

# The Joint Audit Findings for Devon and Cornwall Police and Crime Commissioner and Chief Constable

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Year ended 31 March 2019

22 July 2019



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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 Devon and Cornwall Police and Crime Commissioner ('the PCC') and Devon and Cornwall Chief Constable and the preparation of the PCC and Chief Constable's financial statements for the year ended 31 March 2019 for those charged with governance.

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<b>Financial Statements</b>	<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"><li>• give a true and fair view of the financial position of the entity and the entity's income and expenditure for the year; and</li><li>• 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.</li></ul> <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 is underway and we are aiming for it to be completed prior to the end of July. This is however dependent on the receipt by management of the updated pension valuations from the actuary in respect of the McCloud/Sergeant ruling. This had not been received at the time of drafting this report and will require time for management to review and process the changes in the accounts, and for us to review this work and complete our audit procedures in this area.</p> <p>Our findings to date are summarised on pages 5 to 17. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A.</p> <p>Our work is still in progress and we are completing our testing and finalising procedures in a number of areas including:</p> <ul style="list-style-type: none"><li>- revaluation of property, plant and equipment;</li><li>- resolution of discussions on the accounting implications of the McCloud/Sergeant judgement and Guaranteed Minimum Pension and the subsequent completion of our review of the actuary's work and assumptions;</li><li>- receipt and review of the assurance letter from the auditors of Devon Pension Fund;</li><li>- completion of transaction testing in a small number of areas;</li><li>- completion of our internal quality review processes;</li><li>- receipt of management representation letters; and</li><li>- review of the final sets of financial statements.</li></ul> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisations and the financial statements we have audited. Our anticipated audit report opinions will be unmodified.</p>
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# Headlines

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**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').

We have completed our risk based reviews of the PCC's and Chief Constable's value for money arrangements. We have concluded that both Devon and Cornwall PCC and Devon and Cornwall Chief Constable have proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

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.

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**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 audits.

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

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 opinions.

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## Acknowledgements

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

# 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 those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

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

## Audit approach

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

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

We have not had to alter or change our audit plan, as communicated to you on 2 April 2019.

## Conclusion

We are nearing the completion of our audits of your financial statements and, subject to outstanding queries, being resolved satisfactorily, we anticipate issuing unqualified audit opinions.

## 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 calculations remain the same as reported in our audit plan. We detail in the table below our determination of materiality for Devon and Cornwall PCC and Devon and Cornwall Chief Constable.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	6,600k	Gross Expenditure on Policing Services was determined as the appropriate benchmark for determining materiality. As a result of the environment in which the PCC and Chief Constable operate, it was considered that the risk of fraud was low. As new audits for 2018/19, 1.8% was deemed an appropriate rate to apply to the benchmark. The group materiality was determined using the Chief Constable's Gross Expenditure on Policing Services.  We calculated materiality for the Group, PCC and Chief Constable separately. Due to the nature of the police group, where the financial statements are disaggregated from one ledger, we selected the lowest materiality benchmark (that for the Chief Constable) and applied this to our testing of balances and transactions to ensure appropriate coverage.
Trivial matters	331k	5% of materiality was deemed an appropriate level for triviality.
Materiality for senior officer remuneration	35k	A lower level of materiality was determined for the Senior Officer Remuneration balance due to the sensitivity surrounding this disclosure. This materiality was determined by applying approximately 1.8% to the total senior officer remuneration.

# Significant findings – audit risks

Risks identified in our Audit Plan	Relates to	Commentary
<p><b>1 Improper revenue recognition</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>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><b>PCC and Chief Constable</b></p>	<p><b>Auditor commentary</b></p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the group, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including the PCC and Chief Constable for Devon and Cornwall, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p><b>Therefore we do not consider this to be a significant risk for the PCC and Chief Constable.</b></p>
<p><b>2 Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The 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, 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><b>PCC and Chief Constable</b></p>	<p><b>Auditor commentary</b></p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• evaluated the design effectiveness of management controls over journals</li> <li>• analysed the journals listing and determined the criteria for selecting high risk unusual journals</li> <li>• tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>Our work identified the following issues:</p> <ul style="list-style-type: none"> <li>• Finance staff can authorise and post their own journals. There is a weekly retrospective approval system where two managers review the journals, but the journals are already posted. A new system is in the process of being introduced that requires approval before posting but is not currently available.</li> <li>• Our review of the control environment identified that it was possible for manual journals to be posted across Devon and Cornwall's and Dorset's ledgers as there was no control in place to stop this. A control was implemented in January 2019 which meant that this facility was restricted to three members of staff.</li> <li>• Our testing identified an instance where payroll was posted across Devon and Cornwall's and Dorset's ledgers. This had already been identified by management checks. We did not identify any other such instances in our work.</li> </ul>

# Significant findings – audit risks

Risks identified in our Audit Plan	Relates to	Commentary
<p><b>3 Valuation of land and buildings</b></p> <p>The PCC revalues its land and buildings on a three-yearly basis. In the intervening years, such as 2018/19, to ensure 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, the PCC requests a desktop valuation from its valuation expert to ensure that there is no material difference. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£137m at 31/3/18) and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	Group and PCC	<p><b>Auditor commentary</b></p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert;</li> <li>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;</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and</li> <li>tested revaluations made during the year to see if they had been input correctly into the PCC's/group's asset register.</li> </ul> <p>Our interim work on confirming the existence of property, plant and equipment identified one item out of twelve tested that should not be included in the asset register. The item was trivial but a review should be carried out to ensure the asset register has been fully updated for assets no longer held.</p> <p>Our final accounts audit work in this area is still in progress. We will update the Committee with our audit findings at the meeting.</p>

# Significant findings – audit risks

Risks identified in our Audit Plan	Relates to	Commentary
<p><b>4 Valuation of pension fund net liability</b> 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.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved in the group's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p><b>PCC and Chief Constable</b></p>	<p><b>Auditor commentary</b></p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assessed the competence, capabilities and objectivity of the actuary who carried out the group's pension fund valuation;</li> <li>• assessed the accuracy and completeness of the information provided by the group to the actuary to estimate the liability;</li> <li>• tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and</li> <li>• undertaken 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.</li> </ul> <p>Our audit work is still in progress, with the updated pension valuations in respect of the McCloud/Sergeant ruling still awaited by management. Management require time to review the updated valuations and process the changes in the accounts, and we then need to review this work and complete our audit procedures in this area.</p> <p>We are also awaiting a letter of assurance from the auditor of the Devon Pension Fund in respect of the process and data supplied by the pension fund to the actuary.</p>



# Significant findings – other audit risks

Risks identified in our Audit Plan	Relates to	Commentary
<p><b>5 Employee remuneration</b></p> <p>Payroll expenditure represents a significant percentage of the Chief Constable's (and therefore the group's) operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.</p>	<p><b>PCC and Chief Constable</b></p>	<p><b>Auditor commentary</b></p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>evaluated the PCC's and the Chief Constable's accounting policies for recognition of payroll expenditure for appropriateness;</li> <li>gained an understanding of the entities' system for accounting for payroll expenditure, and evaluated the design of the associated controls;</li> <li>obtained year-end payroll reconciliation and ensured amounts in the accounts can be reconciled to the ledger and through to payroll reports investigating any significant adjusting items;</li> <li>agreed payroll related accruals (e.g. unpaid leave accrual) to supporting documentation and reviewed any estimates for reasonableness. Consider whether this may be understated and whether any omissions to the accruals exist; and</li> <li>performed substantive analytical procedures on payroll data disaggregated by month.</li> </ul> <p>Our audit work identified the following issue:</p> <ul style="list-style-type: none"> <li>The current control for claiming expenses below a de-minimis level lies with the assumption that the claimant's line manager/budget holder will review their notification email and query the claim if there are any issues. If the claimant's line manager/budget holder does not query the claim within a set timeframe then approval is assumed and the expenses are paid. For claims above the de-minimis, a pro-active authorisation is required.</li> </ul>

# Significant findings – other audit risks

Risks identified in our Audit Plan	Relates to	Commentary
<p><b>6 Operating expenses</b></p> <p>Non-pay expenses on other goods and services also represents a significant percentage of the Chief Constable's (and therefore the group's) operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non-pay expenses as a risk requiring particular audit attention.</p>	<p><b>PCC and Chief Constable</b></p>	<p><b>Auditor commentary</b></p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>evaluated the PCC's and Chief Constable's accounting policies for recognition of non-pay expenditure for appropriateness;</li> <li>gained an understanding of the PCC's and Chief Constable's systems for accounting for non-pay expenditure and evaluated the design of the associated controls;</li> <li>tested the reconciliation of the creditors ledger to the general ledger;</li> <li>documented the accruals process and the controls management have put in place, including Goods received not invoiced (GRNI). Challenged any key underlying assumptions, the appropriateness of source data used and the basis for calculations; and</li> <li>obtained a listing from the cash book of non-pay related payments made in April 2019 (that is, in the new financial year). We then tested a sample to ensure that any payments have been charged to the appropriate financial year and any items which should have been accrued for, have been.</li> </ul> <p>Our walkthrough of the system identified that the control for raising a purchase order lies with the assumption that the requester's line manager/budget holder will review their notification email and query the request if there are any issues. If there is no query by the time the order is processed, then it is assumed that the request can be approved.</p> <p>Our audit work in this area is still in progress. We will update the Committee with our audit findings at the meeting.</p>

# 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	Relates to	Commentary	Auditor view
Impact of the McCloud/Sergeant ruling re age discrimination on pension liabilities	<b>PCC and Chief Constable</b>	<p>The Court of Appeal has ruled that there was age discrimination in the judges' and firefighters' pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits.</p> <p>We have been discussing the implications of this with management and more widely with the sector as a whole to ensure consistency. It is our view this relates to a past event with an obligation and so should be reflected within the pension liability in the accounts.</p> <p>Management has requested revised IAS19 reports from its actuary of the potential impact of the McCloud ruling, and intends to amend the accounts accordingly.</p>	<p>Currently we are unable to conclude on the impact of the McCloud/Sergeant judgement on the Group and Chief Constable financial statements and we will continue to work with management to assess the impact of the judgement.</p> <p>This issue is the reason for the delay in the audit. Amended financial statements are not available as management are awaiting the revised IAS19 reports in order to process the necessary amendments, which are then subject to our audit review.</p>
Impact of legal proceedings in respect of Guaranteed Minimum Pensions on pension liabilities	<b>PCC and Chief Constable</b>	<p>The High Court ruled that defined benefit pension schemes must remove any discriminatory effect that Guaranteed Minimum Pension (GMP) entitlements have had on members' benefits. GMPs must be equalised between men and women and past underpayments must be corrected. This will lead to increased costs for sponsors of defined benefit schemes (i.e. the LGPS) that were contracted out of the State Second Pension in the period from 17 May 1990 to 5 April 1997.</p> <p>We have been discussing the implications of this with management and more widely with the sector as a whole to ensure consistency. We have requested that management discuss the implications of the current situation with their actuary and obtain additional information from them in order to ascertain whether the net defined pension liability could be materially understated.</p>	<p>Currently we are unable to conclude on the impact of the Guaranteed Minimum Pensions on the Group and Chief Constable financial statements and we will continue to work with management to assess the impact of the judgement.</p>

# Significant findings - other issues

This section provides commentary on control deficiencies identified during our review of Information Technology general controls

Issue	Relates to	Risk	Recommendation
<p><b>1 Inappropriate admin access granted</b></p> <p>During our review, we noted that access to the admin account of the Unit4 Business World application system was inappropriately granted to an employee of BT and an ex-employee from Agresso.</p>	<p><b>PCC and Chief Constable</b></p>	<p>Users with system administrator level access can usually read, create, amend or delete any data within the environment, including audit trails and log files. This can give them the opportunity to carry out a fraud or to cover up a fraud. The greater the number of people with system administrator accounts, the higher this risk is.</p>	<p>Management should review all the users (internal and external) with administrative access on the application and revoke other users who do not need this level of access including those from BT since they are responsible for Infrastructure support only. This level of access should be commensurate to user job roles and functions.</p>
<p><b>2 User account access and permissions reviews not done on Finance &amp; HR system</b></p> <p>During our review, we noted that user account access permissions were not reviewed on a regular basis.</p>	<p><b>PCC and Chief Constable</b></p>	<ul style="list-style-type: none"> <li>• Gaps in user administration processes and controls may not be identified and dealt with in a timely manner</li> <li>• Access to information resources and system functionality may not be restricted on the basis of legitimate business need</li> <li>• Enabled, no-longer-needed user accounts may be misused by valid system users to circumvent internal controls</li> <li>• Access privileges may become disproportionate with respect to end users' job duties</li> </ul>	<p>It is our experience that access privileges tend to accumulate over time. As such, there is a need for management to perform consistent periodic, formal reviews of the user accounts and permissions within all systems.</p> <p>These reviews should take place at a pre-defined, risk-based frequency (bi-annually at a minimum) and should create an audit trail such that a third-party could determine when the reviews were performed, who was involved, and what access changed as a result.</p> <p>These reviews should evaluate both the necessity of existing user ID's as well as the appropriateness of user-to-group assignments (with due consideration being given to adequate segregation of duties).</p>

# Significant findings – key judgements and estimates

	Relates to	Summary of management's policy	Audit Comments	Assessment
<b>Land and Buildings - £141m (18/19 value)</b>	<b>Group and PCC</b>	<p>Other land and buildings comprises £129m of specialised assets such as police stations, 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 (£12m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>The PCC has engaged Vickery Holman to complete the valuation of properties as at 31/12/2018 on an annual basis. The valuation of properties valued by the valuer has resulted in a net increase of £12m. Of this increase, £11m was transferred to the revaluation reserve whilst £1m was recorded as in the Net Cost of Services and then transferred to the Capital Adjustment Account.</p>	<ul style="list-style-type: none"> <li>We reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. We then considered the competence, expertise and objectivity the valuer in their capacity as the management experts used.</li> <li>Our work in this area is still in progress and we will update the committee on our findings at the meeting.</li> </ul>	In progress

## 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 and key assumptions to be reasonable

# Significant findings – key judgements and estimates

	Relates to	Summary of management's policy	Audit Comments	Assessment
<b>Net pension liability – £3.429bn</b>	<b>Group and Chief Constable</b>	<p>The Group's net pension liability at 31 March 2019 is £3.429bn, comprising the Local Government Pension Scheme and the Police Pension Schemes net liability attributable to Devon and Cornwall.</p> <p>The Group uses Barnett Waddingham to provide actuarial valuations of the Group's assets and liabilities derived from these schemes, utilising key assumptions such as life expectancy, discount rates and salary growth. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>identified the controls put in place by management to ensure that the pension fund liability is not materially misstated and assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. This included gaining assurances over the data provided to the actuary to ensure it was robust and consistent with our understanding. No issues were identified from our review of the controls in place at Devon and Cornwall. We are awaiting receipt of a letter of assurance from the auditor of Devon Pension Fund in respect of the processes and controls at the Pension Fund; and</li> <li>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. This work is still in progress, pending the receipt of the revised reports from the actuary as a result of the McCloud/Sergeant ruling.</li> </ul>	In progress

## 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 and key assumptions to be reasonable

# 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 - PCC

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### Management's assessment process

The PCC has a Medium Term Financial Plan (MTFP) that runs to 2022/23. The PCC also has a Police and Crime Plan setting out her policing priorities to 2020.

The CIPFA Code confirms that entities should prepare their financial statements on a Going Concern basis unless the services provided are to cease. There is no indication from Government that the services provided by the PCC or group will cease.

### Auditor commentary

Management have determined that there is no evidence of an intention to cease the provision of services, and have therefore adopted the going concern assumption. We have not identified any issues through our review and enquiries that suggest that this is not appropriate.

We have considered the PCC's MTFP as part of our work on the Value for Money Conclusion, and have concluded that the assumptions included within this plan appear to be reasonable.

We are satisfied that the going concern assumption is appropriate for the PCC and group financial statements and is in line with accounting standards and the CIPFA Code.

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## Going concern commentary – Chief Constable

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### Management's assessment process

The Chief Constable's funding is fully derived from allocations made by the Police and Crime Commissioner. The MTFP which runs to 2022/23 includes funding allocations to the Chief Constable in each year.

There are no indications that the services provided by the Chief Constable will cease, and therefore the Going Concern assumption is appropriate.

### Auditor commentary

Management have determined that there is no evidence of an intention to cease the provision of services, and have therefore adopted the going concern assumption. We have not identified any issues through our review and enquiries that suggest that this is not appropriate.

Our comments above in respect of the MTFP equally apply to the Chief Constable.

We are satisfied that the going concern assumption is appropriate for the Chief Constable's financial statements and is in line with accounting standards and the CIPFA Code.

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# 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 for both Devon and Cornwall PCC and Devon and Cornwall Chief Constable.

	Issue	Commentary
①	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Independent 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.</li> </ul>
②	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>
③	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
④	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the PCC and Chief Constable, which is included in the Independent Audit Committee papers</li> </ul>
⑤	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent. All of the requests were returned with positive confirmation.</li> <li>We requested from management permission to send confirmation requests to the pension fund auditor. This permission was granted and the requests were sent. We have not yet received the response from the Pension Fund auditor at the time of writing this report.</li> </ul>
⑥	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements</li> </ul>
⑦	<b>Audit evidence and explanations/significant difficulties</b>	<ul style="list-style-type: none"> <li>All information and explanations requested from management were provided. The Finance Department were without a key resource during much of the accounts preparation period, meaning that the requests for information had a greater impact on the team than had originally been anticipated. Although daily contact was maintained between the Audit Team and the Finance Department, there were some instances where responses to queries took longer than anticipated.</li> </ul>



# Other responsibilities under the Code

Issue	Commentary
<b>1 Other information</b>	<ul style="list-style-type: none"> <li>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 Reports), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</li> </ul> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix D and E</p>
<b>2 Matters on which we report by exception</b>	<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"> <li>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</li> <li>If we have applied any of our statutory powers or duties.</li> </ul> <p>We have nothing to report on these matters.</p>
<b>3 Specified procedures for Whole of Government Accounts</b>	<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"> <li>Note that no detailed work is required as the PCC and Chief Constable do not exceed the £500m threshold specified by the NAO.</li> </ul>
<b>4 Certification of the closure of the audit</b>	<p>We intend to certify the closure of the 2018/19 audit of Devon and Cornwall PCC and Devon and Cornwall Chief Constable as part of our auditor's reports, as detailed in Appendix D and E.</p>

# Value for Money

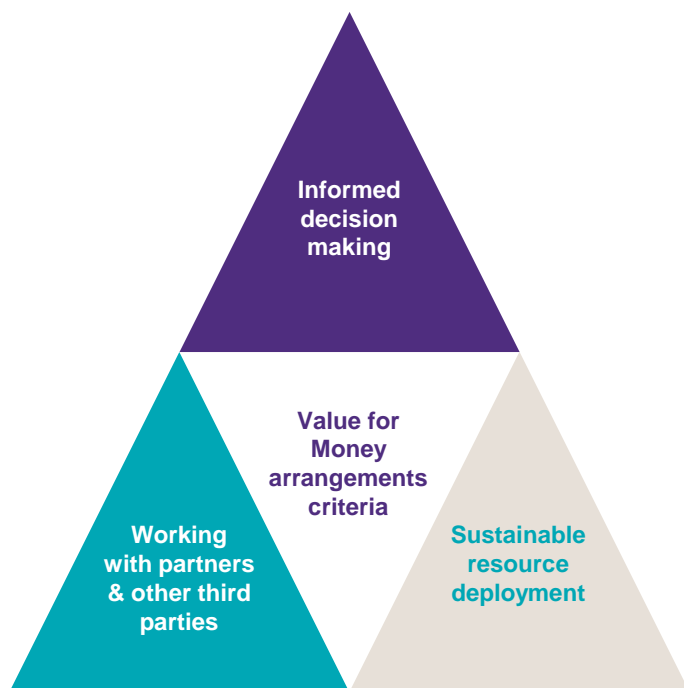
## Background to our VFM approach

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 November 2017. 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 January 2019 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 Audit Plan dated 19 March 2019.

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 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 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 and Chief Constable's arrangements. In arriving at our conclusion, our main considerations were:

- How reasonable the assumptions made in the latest Medium Term Financial Strategy
- What has the impact been of the merger with Dorset Police not going ahead for the Strategic Alliance and effective working between the forces.

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 D and E.

## **Recommendations for improvement**

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

Our recommendations 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 those charged with governance.

## 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><b>1</b> <b>Financial sustainability</b></p> <p>The 2019/20 budget includes savings of £2m. Further cumulative savings of £13m are required in 2020/21 to 2022/23, with ongoing annual savings of £4.8m being needed in 2022/23.</p>	<p>We reviewed the latest MTFS and budget, including the assumptions and the savings plans reflected within them. We also reviewed the 2018/19 savings achieved against those planned.</p> <p>The Group (that is, the PCC and the Chief Constable) delivered a small surplus in 2018/19 and achieved 80% of its £1m planned savings for the year. A balanced 2019/20 budget has been set, with a more challenging savings target of just over £2m.</p> <p>The MTFS shows that cumulative savings of £13m are required to be achieved over the 2020/21 to 2022/23 period,. These savings have been identified and incorporated into the MTFS, with 73% of this expected to come from PCSO costs.</p> <p>The assumptions built into the MTFS appear reasonable, although other forces in the South West have not generally assumed an increase in the main grant.</p> <p>The level of reserves as a proportion of gross expenditure of 12% is above the average of 9% but still represents a significant drop from the 2016/17 position of 22%, and reflects the increased financial pressures on forces.</p>	<p>The plans in place to achieve the £13m cumulative savings over the next three years are essential to achieving the MTFS, and need to continue to be carefully monitored to ensure their delivery.</p> <p><b>On that basis we concluded that while the level of savings planned is significant, the risk was sufficiently mitigated and Devon and Cornwall Police has proper arrangements in place for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</b></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
<p><b>2 Collaboration</b></p> <p>With the proposed merger between Devon &amp; Cornwall Police and Dorset Police not going ahead, there will be an impact of this on the existing Strategic Alliance arrangements and future collaboration plans.</p>	<p>We reviewed the impact on Devon and Cornwall Police of the merger with Dorset Police not going ahead, focusing on how the Strategic Alliance between the two forces will operate going forward. We also considered if the decision has had an impact on effective working between the entities.</p> <p>From our discussions with the officers (PCC and Chief Constable) at both Forces it is clear that the Strategic Alliance is unaffected by the merger not going ahead and any workstreams currently within the Strategic Alliance would remain as such.</p> <p>However, all planned further additions to the Strategic Alliance workstreams have been put on hold and are subject to review, while the Strategic Alliance is being rebranded as 'Working Together'.</p> <p>Any savings related to the merger have been removed from the medium term financial plans for both forces.</p> <p>This means that there is additional pressure on the forces to individually find the savings that they require to balance their budgets in the medium term.</p> <p>There is currently one Independent Audit Committee that covers both forces, with no immediate plans for this to change.</p>	<p>There is no evidence that the merger not going ahead has had a significant detrimental impact on the effective working between Devon &amp; Cornwall Police and Dorset Police. The Strategic Alliance is continuing under the 'Working Together' title for all areas that it already covered, and, with one exception, no current plans to reverse any of the decisions previously made in respect of this. No issues impacting on our VFM conclusion were identified.</p>

# 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 December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.




Details of fees charged are detailed in Appendix C.

## **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.

# Action plan

We have identified a number of recommendations for the group 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 2019/20 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>Devon and Cornwall Police need to delivery cumulative savings of £13m over the next three years, with ongoing annual savings of £4.8m being needed in 2022/23.</p>	PCC and Chief Constable	<p>The plans in place to achieve the £13m cumulative savings over the next three years are essential to achieving the MTFS, and need to continue to be carefully monitored to ensure their delivery.</p> <p><b>Management response</b></p> <p>Savings plans to deliver £4.7m pa by 2022/23 have been approved and fully incorporated within the 2019/20 MTFS. All savings schemes to achieve this are significantly underway, including the planned continuation of reductions in PCSO numbers as evidenced within the future workforce projections in the MTFS. Savings required from Service Area reviews have already been achieved, and the small residual saving from Working Together arrangements with Dorset is also in progress.</p>
2	 <p>Finance staff can authorise and post their own journals. There is a weekly retrospective approval system whereby two managers review the journals, but the journals are already posted. A new system is in the process of being introduced that requires approval before posting but is not currently available.</p>	PCC and Chief Constable	<p>Staff should not be able to authorise and post their own journals. The new system for approving journals should be implemented as soon as practicable.</p> <p><b>Management response</b></p> <p>The risk associated with the control applied in this respect has been assessed, and considered low. The control currently in place, with a weekly report on all journals actively checked and retrospectively approved, is considered proportionate to the risk. The further workflow control, which will add pro-active approval for journals over a certain level, will be introduced during 2019/20 to provide yet further assurance.</p>
3	 <p>It is possible for manual journals to be posted across Devon and Cornwall's and Dorset's ledgers with the control being that only three individuals have access rights to do this. It should not be possible for journals to be posted between the ledgers of the two forces.</p>	PCC and Chief Constable	<p>Management should implement controls to ensure that manual journals cannot be posted across the two general ledgers.</p> <p><b>Management response</b></p> <p>The ability to journal across the two organisations is in response to the automated recharge processes, which create journals in each organisation. These automated processes result in minor roundings, which currently require manual journals to be posted. The automated process will be examined with the aim to remove any roundings, and therefore need for journals. The journals themselves are tightly controlled, with only three people having the access to create cross company journals, and every journal is authorised by the Head of Technical Accountancy.</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
4	●	Our interim work on confirming the existence of property, plant and equipment identified one item out of twelve tested that should not be included in the asset register. The item was trivial but should have been removed from the asset register.	PCC	<p>A review should be carried out to ensure the asset register has been fully updated for assets no longer held.</p> <p><b>Management response</b></p> <p>Agreed, and noted that the value in the accounts of the item identified is nil. This review will take place in advance of the 2019/20 year end</p>
5	●	The current control for claiming expenses below a de-minimis level lies with the assumption that the claimant's line manager/budget holder will review their notification email and query the claim if there are any issues. If the claimant's line manager/budget holder does not query the claim within a set timeframe then approval is assumed and the expenses are paid. For claims above the de-minimis, a pro-active authorisation is required.	PCC and Chief Constable	<p>The controls over expenses claims should be reviewed and strengthened.</p> <p><b>Management response</b></p> <p>The controls have been reviewed, and are considered appropriate. The maximum limit for any class of expenses is £100 before a pro-active authorisation is required. Expense claims were subject to a specific internal audit review during 2018/19, which gave a reasonable level of assurance.</p>
6	●	Our testing identified an instance where payroll was posted across Devon and Cornwall's and Dorset's ledgers. This had already been identified by management checks. We did not identify any other such instances in our work.	PCC and Chief Constable	<p>Management need to implement controls to address this weakness as soon as possible.</p> <p><b>Management response</b></p> <p>The reasons for the payroll posting issue are well understood, being a fundamental part of the payroll process to service the working together arrangements, and has been in place since 2016. The posting of payroll across both ledgers is part of the recharging subsystem, using a series of control accounts that reconcile to zero. This system was specifically designed to address the inability to TUPE officers between Dorset Police and Devon &amp; Cornwall Police, while allowing joint working. However, in this instance the second stage of the process was not run at the appropriate time, causing a discrepancy. This has been addressed, and the process strengthened to ensure such a delay does not reoccur,</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
7	●	Our walkthrough of the system identified that the control for raising a purchase order lies with the assumption that the requester's line manager/budget holder will review their notification email and query the request if there are any issues. If there is no query by the time the order is processed, then it is assumed that the request can be approved.	PCC and Chief Constable	<p>The controls over purchase orders should be reviewed and strengthened.</p> <p><b>Management response</b></p> <p>The controls on raising purchase orders have been examined. There is a requirement for any order request to have budget holder's authorisation, and for the request to explicitly state this, although there is currently no formal workflow process in place. All purchase order requests are reviewed by the Purchasing Team, and queries raised and resolved as necessary prior to the order being raised. There is appropriate segregation of duties between raising orders and making payments.</p> <p>The application of a stronger workflow control on orders above a certain limit is currently being considered.</p>
8	●	<p>During our review, we noted that access to the admin account of the Unit4 Business World application system was inappropriately granted to an employee of BT and an ex-employee from Agresso.</p> <p>Users with system administrator level access can usually read, create, amend or delete any data within the environment, including audit trails and log files. This can give them the opportunity to carry out a fraud or to cover up a fraud. The greater the number of people with system administrator accounts, the higher this risk is.</p>	PCC and Chief Constable	<p>Management should review all the users (internal and external) with administrative access on the application and revoke other users who do not need this level of access including those from BT since they are responsible for Infrastructure support only. This level of access should be commensurate to user job roles and functions.</p> <p><b>Management response</b></p> <p>ICT will regularly review permissions and remove access when it is no longer required and ensure that they have appropriate level of permissions. BT only have access to the management console Unit4 Business World which does not provide them access to the application itself as the domain field is blank which therefore will not grant access through single sign on.</p> <p>In respect of the ex-employee, although they continued to have access to the Unit4 Business World application, they did not have access to the Force network, and therefore access to the system was not possible.</p>

## Controls

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

# Action plan (continued)

9	Assessment	Issue and risk	Relevant to	Recommendations
	●	<p>During our review, we noted that user account access permissions were not reviewed on a regular basis.</p> <ul style="list-style-type: none"> <li>• Gaps in user administration processes and controls may not be identified and dealt with in a timely manner</li> <li>• Access to information resources and system functionality may not be restricted on the basis of legitimate business need</li> <li>• Enabled, no-longer-needed user accounts may be misused by valid system users to circumvent internal controls</li> <li>• Access privileges may become disproportionate with respect to end users' job duties</li> </ul>	PCC and Chief Constable	<p>It is our experience that access privileges tend to accumulate over time. As such, there is a need for management to perform consistent periodic, formal reviews of the user accounts and permissions within all systems</p> <p>These reviews should take place at a pre-defined, risk-based frequency (bi-annually at a minimum) and should create an audit trail such that a third-party could determine when the reviews were performed, who was involved, and what access changed as a result.</p> <p>These reviews should evaluate both the necessity of existing user ID's as well as the appropriateness of user-to-group assignments (with due consideration being given to adequate segregation of duties).</p> <p><b>Management response</b></p> <p>ICT will provide Finance and HR with reports which can be run on a regular frequency to ensure users within the business function have the appropriate level of access. It is intended that such reports will be run at least monthly in future.</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 those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

There are no unadjusted misstatements to report to the date of writing this report.

## 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.

Detail	Adjusted?
<p>Note 8 - Expenditure and Income analysed by nature was updated as the 'Employee benefit expenses' line was disclosed as £397,861k when this should have read as £389,540k. This has then caused the value for 'Other service expense' line to be updated from £53,875k to £62,196k.</p> <p><b>No overall impact on the financial statements.</b></p>	✓
<p>Note 8 - Expenditure and Income analysed by nature was updated as the 'Government grants and contributions' line was disclosed as (£234,597k) when this should have read as (£243,633k). This has then caused the value for 'Fees, charges and other service income' line to be updated from (£23,356k) to (£14,320k).</p> <p><b>No overall impact on the financial statements.</b></p>	✓
<p>A number of presentational, grammatical and numerical adjustments were made to the financial statements to improve readability and disclosures and ensuring that they are in line with the current International Financial Reporting Standards.</p> <p><b>No overall impact on the financial statements.</b></p>	✓

# Audit Adjustments – Chief Constable

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

There are no unadjusted misstatements to report to the date of writing this report.

## 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.

Detail	Adjusted?
A number of presentational, grammatical and numerical adjustments were made to the financial statements to improve readability and disclosures and ensuring that they are in line with the current International Financial Reporting Standards.	✓
<b>No overall impact on the financial statements.</b>	



# Fees

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

## Audit Fees

	Scale fee	Proposed final fee
PCC Audit	27,992	28,742
Chief Constable Audit	14,438	15,188
<b>Total audit fees (excluding VAT)</b>	<b>£42,430</b>	<b>£43,930</b>

- The scale fees reconcile to the financial statements.

## Update to our risk assessment – additional work in respect of the Code audit

Our audit approach, including the risk assessment, continues during the year and fees are reviewed and updated as necessary as our work progresses.

The table below sets out the additional work which we have undertaken to complete the audit, along with the impact on the audit fee where possible. Please note that these proposed additional fees are estimates based on our best projection of work and will be subject to approval by PSAA in line with the Terms of Appointment.

Area of work	Timing	Comment	£
Assessing the impact of the McCloud ruling	June-July 2019	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we considered the impact on the financial statements along with any audit reporting requirements. This included consultation with our own internal actuary in their capacity as an auditor expert.	£1,500 (split between the PCC and CC)

## Non Audit Fees

No non-audit or audited related services have been undertaken for the 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 Devon and Cornwall

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the Police and Crime Commissioner for Devon and Cornwall (the 'Police and Crime Commissioner') and its subsidiary the Chief Constable (the 'group') for the year ended 31 March 2019 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 Officers' Pension Fund Statement. 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 2018/19.

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 2019 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 prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; 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.

#### 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 Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the 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.

#### Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, 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)' 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.

# Audit opinion

## 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 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
- 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 Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 17, 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 Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the 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 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's 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 November 2017, 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 2019.

### 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 November 2017, 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 2019.

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.

# Audit opinion

## **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 Devon and Cornwall in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

## **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.

Alex Walling, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

DATE



# Audit opinion

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

## Independent auditor's report to the Chief Constable for Devon and Cornwall

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the Chief Constable for Devon and Cornwall (the 'Chief Constable') for the year ended 31 March 2019 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 Officers' Pension Fund. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; 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.

## 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 Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance 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.

## Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts other than the financial statements and our auditor's report thereon. 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.

## 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)' 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.

# Audit opinion

## 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, 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.

## Responsibilities of the Chief Constable and the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 14, 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 Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the 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 Chief Finance 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](http://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 November 2017, 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 2019.

## 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.

# Audit opinion

## **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 November 2017, 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 2019.

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 [name of police force] in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

## **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.

Alex Walling, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

DATE



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