implementation of many of these already achieved or being progressed. We remain unsure whether these alone will be sufficient to balance our 21/22 budget and remain in discussion as to what further options might be available to us to balance the budget in the short-term. We recognise that further savings will be needed over the medium term, and will progress our plans here so that we will be able to engage the new PCC following the May 2021 elections on the detail of these plans, thereby enabling us to commence implementation sufficiently in advance of the 22/23 financial year.</p>

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Audit adjustments - PCC

We are required to report all non trivial misstatements to the PCC and Chief Constable, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
There we no adjusted misstatements.			

Audit adjustments - PCC

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
General disclosures throughout the accounts	Our review and audit of the draft accounts identified a small number of presentational changes to enhance the clarity of the accounts for the reader.	We have shared the areas for presentational amendments and these will be reflected in the revised accounts.	✓
Remuneration note	Through our audit work it was identified that disclosures had been made on an individual basis, rather than on a role basis, which is a code requirement.	Update the disclosure	✓
Pensions note	Through our audit work the actuary, Barnett Waddingham, identified that they had provided incorrect figures in regards to the demographic assumptions and experience loss/gain on the defined benefit obligation for staff LGPS pension scheme. There is a net nil impact of the accounts, but the accounts are to be updated to reflect these figures.	Update the disclosure	✓
Joint arrangements	Two inconsistencies between figures displayed in the narrative disclosures and the information provided to support the note were identified. Total adjustment of £102k.	Update the disclosure	✓
Financial instruments	Disclosures made around the valuation method of assets/liabilities deemed not to be sufficient in accordance with IFRS 9. Additional narrative to be added in order to evaluate the method of valuation for each class of assets to ensure IFRS 9 compliance.	Update the disclosure	✓
EFA	It has been identified that the figures disclosed in the Group Expenditure Funding Analysis does not tie back to the Movement in Reserves Statement.	Update the disclosure	✓

Audit adjustments - PCC

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Creditors: Three errors in creditors testing have been identified. These relate to goods receipt non-invoice PO accruals that the auditor has deemed to be errors due to their historic nature. The three errors total an overstatement of £524, which has an extrapolated error of £882,297	Cr Operating Expenditure 882	Dr Creditors 882	Nil	Not material

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2018/19 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
There were no prior year unadjusted misstatements.				

Audit adjustments - CC

We are required to report all non trivial misstatements to the PCC and Chief Constable, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
There we no adjusted misstatements.			

Audit adjustments - CC

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
General disclosures throughout the accounts	Our review and audit of the draft accounts identified a small number of presentational changes to enhance the clarity of the accounts for the reader.	We have shared the areas for presentational amendments and these will be reflected in the revised accounts.	✓
Remuneration note	Through our audit work it was identified that disclosures had been made on an individual basis, rather than on a role basis, which is a code requirement.	Update the disclosure	✓
Pensions note	Through our audit work the actuary, Barnett Waddingham, identified that they had provided incorrect figures in regards to the demographic assumptions and experience loss/gain on the defined benefit obligation for staff LGPS pension scheme. There is a net nil impact of the accounts, but the accounts are to be updated to reflect these figures.	Update the disclosure	✓
Joint arrangements	Two inconsistencies between figures displayed in the narrative disclosures and the information provided to support the note were identified. Total adjustment of £102k.	Update the disclosure	✓

Audit adjustments - CC

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
There are no unadjusted misstatements.				

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2018/19 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
There were no prior year unadjusted misstatements.				

Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit Fees	Proposed fee	Final fee
PCC Audit	£27,992	£27,992
Chief Constable Audit	£14,438	£14,438
Fee Variations	£8,500	TBC
Total audit fees (excluding VAT)	£50,930	£TBC

Since our audit plan was issued, IFRS16 was deferred until 2020/21. We are proposing to allocate the fees for this work to cover the additional fees we have incurred due to remote working under the COVID-19 arrangements.

The fees reconcile to the financial statements.

Non Audit Fees for other services

No non-audit or audited related services have been undertaken for Avon and Somerset’s PCC and Chief Constable.

Audit opinion

We anticipate we will provide the PCC with an unmodified audit report

Independent auditor's report to the Police and Crime Commissioner for Avon and Somerset

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Avon and Somerset (the 'Police and Crime Commissioner') and its subsidiary the Chief Constable (the 'group') for the year ended 31 March 2020 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Fund Account and the Net Assets Statement. The notes to the financial statements include the EFA, Notes to the Core Statements, Policies and Judgements and Notes to the Group Accounts. 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Police and Crime Commissioner as at 31 March 2020 and of the group's expenditure and income and the Police and Crime Commissioner's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

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. We are independent of the group and the Police and Crime Commissioner 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 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Interim Chief Finance Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Police and Crime Commissioner and group's future operational arrangements.

Audit opinion

We anticipate we will provide the PCC with an unmodified audit report

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Police and Crime Commissioner and group's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Interim Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Interim Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Police and Crime Commissioner's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Interim Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Police and Crime Commissioner's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Police and Crime Commissioner's and group's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Police and Crime Commissioner's and group's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Police and Crime Commissioner or group will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and Pension Fund property assets

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the group land and buildings and Pension Fund property assets as at 31 March 2020. As, disclosed in Note 4 to the financial statements, regarding the land and buildings, the valuation took into account the potential future impact of Covid-19, and as such was reported on the basis of material valuation / market uncertainty as per VPS3 VPGA of the RICS Red Book. Consequently, less certainty can be attached to the valuation of land and buildings than would normally be the case. Our opinion is not modified in respect of this matter.

The investments held by Somerset County Council Local Government Pension Scheme includes property assets. The actuary has calculated that the PCC Group's share of the property assets was £29m as at 31 March 2020. The valuation of these pension property assets took into account the potential future impact of Covid-19, and as such was reported on the basis of material valuation / market uncertainty as per VPS 3 VPGA of the RICS Red Book. Consequently, less certainty can be attached to the valuation of the property than would normally be the case.

Audit opinion

We anticipate we will provide the PCC with an unmodified audit report

Other information

The Interim Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the Police and Crime Commissioner and group financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 of the group and the Police and Crime Commissioner obtained in 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Police and Crime Commissioner gained through our work in relation to the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Police and Crime Commissioner under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

Audit opinion

We anticipate we will provide the PCC with an unmodified audit report

- 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 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Police and Crime Commissioner and the Interim Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 11, the Police and Crime Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Interim Chief Finance Officer. The Interim 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Interim Chief Finance Officer determines 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 Interim Chief Finance Officer is responsible for assessing the group's and 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 there is an intention by government that the services provided by the group or the Police and Crime Commissioner will no longer be provided.

The Police and Crime Commissioner is Those Charged with Governance. Those charged with governance are responsible for overseeing the financial reporting process.

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.

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

Audit opinion

We anticipate we will provide the PCC with an unmodified audit report

Report on other legal and regulatory requirements - Conclusion on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Police and Crime Commissioner

The Police and Crime Commissioner is responsible for putting in place proper arrangements for securing 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 review of the Police and Crime Commissioner's arrangements for securing 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 be satisfied 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Police and Crime Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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 be satisfied that the Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Police and Crime Commissioner for Avon and Somerset in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Audit opinion

We anticipate we will provide the PCC with an unmodified audit report

Use of our report

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's 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 Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

Iain Murray, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

[Date]

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Audit opinion

We anticipate we will provide the Chief Constable with an unmodified audit report

Independent auditor's report to the Chief Constable for Avon and Somerset Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Chief Constable for Avon and Somerset (the 'Chief Constable') for the year ended 31 March 2020 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Fund Account and the Net Assets Statement. The notes to the financial statements include the EFA, Notes to the Core Statements and Policies and Judgements. 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

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. We are independent of the Chief Constable 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 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Chief Financial Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Chief Constable's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Chief Constable's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Audit opinion

We anticipate we will provide the Chief Constable with an unmodified audit report

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Chief Constable's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Chief Financial Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Chief Constable's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Chief Constable's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Chief Constable's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Chief Constable will continue in operation.

Emphasis of Matter – effects of Covid-19 on the Pension Fund property assets

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Pension Fund property assets as at 31 March 2020. As, disclosed in Note 4 to the financial statements, the investments held by Somerset County Council Local Government Pension Scheme includes property assets. The actuary has calculated that the PCC Group's share of the property assets was £29m as at 31 March 2020. The valuation of these pension property assets took into account the potential future impact of Covid-19, and as such was reported on the basis of material valuation / market uncertainty as per VPS 3 VPGA of the RICS Red Book. Consequently, less certainty can be attached to the valuation of the property than would normally be the case.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 of the Chief Constable obtained in 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Audit opinion

We anticipate we will provide the Chief Constable with an unmodified audit report

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Chief Constable gained through our work in relation to the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Chief Constable under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- 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 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Audit opinion

We anticipate we will provide the Chief Constable with an unmodified audit report

Responsibilities of the Chief Constable and the Chief Financial Officer for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 11, the Chief Constable is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Financial Officer. The Chief Financial 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines 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 Financial Officer 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 there is an intention by government that the services provided by the Chief Constable will no longer be provided.

The Chief Constable is Those Charged with Governance. Those charged with governance are responsible for overseeing the financial reporting process.

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.

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

Report on other legal and regulatory requirements - Conclusion on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that 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 2020.

Audit opinion

We anticipate we will provide the Chief Constable with an unmodified audit report

Responsibilities of the Chief Constable

The Chief Constable is responsible for putting in place proper arrangements for securing 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 review of the Chief Constable's arrangements for securing 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 be satisfied that the Chief Constable 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion 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 2020.

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 be satisfied that the Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Chief Constable for Avon and Somerset in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Audit opinion

We anticipate we will provide the Chief Constable with an unmodified audit report

Use of our report

This report is made solely to the Chief Constable, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Chief Constable those matters we are required to state to the Chief Constable in an auditor's 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 Chief Constable as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Iain Murray, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

[Date]

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