



## **Leicestershire Police and Crime Commissioner and Chief Constable Audit Progress Update**

### **Overview**

This briefing paper seeks to update members of the Joint Audit, Risk and Assurance Panel (JARAP) on the progress of the audit of the 2021/22 Statement of Accounts.

### **Financial statements audit**

Our Audit Planning Report was presented to the JARAP on the 17 April 2023 and outlined our key areas of audit focus and planned procedures.

At the JARAP in August 2023 we explained that the audit was still underway. Subsequent to the meeting we met with key members of management in September 2023, including both CFOs and the Head of Finance, to discuss audit progress, findings to date, implication of any ministerial announcement, some of the reasons impacting our collective ability to close out the 2021/22 financial statement audit and way forward.

We have included information on the status of key areas of the audit in appendix 1 for your information.

The completion of the 2021/22 audit will require further discussion with management and will need to consider a change in audit personnel due to illness and maternity leave, capacity from EY to resume the audit (taking into account audits already planned for this period), capacity of management and the finance team, and any implications arising from Ministerial announcements.

### **2021/2022 Audit Observations**

The 2021/22 audit process has included a few challenges compared to the prior year.

The original timelines agreed with management included aiming to complete planning and the full audit testing in a continuous block of time. This included completing the audit alongside 2022/23 close down procedures for finance, and alongside other sector year end audits for EY. Whilst resource was secured to accommodate the expected time to complete the audit has been impacted by a number of key challenges, including:

- Additional findings (misstatements) compared to prior years resulting in additional testing, alternative procedures and resolution.
- Longer than anticipated evidence provision and testing completion times.
- Miscommunications and misunderstanding in relation to evidence required and received to support certain samples.
- Staff illness.

As noted above our audit process this year has identified an increase in the number of audit findings in comparison with prior years. We have outlined some of our findings to date in appendix 2 for your information. It should be noted that at this stage this is not a complete list given that we are finalising several work areas with management.

We discussed some of these findings during our meeting with management in September 2023. As part of this session, we agreed a fuller debrief session would be beneficial to both teams upon completion of the 2021/22 audit.

### **2022/2023 Audit Timing**

The timing of the 2022/2023 audit will be determined in agreement with management on completion of 2021/2022 audit. As a firm, EY are working through the timing and prioritisation of historic audits.

You will also be aware of the latest ministerial announcement from the Department of Levelling up, Housing and Communities in light of the backlog of local audits in England. It should be noted that any further direction and guidance will result in EY needing to assess the potential impact on our portfolio of work and therefore the timing of your audit.

We will keep management and members if the JARAP updated on any further communications.

The timing of future audits will also take into account the fact that the authority will also be transitioning across to Grant Thornton for the 2023/24 financial year. As with any transition between audit firms, the key to this will be communication at suitable times.

## Appendix 1

### 1.1 Status of significant work areas on the audit.

Audit Area	Status as verbally reported to JARAP August 2022	Status as at September 2023
<b>Pensions</b>	Additional work requirements due to the triennial valuation. This has required inputs from the actuaries, our internal specialists, and the pension fund auditors	<p>Our work over the Local Government Pension Scheme has progressed with the exception of the full consideration of the triennial valuation of the IAS 19 position as at 31 March 2022. We are working with officers to resolve this as pragmatically as possible. We are also waiting for the final response from the Leicestershire Pension Fund auditors with respect to the IAS 19 assurances which they provide. They will also need to provide us with additional assurances over the triennial valuation of the IAS 19 position.</p> <p>Our work over the valuation of the Police Pension Fund is complete subject to final review.</p>
<b>Property, plant, and equipment</b>	During the audit of PPE we have identified a number of issues that have arisen across our testing. We are working through with management to obtain the necessary evidence and to confirming errors pertaining to valuations, the revaluation reserve, additions, and existence testing.	<p>Audit findings to be discussed and confirmed with CFO's Additions support.</p> <p>Work completed since is subject to final review.</p>
<b>Journals testing</b>	Awaiting supporting audit evidence from management.	<p>Awaiting support in relation to EMSOU and evidence of review and authorisation of journal entries.</p> <p>Expected to be completed by the end of September 2023 subject to receipt of all required audit evidence.</p>
<b>Joint collaborations</b>	Work commenced, subject to completion of other audit areas.	Sample sent out and currently awaiting audit evidence to complete the testing.

### 1.1 Status of significant work areas on the audit.

<b>Value for Money</b>	Recently received the information from management and we are evaluating this.	Risk assessment is largely complete except for queries that we will be communicating to the finance team based on the review of the information received. Further assessment required in relation to governance arrangements within the PCC given number of changes in the executive team.
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### 1.2 Overview of other audit areas

<b>Audit Area</b>	<b>Audit Status and anticipated timelines</b>
<p><b>Completion of our testing in non-significant areas of the audit.</b></p> <p>(These include debtors, creditors, payroll, reserves, and non-significant disclosures)</p>	<p>All areas of the non-significant areas of the audit have been through first level review and are subject to the close out of review queries and final review.</p>
<p><b>Completion of significant work areas and other areas of audit focus not covered in 1.1 above</b></p> <p>(Procedures to address fraud risks, estimates, officers' remuneration and going concern)</p>	<p>The main work addressing the fraud risk identified is our work over journals and estimates. Our work over journals is in progress, as outlined in 1.1 above and our work on estimates is complete subject to final review. Estimates in relation to property valuations is yet to be completed as it is subject to review and agreement of findings.</p> <p>Our work over cut-off of other income is subject to final review, the work over inappropriate capitalisation of assets is substantially completely but is awaiting confirmation around the period in which one sample item was delivered which will determine if additional sampling is required.</p> <p>Our work around officers' remuneration is complete subject to final reviews and inspection of the final set of accounts.</p> <p>We will complete our work over going concern once we have a reliable estimate of when the audit will be completed. The Going concern assessment is required to cover a period of at least 12 months from the date of the opinion.</p>
<b>Review of the revised financial statements</b>	To complete towards the end of audit once all findings have been identified and concluded.

<b>Completion of manager and partner review of work performed</b>	Ongoing
<b>Subsequent events review</b>	To complete at end of audit
<b>Receipt of signed management representation letter, signed Narrative Report and financial statements</b>	To complete at end of audit

## Appendix 2 Summary of key findings to date

<b>Accounts Area</b>	<b>Details of issue identified</b>
<b>Revaluation Reserve</b>	<p>Revaluations recognised in the CIES where the amount per the financial statements is -£305k but should be £212k. LPCC had originally been reversing out additions in year for assets that had not been revalued in year which was not permitted per the CIPFA code.</p> <p>Correcting Entry is Dr PPE Additions £517k and Cr CIES Revaluations Losses £517k</p>
<b>Accumulated Absences</b>	<p>LPCC identified an error in the calculation of the accumulated absence creditor whereby the time off in lieu accrual was based on incorrect hours. This accrual has now been calculated as £756k rather than the original £74k.</p> <p>The following correcting double entries will be: Dr Expense £683k and Cr Accumulated Absence Creditor £683k</p>
<b>PPE Valuations</b>	<p>Our real estate team have said that the professional fees range should be 10% - 15% for the HQ but LPCC valuers used 6%. Applying both 10% and 15% provided a range of £1m - £2m. Similarly for the land portion of HQ, our real estate team has advised that £0.3m - £0.4m per acre should have been used for non-surplus land (approx. 7 acres) as opposed to £0.2m.</p> <p>This leads to a difference of the range of £0.5m and £2.5m. Applying the lower end for both ranges the total misstatement is £1.6m.</p>
<b>System Creditors</b>	<p>We noted a membership fee for 22/23 was included in 21/22 incorrectly. Following extrapolation, we noted this resulted in a misstatement of £399,418 which is above the reporting threshold.</p>
<b>PPE Additions</b>	<p>Challenges over the treatment of in year additions.</p>

	<p>Lack of robust audit trail supporting the completion of works and transfer into operational PPE.</p> <p>Incorrect inclusion of intangible additions as part of the PPE note.</p>
<b>Pensions Disclosure Note 27</b>	<p>Combined Pension Scheme CIES Disclosure does not cast correctly when retirement benefits are analysed separately.</p>
<b>External audit costs (Group &amp;OPCC) Note 9</b>	<p>The narrative in the note states that the Group received a grant of £13k in response to the Redmond Review which relates to a Local Audit Fees Grant. The amount of the grant is incorrect and should be £19k.</p>
<b>Pensions</b>	<p>The pension fund auditors identified there was an understatement of plan assets of £7.95m. When we have considered the 5.53% share that LPCC hold of the pension fund this understatement amounts to £439k which is above our reporting threshold.</p> <p>Results of the triennial review requiring a revision to the IAS 19 figures reported in the financial statements.</p>
<b>Officers Remuneration/Exit Packages (note 6)</b>	<p>Pension Strain amounts for an officer have not been disclosed within the note.</p> <p>We identified a miscalculation of officer's annualised salary.</p> <p>Within Exit Packages we identified that an amount related to compensation for loss of office was not included in the disclosures.</p>