

The Joint Audit Findings for West Midlands Police and Crime Commissioner and the Chief Constable of West Midlands Police

Interim Findings

22 August 2024

Year ended 31 March 2024





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22 August 2024

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Joint Audit Findings for West Midlands Police and Crime Commissioner and the Chief Constable of West Midlands Police for the year ended 31 March 2024

This Joint Audit Findings presents the observations arising from the audits that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

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

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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2023.pdf \(grantthornton.co.uk\)](#).

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

Laurelin Griffiths

Director
For Grant Thornton UK LLP

Chartered Accountants

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

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

Laurelin Griffiths
For Grant Thornton UK LLP
22 August 2024

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of West Midlands Police and Crime Commissioner ('the PCC') and the Chief Constable of West Midlands Police and the preparation of the PCC's and Chief Constable's financial statements for the year ended 31 March 2024 for those charged with governance.

Financial Statements

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

- give a true and fair view of the financial positions of the PCC's and Chief Constable's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with each set of audited financial statements (including the Annual Governance Statements (AGS) and Narrative Reports) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work has been completed both on site and remotely during July and August. Our audit is not yet complete, but we have not currently identified any adjustments to the financial statements of either the Chief Constable or the PCC. We will issue an updated Audit Findings Report to the Police and Crime Commissioner and the Chief Constable as those charged with governance when we have completed our audits.

Our work is currently progressing as planned, and we anticipate completing the audit in September, subject to receipt of assurances from the pension fund auditor and receipt of supporting information from the PCC's valuer. There are currently no matters of which we are aware that would require modification of our audit opinion for either the PCC's or Chief Constable's financial statements.

The main areas where our work is not yet complete are:

- Consideration of the assumptions used to determine the valuation of the pension liabilities for both the LGPS and the PPS;
- Detailed testing of the valuation of a sample of land and buildings;
- Detailed testing of journal entries that have been deemed to be highest risk;
- Consideration of the balances that have been included in the PCC's provisions;
- Agreement of the disclosures of senior officer remuneration to supporting information;
- Receipt of signed management representation letters; and
- Review of the final sets of financial statements.

Our work on the 'other information' published together with the accounts, including review of the annual governance statements and narrative reports is ongoing.

Our anticipated financial statements audit report opinions will be unmodified. Our work on the PCC's and Chief Constable's value for money (VFM) arrangements is not yet complete. The outcome of our VFM work will be reported in our commentary on the PCC's and Chief Constable's arrangements in our Auditor's Annual Report (AAR).

1. Headlines

Value for Money (VFM) arrangements

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

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

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

Our work on the PCC's and Chief Constable's value for money (VFM) arrangements will be reported in our commentary on the PCC and Chief Constable's arrangements in our Auditor's Annual Report (AAR).

We have completed our initial planning procedures, but we have yet to undertake our Value for Money work. Our work will include a follow up of the significant weakness identified in the 2022/23 Annual Auditor's report. No further risks of significant weakness have been identified at this stage.

Statutory duties

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

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

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

We will issue the certificates of completion of the audits following the finalisation of the Auditor's Annual Report which is currently expected to be later than the opinions on the accounts are issued.

Significant matters

We have not encountered any significant difficulties in completion of our work to date. We expect to finalise our opinion work in September.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions. By the end of May 2024 Grant Thornton had signed 65% of our 2022/23 audits. This compared with 7% for other firms. We are on course to sign 80% before the local authority backstop is introduced for 2022/23. We have also made good progress with our 2023/24 audits and are pleased to present this report to you on a timely basis.

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

We would like to thank everyone at the PCC and Chief Constable for their support in working with us to progress the audit.

Consultation

The Ministry of Housing, Communities and Local Government (MHCLG), working with the FRC, as incoming shadow system leader, and other system partners, has put forward proposals to address the delay in local audit. The proposals consist of three phases:

Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.

Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

The consultation ran until 7 March 2024. Full details of the consultation can be seen on the following pages:

- [Consultations on measures to address local audit delays \(frc.org.uk\)](#)
- [Addressing the local audit backlog in England: Consultation - GOV.UK \(www.gov.uk\)](#)
- [Code of Audit Practice Consultation - National Audit Office \(NAO\)](#)

Our response to the consultation

Grant Thornton responded to the consultation on 5 March 2024. In summary, we recognise the need for change, and support the proposals for the introduction of a backstop date of 30 September 2024. The proposals are necessarily complex and involved. We believe that all stakeholders would benefit from guidance from system leaders in respect of:

- The appropriate form of reporting for a backstopped opinion
- The level of audit work required to support a disclaimer of opinion
- How to rebuild assurance in terms of opening balances when previous years have been disclaimed.

Statement from MHCLG

On 30 July 2024, the Minister of State for Housing, Communities and Local Government made a statement explaining his intention to implement backstop dates for all financial years up to 2027/28. The plans include a backstop date of 28 February 2025 for the publication of audited accounts for the 2023/24 financial year.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

Our audit approach was based on a thorough understanding of the 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 their 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 not had to alter our audit plan, as communicated to you in March 2024.

Conclusion

Our audit remains ongoing at the time of writing this report, but subject to the completion of our outstanding work, and our outstanding queries being resolved, we anticipate issuing unqualified audit opinions on the financial statements of both the PCC and the Chief Constable.

The areas of the of the audit that remain ongoing are set out on page 4.

Acknowledgements

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

2. Financial Statements



Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan, although the way that these levels have been determined has changed.

We set out in this table our determination of materiality audits.

Our materiality thresholds were set at planning, considering the gross operating costs of each of the group, PCC and the Chief Constable. Whilst we determined separate materiality levels for the group, the PCC and the Chief Constable as part of our considerations, we use the lowest of the three as the basis for our overall financial statements audits.

At planning, the lowest threshold was the PCC's.

Upon receipt of the draft financial statements, we reassessed our materiality.

We determined that it was appropriate to retain a materiality of approximately 1.5% of operating costs, which is the same as that used at planning and in the prior year. Again, we considered the separate materiality levels for the group, the PCC and the Chief Constable.

The lowest threshold based on the draft financial statements was the Chief Constable's, and so that was the materiality that we have applied as the basis of our audit work.

The resulting materiality threshold remains consistent with that determined at planning, at £12.5m.

Materiality for the financial statements	£12.5m	Our materiality thresholds equate to approximately 1.5% of gross operating costs.
Performance materiality	£8.75m	This assessment reflects that the group operates in a stable, publicly funded environment, and no significant control deficiencies have been identified in the prior year or in the course of our audit planning.
Trivial matters	£625k	We report to those charged with governance any misstatements of above this threshold to the extent that these are identified by our audit work.
Materiality for senior officer remuneration	£30k	Reflects the wider public interest in senior officer remuneration.

2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Relates to	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumption that the risk of management over-ride of controls is present in all entities. The PCC and Chief Constable face external scrutiny of their spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, and in particular journals, management estimates, and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> <p>In 2022/23 we identified an ongoing control deficiency in journals access, which we will take into account in our testing approach.</p>	All	<p>We are in the process of completing our work in this area. We have:</p> <ul style="list-style-type: none"> evaluated the design and implementation of management controls over journals; analysed the journals listing and determined the criteria for selecting high risk unusual journals; and selected a sample of journals for testing which include unusual journals made during the year and the accounts production stage for appropriateness and corroboration. <p>We are currently in the process of</p> <ul style="list-style-type: none"> undertaking the detailed testing of the journals selected, per the above; and gaining an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. <p>We have not identified any issues at the time of writing this report.</p> <p>We will update this section of the report when we have completed our work.</p>
<p>Presumed risk of fraud in revenue recognition</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>At planning we rebutted this presumed risk. Our work to date has not lead us to reconsider this rebuttal. The majority of our testing on grant income and other income is complete with no matters to report at this stage.</p>		
<p>Risk of fraud related to expenditure recognition PAF Practice note 10</p> <p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition.</p> <p>At planning we concluded that there was no significant risk of fraud arising from improper expenditure recognition. We do consider that there is increased risk around completeness of expenditure, and this is reflected in our testing and sample selection. Our work on this area is currently ongoing.</p>		

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>Valuation of land and buildings</p> <p>The PCC revalues its land and buildings on a five-yearly basis. This valuation represents a significant estimate by management in the financial year. 2023/24 is the first year of the cycle and we expect that there will be a full valuation this year.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£157m at 31 March 2024, per the draft financial statements) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management will need to ensure that the carrying value in the PCC and group financial statements is not materially different from the current value (or the fair value for surplus assets) at the financial statements date. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.</p>	<p>PCC & Group</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuer, and the scope of their work; evaluated the competence, capabilities and objectivity of the valuation expert; and written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met. <p>Our detailed testing is still ongoing. Our testing involves:</p> <ul style="list-style-type: none"> challenging the information and assumptions used by the valuer to assess the completeness and consistency with our understanding; engaging our own valuer to assess the instructions issued by the PCC to their valuer, the scope of the PCC's valuers' work, the PCC's valuers' reports and the assumptions that underpin the valuations; and testing revaluations made during the year to see if they had been input correctly into the PCC's asset register. <p>We will update this section of the report when our work is complete.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>Valuation of pension fund net liability</p> <p>The group's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and is made up of the Local Government Pension Scheme (LGPS) and Police Pension Scheme (PPS).</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£6,107m for the group at 31 March 2024) and sensitivity of the estimate to changes in the key assumptions.</p> <p>We therefore identified valuation of the group's pension fund net liability as a significant risk, which was one of the most significant assessed risk of material misstatement.</p> <p>Given the size of the Chief Constable's and PCC's liabilities respectively, we consider that this significant risk lies in the liability of the Chief Constable only.</p>	Chief Constable & Group	<p>We have:</p> <ul style="list-style-type: none"> updated our understanding of the processes and controls put in place by management to ensure that the group's pension fund net liability is not materially misstated and evaluate the design of the associated controls; evaluated the instructions issued by management to their management experts (the actuaries for the LGPS and PPS) for this estimate and the scope of the actuaries' work; assessed the competence, capabilities and objectivity of the actuaries who carried out the group's pension fund valuations; and assessed the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuaries. <p>Our work has yet to fully:</p> <ul style="list-style-type: none"> Consider the accuracy and completeness of the information provided by the group to the actuaries to estimate the liabilities; undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and obtain assurances from the auditor of the West Midlands Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary, and the fund assets valuation in the pension fund's financial statements. <p>Subsequent to the receipt of the draft financial statements, an updated LGPS actuarial report was received. Whilst there was no impact on the net liability per the balance sheet, there were changes to some of the IAS 19 disclosures. Management judged that these changes were material and consequently the accounts have been updated to reflect the revised figures.</p> <p>Management has once again considered IFRIC 14 and the impact of the asset ceiling and this is reflected in the accounting. We have yet to fully consider management's judgements in this regard.</p>

2. Financial Statements: key judgements and estimates

On completion of our audit, we will provide further detail to this section of the report.

This section will include commentary on the key estimates and judgements in relation to our significant risks which involve key judgements and estimates which are:

- valuation of land and buildings; and
- valuation of the net pension fund liability for both the Local Government pension scheme and the Police pension scheme.

Assessment

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

2. Financial Statements: Information Technology

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

Our work in this area remains ongoing, and we will update this report once it is complete.

At the time of writing this report, we are not anticipating any findings that have not been reported to management and those charged with governance in previous years.

Assessment

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

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Joint Audit Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We identified that some interests had not been disclosed as part of the annual confirmation process. We were able to confirm that no transactions had occurred and so the related party disclosures are complete.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	Letters of representation will be requested for both the PCC and the Chief Constable. We have yet to determine whether any specific representations will be required.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the PCC's bank and for the Investments held at the year end. We have yet to receive back all confirmations. We will undertake alternative procedures if these planned confirmations are not received and update this report accordingly.
Accounting practices	We have evaluated the appropriateness of the PCC's and Chief Constable's accounting policies, accounting estimates and financial statement disclosures. We have yet to fully conclude on this work.
Audit evidence and explanations/ significant difficulties	No such matters to report at this stage of the audit. We have received appropriate support and explanations from management to date.

2. Financial Statements: other communication requirements



Our responsibility

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

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the PCC's and Chief Constable's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the PCC and Chief Constable meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the PCC and Chief Constable and the environment in which they operate the PCC's and Chief Constable's financial reporting framework the PCC's and Chief Constable's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified for either the PCC or the Chief Constable management's use of the going concern basis of accounting in the preparation of both sets of financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statements and Narrative Reports), are materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>We have yet to conclude in this area but we are currently discussing with management potential omissions.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statements do not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties, • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weakness. <p>This was an area where we reported by exception in the prior financial year due to the omission of reference to the PEEL inspection. Our work to consider the group's arrangements to secure value for money has not yet been completed for the 2023/24 year, but we identified significant weaknesses in the previous year's work.</p>
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 audit instructions.</p> <p>We note that work is not required as the group does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2023/24 audit of the West Midlands PCC and the Chief Constable of West Midlands Police in the audit reports, due to the timing of the completion of our value for money work.</p>

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

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

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



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

4. Independence and ethics

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

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

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

Details of fees charged are in Appendix E.

Transparency

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

4. Independence and ethics

Audit and non-audit services

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

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

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

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

Appendices

- A. Communication of audit matters to those charged with governance
- B. Fees and non-audit services

A. Communication of audit matters to those charged with governance

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

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

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

B. Fees and non-audit services

We set out below our anticipated fees for the audit. There were no fees for the provision of non-audit services. We will update management and this report should further fees be required.

Audit fees	PCC	Chief Constable
Scale fee	£129,519	£71,143
ISA 315	£6,275	£3,138
Use of expert	£3,000	£-
Total audit fees (excluding VAT)	£138,794	£74,281

