MPS-MOPAC JOINT AUDIT PANEL
17 January 2022

Quarterly External Audit Update

Report by: The MOPAC Chief Finance Officer and Director of Corporate Services

Report Summary

Overall Summary of the Purpose of the Report
This report sets out the Audit Findings Report (AFR) for 2020/21, progress and plans for the 2021/22 audit, and the regular Grant Thornton quarterly update.

Key Considerations for the Panel
To note the outcome of the statutory audit of the financial statements 2020/21, and the plan for the audit for 2021/22.

Interdependencies/Cross Cutting Issues
Transparency of stewardship and timely reporting of accounts and effective use of resources supports rebuilding trust and confidence.

The plan for the 2021/22 external audit will involve assessing accounting policies and judgements as set out in the paper "Accounting Policies and Key Judgements in Preparing the 2021/22 Statement of Accounts".

Recommendations

The Audit Panel is recommended to:

a. Note this paper

1. Supporting Information

1.1. This paper sets out the findings for both MOPAC and the Metropolitan Police Service arising from the Grant Thornton (GT) external audit, and provides a quarterly update on progress and issues.

Audit Findings Report (AFR) – Appendix 1

1.2. The Audit Findings Report (AFR) as at end September 2021 is attached as Appendix 1. Grant Thornton expect to issue the Annual Audit Report (AAR) by 1 January 2022 in line with the official reporting deadline.

1.3. GT report that the end of September AFR was discussed with those charged with governance.

1.4. In summary GT reported "Our work is substantially complete and subject to the outstanding matters detailed on page 4 (these were responses from MOPAC Management and Those Charged With Governance to planning inquiries, GT quality review, receipt of management representation letter, and review of the final set of financial statements), there are no matters of which we are aware that would require modification of our audit opinion for MOPAC's financial statements (including the financial statements which consolidate the financial activities of the MPS) or the MPS's financial statements."

The outstanding actions are now complete.

1.5. GT also identified new issues and risks (pages 12 and 13) regarding a lack of documented approvals for third party access to the Met Police network, and weak password configuration in the Oracle application and database. GT were satisfied that the identified deficiency did not represent sufficient deficiency to cause a material misstatement to the financial statements.

1.6. The GT opinion is that the financial statements give a true and fair view of the financial position of MOPAC and CPM, that they have been properly prepared in accordance with the relevant code of practice, and in accordance with the Local Audit and Accountability Act 2014.

1.7. In more detail the AFR states

1.7.1. that there have been no adjustments to the financial statements and no changes to the reported financial position for MOPAC, the Group or CPM. All potential mis-statements are well below the materiality thresholds.

1.7.2. Three new recommendations (two assessed as low and one medium) have been made and management responses are being drafted

1.7.3. Three of the four recommendations from 2019/20 have been satisfied. The one out-standing item is linked to one of the two low assessed recommendations for 2020/21.

1.7.4. The detail of the audit adjustments are set out in section C of the Appendix 1. There were no adjusted misstatements, unadjusted misstatements were non-material, and prior year unadjusted misstatements were either non-material or had no impact on closing 2020/21 reserves. A number of disclosure notes have been amended.

1.7.5. In respect of VFM the auditors have identified no risks of significant weakness frrm the work performed to date – a full commentary on value for money will be included in the AAR.

1.8. The Annual Audit Report (AAR) will be published upon its completion.

Audit Progress Report and Sector Update - Appendix 2

1.9. GT report that they expect to provide the Auditor’s Annual Report 2020/21 by 1 January 2022 in line with reporting deadline.

1.10. GT set out their planned deliverables for the 2021/22 audit including expecting to issue their audit plan for the 2021/22 audit in March 2022, carry out the final accounts audit in July/August, and report with the Auditor’s Annual Report. This latter will include a commentary on value for money.

1.11. In line with usual practice, GT provide links to sector developments and relevant GT publications which the Panel may wish to consider – pages 8 – 16 of Appendix 2.

1.12. Sector issues in this quarterly update include HMICFRS – consultation responses and proposed 2021/22 policing inspection programme and framework, the Chief Inspectors assessment of policing, and progress against recommendations issued in 2018/19. There is reference to the Home Office (HO) recruitment of 20,000 additional officers (including diversity reporting), its Beating Crime Plan, and the HO grant of £23.5m for Safer Streets. Finally, the response by the APCC to Budget Announcements is noted.

1.13. Grant Thornton provide a link to their annual Transparency Report particularly noting that this may be of interest to audit committees.

2. Equality and Diversity Impact

2.1. There are no equality and diversity implications directly arising from this report.

3. Financial Implications

3.1. Grant Thornton propose costs of the external audit for 2020/21 at £159,483 and £132,525 for MOPAC and MPS respectively - see page 43 of Appendix 1. The additional costs above the approved scale fees of £101,508 and £92,400 are subject to Public Sector Audit Appointments (PSAA) approval.

3.2. The cost of the 2020/21 audit fees will be met from within existing MOPAC and MPS budgets.

4. Legal Implications

4.1. There are no direct legal implications arising from the report.

5. Risk Implications

5.1. This paper relates to the corporate risk register entries for resources and value for money - for MPS and for MOPAC.

6. Contact Details

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7. Appendices and Background Papers

Appendix 1 – Grant Thornton Joint Audit Findings Report 2020/21
Appendix 2 – Grant Thornton Audit Progress Report and Sector Update

The Joint Audit Findings for Mayor's Office for Policing and Crime Commissioner of Police of the Metropolis

Year ended 31 March 2021

September 2021

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

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audits of Mayor's Office for Policing and Crime (MOPAC) and the Metropolitan Police Services (MPS) and the preparation of MOPAC and the MPS's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

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

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

We are also required to report whether other information published together with each set of audited financial statements (including the Annual Governance 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.

Our audit work was completed remotely during July-September. Our findings are summarised on pages 6 to 41.

There have been no adjustments to the financial statements of MOPAC and the group and no changes to the reported financial position.

There have been no adjustments to the financial statements of CPM and no changes to the reported financial position.

We have identified a number of potential misstatements during the audit from our testing to date. Most of these have arisen as a result of errors identified within our sample testing which when extrapolated are above our trivial threshold. They are individually and cumulatively well below our materiality thresholds. Management have decided not to adjust the financial statements as the misstatements are estimated and not material. Audit adjustments are detailed in Appendix C.

We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audits are detailed in Appendix B.

Our work is substantially complete and subject to the outstanding matters detailed on page 4, there are no matters of which we are aware that would require modification of our audit opinion for MOPAC's financial statements (including the financial statements which consolidate the financial activities of the MPS) or the MPS's financial statements.

We have concluded that the other information to be published with each set of financial statements is consistent with our knowledge of your organisations and the financial statements we have audited.

Our anticipated audit report opinions on MOPAC, the Group and the MPS's financial statements will be unmodified. The draft wording for our opinions will be provided in a separate document to this report. We have concluded that the other information to be published alongside the financial statements is consistent with our knowledge of both organisations.

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1. Headlines

Financial Statements continued

We are currently waiting for responses from management on the following areas:

- MOPAC Management and Those Charged with Governance responses to planning inquiries

Our work is also subject to the following closing procedures which necessarily take place within the concluding stages of the audit:

- engagement team responses to senior engagement team and quality review;
- receipt of management representation letter {sent as a separate document};
- review of the final set of financial statements.

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1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether in our opinion, both entities have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the arrangements under the following specified criteria: - Improving economy, efficiency and effectiveness; - Financial sustainability; and - Governance	We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is provided as a separate document to this report. We expect to issue our Auditor's Annual Report by 31 December 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements. As part of our work, we considered whether there were any risks of significant weakness in MOPAC and the MPS's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness from our risk assessment performed however identified the following areas of focus: • Your response to the Covid-19 pandemic • The financial strategy and plans to secure long term financial sustainability • Transformation programme and innovation to secure savings and efficiencies for MPS and MOPAC • The use of data to make informed business decisions • Developments in governance and oversight, including decision making structures between the MPS and MOPAC • Arrangements to produce, monitor and ensure delivery of the Police and Crime Plan • Arrangements in place to inform effective business planning Our work on this risk is underway and an update is set out in the value for money arrangements section of this report.
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 we expect to certify the completion of the audits upon the completion of our work on MOPAC and the MPS's VFM arrangements, which will be reported in our Annual Auditor's report in December 2021.
Significant Matters	We did not encounter any significant difficulties however we have identified significant matters that we have discussed with management and is reflected on page 20 of this report.

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2. Financial Statements

Overview of the scope of our audit

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

As auditor we are responsible for performing the audits, in accordance with International Standards on Auditing (UK) and the Code, which are directed towards forming and expressing an opinion on each set of 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, MOPAC's and the MPS's business and is risk based, and in particular included:

- An evaluation of MOPAC and the MPS's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group (Empress Holdings Limited and its subsidiaries (Empress Holdings Group)) based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that no procedures were deemed necessary over the component company's as the component's are currently dormant and in the process of being liquidated; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audits of your financial statements and, subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion on the financial statements of MOPAC, the MPS and the group. The draft wording for our opinions will be provided in a separate document to this report.

Acknowledgements

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

2. Financial Statements

Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan.

We detail in the table below our determination of materiality.

	Group (£000)	MOPAC (£000)	MPS (£000)	Qualitative factors considered
Materiality for the financial statements	57,397	57,000	55,500	This benchmark is determined as a percentage of the entity's Gross Revenue Expenditure in year and considers the business environment and external factors.
Performance materiality	40,178	39,900	38,850	Performance Materiality is based on a percentage of the overall materiality and considers the control environment / accuracy of accounts and working papers provided.
Trivial matters	2,870	2,850	2,775	Triviality is set at 5% of Headline Materiality.

No separate materiality was set for specific transactions, balances or disclosures.

We have determined financial statement materiality based on a proportion of the gross expenditure of the group, MOPAC and the MPS for the financial year. In the prior year we used the same benchmark. For our audit testing purposes we apply the lowest of these materialities, which is £55,500k (PY £51,329k), which equates to 1.2% of the group's prior year gross expenditure or the year.

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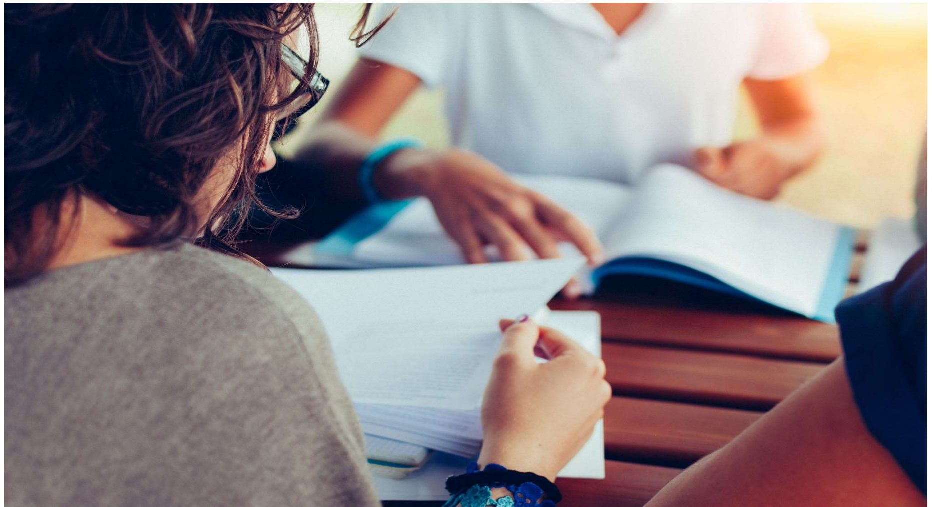
2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan	Relates to	Commentary
The revenue cycle includes fraudulent transactions Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. (rebutted)	Group, MOPAC and MPS (rebutted)	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at MOPAC, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including MOPAC, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for MOPAC. For the MPS, revenue is recognised to fund costs and liabilities relating to resources consumed in the direction and control of day-to-day policing. This is shown in the MPS's financial statements as a transfer of resources from MOPAC to MPS for the cost of policing services. Income for the MPS is received entirely from MOPAC. Therefore we do not consider this to be a significant risk for the MPS. Conclusion Our work has not identified any material issues in relation to revenue recognition.



2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
Management override of controls 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. MOPAC and MPS face external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. 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.	Group, MOPAC and MPS	In response to the risk highlighted in the audit plan we have undertaken the following work: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. **Conclusion** Our work has not identified any material issues in relation to management override of controls.
Valuation of land and buildings MOPAC re-values land and buildings on a rolling basis over a five-year period to ensure that carrying value is not materially different from current value at the financial statements date. The valuation of land and buildings is a key accounting estimate which is sensitive to changes in assumptions and market conditions. In valuing your estate, management have made the assumption that for a number of sites, in the event they need to be replaced, they would be rebuilt to modern conditions. You plan to utilise Montagu Evans to value your estate. This represents a significant estimate by management in the financial statements. We have therefore identified the valuation of land and buildings revaluations and impairments as a significant risk, which was one of the most significant assessed risks of material misstatement.	Group and MOPAC	In response to the risk highlighted in the audit plan we have undertaken the following work: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. We have engaged our own valuer to assess the instructions to the group's valuer; • evaluated the competence, capabilities and objectivity of the valuation expert; • 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; • challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding. We have engaged our own valuer to assess the group's valuer's report and the assumptions that underpin the valuation; • carried out testing of data provided to the valuer to gain assurance if it is complete and accurate; • tested revaluations made during the year to see if they had been input correctly into MOPAC and (group's) asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end. **Conclusion** We have identified a material classification error relating to property, plant and equipment in the prior period. This has no impact on the closing net book value of assets and does not affect the primary statements as is a disclosure classification error only. Management have amended the property, plant and equipment note to the financial statements to reflect the prior period adjustment which has now been corrected in the revised set of financial statements. Our findings in relation to this error can be found in Appendix C of this report. Our work has not identified any other material issues in relation to the valuation of land and buildings.

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2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
Valuation of the pension fund net liability The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£41,121m in MOPAC, the Groups and the MPS's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.5% change in the discount rate assumption would have approximately 11% effect on the liability. A 0.5% change in the inflation rate assumption would have approximately 8% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the pension fund net liability as a significant risk.	Group, MOPAC and MPS	In response to the risk highlighted in the audit plan we have undertaken the following work: • updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • assessed the accuracy and completeness of the information provided by the MPS to the actuary to estimate the liability; • tested the consistency of the pension fund net liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as an auditor's expert) and performing any additional procedures suggested within the report. This included the potential impact of the McCloud/ Sergeant ruling. Conclusion Our work has not identified any material issues in relation to valuation of the pension fund net liability.

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2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
Incomplete or inaccurate transfer of information to the new fixed asset register On 1 April 2020, you implemented a new fixed asset register. When implementing a new significant asset management system, it is important to ensure that sufficient controls have been designed and operate to ensure the integrity of the data. There is a also a risk over the completeness and accuracy of the data transfer from the previous fixed asset register. We therefore identified the completeness and accuracy of the transfer of information to the new fixed asset register as a significant risk of material misstatement.	Group and MOPAC	In response to the risk highlighted in the audit plan we have undertaken the following work: • performed a walk-though of the migration process from the previous fixed asset register to the new fixed asset register to evaluate the design and implementation effectiveness of controls pertaining to the transfer of data from the previous fixed asset system; • completed an information technology (IT) environment review by our IT audit specialists to document, evaluated and tested the IT controls operating within the new fixed asset register system; • performed substantive validity checks to obtain assurance that balances, both at the individual and aggregate level have been transferred completely and accurately; and • tested the data transferred from the old system to the new, and from the new system back to the old, to gain assurance over the completeness and accuracy of data transferred. Conclusion We identified a £22m opening adjustment to the fixed asset register system to align the previous fixed asset register closing revaluation reserve balance with the opening revaluation reserve balance for 2020/21. This is a non-material error from prior periods and therefore no prior period restatement is required. Management have therefore appropriately corrected this error within the 2020/21 financial statements. Our findings in relation to this error can be found in Appendix C of this report. No material issues have been identified in relation to the completeness and accuracy of data transferred to the new fixed asset register.

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
IT Control deficiencies Our IT specialists performed an assessment of the key Information Technology (IT) systems and the controls operating over them, as part of the audit team's work on obtaining an understanding of the information systems relevant to financial reporting. This work was carried out over Oracle EBS (PSOP) your financial system and Real Asset Management (RAM) your new fixed asset register system.	As part of the IT audit the following tasks were completed: • Evaluated the design and implementation effectiveness for security management; change management; and technology infrastructure controls. • Performed high level walkthroughs, inspected supporting documentation and analysis of configurable controls in the above areas • Completed a technical security and authorisation review of the Met Police's Oracle system as relevant to the financial statements audit • Documented the test results and provided evidence of the findings to the Financial Controller for remediation actions where necessary.	Our work identified two control deficiencies and one prior year finding which had not been resolved in the 2020/21 financial year. Deficiency 1 Lack of documented approvals for third party access to the Met Police network Third parties require client-issued machines to access the network. The established third-party access process states that machines are issued based on requests raised in ServiceNow and approved by the line manager or other responsible staff. We were informed that approvals were granted for a sampled user to receive third party access, however this evidence was not provided to the auditors. Risk- There is a risk that external parties or inappropriate users may be able to gain unauthorised access to information assets. Recommendation- Management should ensure that all third-party access requests are reviewed and approved, and that approvals are documented as per the established process. We are satisfied that control deficiency identified does not represent a significant deficiency that would cause a material misstatement to the financial statements.

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
IT Control deficiencies Our IT specialists performed an assessment of the key Information Technology (IT) systems and the controls operating over them, as part of the audit team's work on obtaining an understanding of the information systems relevant to financial reporting. This work was carried out over Oracle EBS (PSOP) your financial system and Real Asset Management (RAM) your new fixed asset register system.	As part of the IT audit the following tasks were completed: • Evaluated the design and implementation effectiveness for security management; change management; and technology infrastructure controls. • Performed high level walkthroughs, inspected supporting documentation and analysis of configurable controls in the above areas • Completed a technical security and authorisation review of the Met Police's Oracle system as relevant to the financial statements audit • Documented the test results and provided evidence of the findings to the Financial Controller for remediation actions where necessary.	Our work identified two control deficiencies and one prior year finding which had not been resolved in the 2020/21 financial year. Deficiency 2 **Weak password configuration settings in the Oracle application and database** Idle session timeout is set at 30 minutes in Oracle EBS. We were informed that a screensaver is set at the network level, however no evidence was provided. The hashed password patch is not installed so any users with access to the database may decrypt user passwords in the application and potentially impersonate them. Risk- There is a risk of compromise of user accounts through password guessing or cracking leading to fraud and financial misstatement. Recommendation- We recommend that the logical access controls governing access to the Oracle application and database should be strengthened to meet good practice guidelines. We acknowledge that there may be existing constraints that prohibit the implementation of the password policy in the Oracle database. Consequently, if management decide against the implementation of this recommendation, mitigating controls should be implemented and documented. We are satisfied that control deficiency identified does not represent a significant deficiency that would cause a material misstatement to the financial statements.
		Prior year finding **Password weaknesses at the Oracle database level** We noted password weaknesses associated with several database profiles. The hashed password patch was not installed in Oracle. Compromise of user accounts through password guessing or cracking leading to fraud and financial misstatement. Update on actions taken to address the issue- Password weaknesses at the Oracle database level were not addressed since the prior year's audit. Refer to Deficiency 2.

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2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £1,964m	Group and MOPAC	Land and buildings comprises £1,329m 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 (£520m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. MOPAC also hold £115m of other assets (Investment properties, surplus assets, assets held for sale, finance leases and residential properties) which are valued at market value. MOPAC and the Group have engaged Montagu Evans to complete the valuation of properties as at 30 September 2020 on a five yearly cyclical basis. Management have addressed estimation uncertainty by obtaining an interim market report to bridge the gap between valuation performed as at 30 September 2020 and year end date of 31 March 2021. Management have considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 31 March 2020, based on a desktop exercise to determine whether the value of properties has materially changed. Management's assessment of assets not revalued has identified no material change to the property values. We have reviewed management's assessment as well as used market indices to determine whether there has been a material movement in valuation between the valuation date and the year end date. Continued on next page	We reviewed your assessment of the estimate considering: • Revised ISA540 requirements; • Assessment of management's expert to be competent, capable and objective; • Completeness and accuracy of the underlying information used to determine the estimate; • The appropriateness of your alternative site assumptions which remain consistent with previous years; • Reasonableness of increase/decrease in estimates on individual assets; • Consistency of estimate against the Gerald eve report on property market trends, and reasonableness of the decrease in the estimate; and • Adequacy of disclosure of estimate in the financial statements. All your land and buildings have been appropriately valued by the instructed valuer. There have been no changes in assumptions from the previous years and these are outlined in your accounting policies. Continued overleaf	Green

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2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £1,964m continued	Group and MOPAC	Continued from previous page We have quantified the expected movement in value of land and building assets from 30 September 2020 valuation to 31 March 2021 valuation as being £14.3m and therefore we are satisfied that there is no material issue arising as a result of land and building assets being valued at 30 September 2020. The total year end valuation of properties was £1,964m, a net decrease of £42m from 2019/20 (£2,006m).	Conclusion We noted from our revaluations testing that one asset that was due to be inspected as part of the revaluation process had not been inspected, details can be found in Appendix A. The result of this finding did not highlight a material issue, as the asset that was not inspected was not material to the financial statements. A control finding has been identified to ensure that assets are inspected in line with your accounting policies. Management have also updated the disclosure regarding estimation uncertainty to provide increased disclosure to reflect the key assumptions and methods underpinning the valuation of land and building assets, more details can be found in Appendix C. Management have not quantified the impact of the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation. We deem this to be appropriate given the nature of capital accounting local authorities and do not consider this to would materially influence the reader of the accounts. We are satisfied that revised disclosures provide sufficient information to the user of the accounts regarding the estimation uncertainty of the valuation of land and buildings. We are satisfied that the estimate of your land and buildings valuation is not materially misstated.	Green

Assessment

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

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2. Financial Statements - key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Relates to</th><th>Summary of management’s approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension liability £41,121m</td>
<td>MOPAC, the Group and MPS</td>
<td>MOPAC and the MPS’s net pension liability at 31 March 2021 is £41,121m (PY £30,948m) comprising the Police Pension Scheme 2015, the 2006 New police Pension Scheme and the Police Pension Scheme all of which are unfunded defined benefit pension schemes.

The group uses Hymans Robertson to provide actuarial valuations of the group’s liabilities derived from these schemes. The actuary utilises key assumptions such as life expectancy, discount rates and salary growth. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.

There has been a £9,109m net actuarial loss during 2020/21, of which £1,064m has impacted the Comprehensive Income and Expenditure Statement. The remaining £10,173m has decreased the group’s unusable reserves.</td>
<td>• We have obtained an understanding of the processes and controls put in place by management to ensure the group’s pension fund net liability is not materially misstated and evaluated the design of associated controls;
• We have assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation;
• We have assessed the impact of any changes to the valuation method;
• We have assessed the accuracy and completeness of information provided by the MPS to the actuary to estimate the liability;
• We have used PwC as our auditors expert to assess the actuary and assumptions made by actuary – see table below for comparison with Actuary assumptions.
As assumptions applied have been found to be within the appropriate range by our auditor’s expert we have determined the overall assessment of assumptions applied as reasonable.
<table>
<tr><th>LGPS Assumptions</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>2%</td><td>1.95%-2.05%</td><td>Green</td></tr>
<tr><td>Pension increase rate (CPI inflation)</td><td>2.85%</td><td>2.80%-2.85%</td><td>Yellow</td></tr>
<tr><td>Salary growth</td><td>3.30%</td><td>2.80%-3.85%</td><td>Green</td></tr>
<tr><td>Life expectancy – Males currently aged 45 / 60</td><td>Current males: 27.4 years
Future males: 28.7 years</td><td>Current males: 26.6-27.4 years
Future males: 27.9-28.7 years</td><td>Yellow</td></tr>
<tr><td>Life expectancy – Females currently aged 45 / 60</td><td>Current females: 29.7 years
Future females: 31.0 years</td><td>Current females: 28.9-29.7 years
Future females: 30.3-31.0 years</td><td>Yellow</td></tr>
</table>
</td>
<td>Green</td>
</tr>
</table>

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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Net pension liability £41,121m	MOPAC, the Group and MPS	MOPAC and the MPS's net pension liability at 31 March 2021 is £41,121m (PY £30,948m) comprising the Police Pension Scheme 2015, the 2006 New police Pension Scheme and the Police Pension Scheme all of which are unfunded defined benefit pension schemes. The group uses Hymans Robertson to provide actuarial valuations of the group's liabilities derived from these schemes. The actuary utilises key assumptions such as life expectancy, discount rates and salary growth. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £9,109m net actuarial loss during 2020/21, of which £1,064m has impacted the Comprehensive Income and Expenditure Statement. The remaining £10,173m has decreased the group's unusable reserves.	• We have performed additional tests in relation to the accuracy of contribution figures, benefits paid and member data to gain assurance over the 2020/21 roll forward calculation carried out by the actuary; • We have tested the consistency of the pension fund net liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • We have assessed the reasonableness of decrease in estimate; and • We have undertaken additional procedures to gain assurance that the £364m of 'Other Experience' recognised in your net pension fund liability is reasonable. The £364m of 'Other Experience' reflects the liability increase in relation to the McCloud/Sargeant case. Worked performed bringing forward assurances from the prior year and ensuring key assumptions remain appropriate for 2020/21. Conclusion Management also updated the disclosure regarding estimation uncertainty to provide increased disclosure to reflect the impact of the roll-forward method of pension data to support the pension valuation and the key assumptions underpinning the police pension net liability valuation, more details can be found in Appendix C. We are satisfied that revised disclosures provide sufficient information to the user of the accounts regarding the estimation uncertainty and key judgements underpinning the valuation of the net pension liability. We are satisfied that the estimate of your net pension liability is not materially misstated.	Green

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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Other estimates and judgements include: • Property, Plant and Equipment: depreciation including useful life of capital equipment.	Group and MOPAC	Buildings are depreciated in accordance with the valuers estimation of value/remaining life. Equipment including IT is depreciated based on standard lives and estimates from relevant managers and contract lengths where relevant. For existing assets the source data is the carrying value at the start of the year. For buildings this is the revaluation performed at year end. For new assets it is the purchase cost during the year. The point estimate for depreciation is generated by the asset register based on the inputs of costs and expected lives for each asset.	Our work in respect of the estimate of your depreciation charge has not identified any material issues.	Green
• Provisions	Group and MOPAC	The most significant provision on the balance sheet is the provision for Third Party Liabilities. The calculation of the provision required is based on an established approach using the estimated reserve required to settle ongoing cases from system reports adjusted for the differences between amounts reserved and amounts paid out in settlement on recent settled cases. Other provisions will be based on professional judgement using suitable available supporting documentation.	Our work in respect of the estimate of your provisions has not identified any material issues.	Green
• Accruals including the annual leave accrual and Home Office pension top-up accrual.	Group, MOPAC and the MPS	The two largest accruals are the Home Office Pension Top-up and employee annual leave accrual, which are documented below. The remaining balance is made up of smaller accruals from around the business. Accruals will be based on actual information on balances owed (eg. invoices) where possible but in some cases estimates may be used where it is not possible to determine the exact amount to be accrued. Assumptions will vary depending on the accrual however, business accountants will use their professional judgement in determining an appropriate estimate. Source data used will depend on the nature of the specific accrual but is likely to include amongst other things invoices, contracts, timesheets and correspondence with third parties to derive a reasonable estimate.	Our work in respect of the estimate of your accruals has not identified any material issues.	Green

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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Accruals including the annual leave accrual and Home Office pension top-up accrual (continued)	Group, MOPAC and the MPS	Home Office Pension Top-up Accrual: The accrual is a calculation based on the amount accrued from the previous year, the amount received in cash from the Home Office during the current financial year and the deficit on the Pension Fund Revenue Account at the end of the financial year which is recorded on the ledger. Monthly data is used from the ledger for the return to the Home Office to determine the outturn for the current financial year. This data is prepared by Corporate Finance for review and inclusion in the return submitted by the Pensions Lead in HR. Annual leave accrual: For police officers and PCSO, computer aided resource management system (CARMS) data is taken and ready reckoner pay rates are applied to calculate the accrual. The key assumption made by management is that the average hours of annual leave carried forward per pay band for those officers registered on CARMS is reflective of the hours of annual leave carried forward by Officers not on the CARMS system, the source data used to calculate the accrual estimate for policer officers and PCSO is CARMS. For police staff, samples are selected to determine the average unused leave that is then applied to the population. The key assumption made in calculating the Holiday accrual for Police staff is that the sample data is representative of the entire population. Data derived from these samples is collected through self reporting (holiday entitlement forms). All data is crossed checked and reconciled to HR data. Sufficient numbers of police staff are sampled to ensure that there is a statistically negligible chance that the sample deviates materially from the population from which it has been selected from.	Our work in respect of the estimate of your accruals has not identified any material issues.	Green

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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
PFI Liability	Group and MOPAC	PFI transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM , are accounted for as 'on-Statement of Financial Position' by the entity. The PFI liability is determined by the original financial model updated for inflation and relevant variations. The source data is derived from the financial model. Estimates are used for un-invoiced variations (or credits for insurance) based on estimates provided at the time of the variation.	Our work in respect of the estimate of your PFI liability has not identified any material issues.	Green
Consolidation of Empress Holdings Limited and its subsidiaries	Group and MOPAC	On 26 March 2018 the Group acquired the entire issued share capital of Empress Holdings Limited and its subsidiaries ("Empress Holdings Group") which holds the freehold interest in the Empress State Building (ESB). As result of this purchase, a judgement was made that the Empress Holdings Group is a subsidiary of the Group, and its assets, liabilities and reserves would be consolidated into the MOPAC Group Accounts. Management proposed that they consider the rights and obligations of the building to now belong to MOPAC and that there was no residual value to the shares owned by MOPAC (i.e. the only value to the shares was the value of ESB). The Empress State Group is in the process of being dissolved, and as a result will be consolidated at nil value until this is complete.	Our work in respect of the judgement made to consolidate the Empress Holdings Group at nil value is deemed appropriate as a result of the dissolution process. We have not identified any material issues as a result of the judgement made by management.	Green

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2. Financial Statements - matters discussed with management

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

Significant matter	Commentary	Auditor view and management response
<u>Plant and Equipment- Redundant Depreciation</u> In response to a previous audit finding and recommendation relating to a number of plant and equipment assets that were still in use however were being held at nil net book value, management undertook an exercise to revisit the useful economic lives of £116k (gross book value) plant and equipment assets that had been fully depreciated however were still in use. This resulted in £32m of redundant depreciation being written back to the revaluation reserve as part of a revaluation exercise.	Management has acted on the previous audit recommendation to revisit plant and equipment assets that are still in use however reflected at nil net book value. Management has made the judgement that by ensuring the current value of plant and equipment assets is appropriate and revisiting the useful economic lives (UELs) of those assets, this constitutes as a revaluation exercise. A revaluation exercise would account for the write back of accumulated depreciation through the revaluation reserve upon revaluation of the asset.	There are two different standards which could apply to the matter noted in relation to the exercise undertaken by management. IAS 16 would determine the accounting treatment of revaluing an asset where as IAS 8 would determine the accounting treatment for a change of estimate. It could be argued that a subsequent change in UELs of assets is a change in accounting estimate and therefore any changes to the estimate should be accounted for prospectively. Therefore, the treatment of accounting for relifing assets would be therefore different to that of a revaluation of an asset. Where an asset is subject to revaluation the Code of Audit Practice notes that assets that are revalued should be done so "with sufficient regularity and that items within a class of property, plant and equipment should be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates". We note that only a number of Digital Policing (DP) assets have been revalued as opposed to a class of assets (defined in Code ref 4.1.2.2 as a grouping of assets of a similar nature and use in an authority's operations) and therefore where a revaluation method is adopted the requirements of the Code guidance should be followed. The accounting policy for measuring plant and equipment also does not reflect the revaluation exercise undertaken however management has judged the impact to be immaterial and therefore no changes to the current accounting policy have been made. We have gained assurance from our audit work performed that the current value of plant and equipment assets is not materially misstated and therefore we note that the current treatment to revalue plant and equipment assets resulting in £32m redundant depreciation charge would not materially misstate the financial statements. Over a number of years, management have been working to reduce the number of assets that remain on the asset register at nil bet book value. The gross book value of nil net book value assets in 2018/19 was circa £300m which has now reduced to approximately £116m in 2020/21. From discussions with management, they believe that this issue has now been significantly addressed and there is an expectation this value will continue to diminish over future years. We are therefore satisfied that this is not a high risk issue that would materially misstate the financial statements. We would however recommend that future decisions made to account for changes that could result in a material change in accounting policies are discussed with external audit and that there is evidence to support managements judgement is in line with accounting standards. Management response TBC

2. Financial Statements - matters discussed with management

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

Significant matter	Commentary	Auditor view and management response
Fixed Asset Register	In the prior fixed asset register a number of assets held both a revaluation and impairment reserve. Accounting treatment of revalued assets note that both a revaluation reserve and an impairment reserve is unable to exist for an individual asset, therefore as a result of the migration to the new fixed asset system the revaluation reserve and impairment reserves were netted off to ensure the audited closing revaluation reserve for 2019/20 agreed to the opening revaluation reserve for 2020/21. This resulted in a £22.5m opening adjustment to the revaluation reserve.	We have performed testing over the migration of financial and non-financial data to ensure data transferred to the new fixed asset register is complete and accurate. As a result of this we identified management had included an opening adjustment in order to ensure the closing revaluation reserve at 31 March 2020 reconciled to the opening revaluation reserve at 1 April 2020. Management's treatment to correct this error in year is appropriate and as the error is not material no prior period restatement is required. Management response TBC

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2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Deputy Mayor (for MOPAC) and the Commissioner (for the MPS). We have not been made aware of any incidents in the period that would have a material impact on the financial statements and no other material issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	Letters of representation has been requested from both the Deputy Mayor (for MOPAC) and the Commissioner (for the MPS), including specific representations in respect of the following issue: • Confirmation that the total value of covert transactions, covert assets, covert bank and cash balances in the CPM, MOPAC and group financial statements is not material.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to: • The Greater London Authority (in respect of short-term investments and long-term borrowings); • National Westminster Bank PLC (in respect of cash held at bank); • The Public Works Loan Board (in respect of short and long-term borrowings) and; • Lloyds Bank PLC (in respect of a bank account held by Equiniti on your behalf to process police officer pension payments). This permission was granted and the requests were sent. All of these requests were returned with positive confirmation with the exception of National Westminster Bank PLC where 5 accounts were missing from the confirmation received. We therefore performed alternative procedures to gain assurance over the accuracy and existence of cash balances stated for these accounts.
Accounting practices	We have evaluated the appropriateness of MOPAC, MPS and the group's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements however further narrative was added based on the estimation uncertainty relating to the police officer pension scheme as a result of roll-forward procedures used.
Audit evidence and explanations/ significant difficulties	Due to the audit teams lack of security clearance the audit team have been unable to obtain audit evidence in respect of covert transactions and balances which require security clearance level 3. We have identified from review of covert transactions and balances that the total values of transactions and balances are not material and therefore would not represent a material misstatement to the financial statements. We have also requested representations from management to confirm this. All other information and explanations requested from management was provided.

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2. Financial Statements - other communication requirements

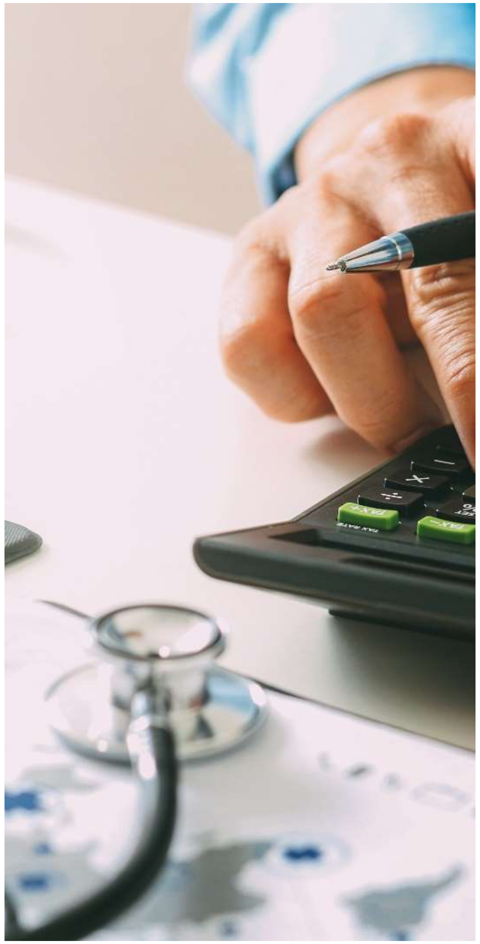
Our responsibility

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

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of MOPAC, the MPS and the group's financial sustainability is addressed by our value for money work, which is covered in our Auditor's Annual Report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by MOPAC, MPS and the group meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of MOPAC, the MPS and the group and the environment in which they operate; • MOPAC, the MPS and the group's financial reporting framework; • MOPAC, the MPS and the group's system of internal control for identifying events or conditions relevant to going concern; and • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified for either the MOPAC, the MPS or the group • management's use of the going concern basis of accounting in the preparation of both sets of financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with each set of audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. From our work performed on the other information, no inconsistencies have been identified. We plan to issue an unmodified opinion in this respect. The draft wording for our opinions will be provided in a separate report.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statements do not comply with disclosure requirements set out in CIPFA/SOLACE guidance or are misleading or inconsistent with the information of which we are aware from our audits, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA audit instructions. As the group exceeds the specified reporting threshold of £500m we examine and report on the consistency of the WGA consolidation pack with the group's audited financial statements. Note that work is not yet completed and will complete our work in respect of MOPAC's WGA consolidation pack following the issue of our opinion, ahead of the national deadline.
Certification of the closure of the audit	We intend to certify the closure of the 2020/21 audit of MOPAC and the MPS following the completion of our audit opinion and value for money conclusion work.



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3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the PCC's and Chief Constable's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Our VFM work is in progress. Our detailed commentary will be set out in our separate Auditor's Annual Report. We are satisfied from the work we have undertaken to date that no matters have been identified that would impact on our proposed audit opinion on the financial statements.

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is provided in a separate document to this report. We expect to issue our Auditor's Annual Report by 31 December 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements. As part of our work, we considered whether there were any risks of significant weakness in MOPAC and the MPS's arrangements for securing economy, efficiency and effectiveness in their use of resources, no risks of significant weakness were identified from work performed.

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4. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix D

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to MOPAC, the Group and MPS. No non-audit services were identified which were charged relating to the 2020-21 financial year.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

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Appendices

A. Action plan – Audit of Financial Statements

We have identified 3 recommendation for MOPAC, the MPS and group, as a result of issues identified during the course of our audits. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 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	Recommendations
Low	Land and Building Valuations Within the financial statements MOPAC has included a policy on valuations whereby the top 20 highest value properties as well as 20% of residual assets are subject to physical inspection by the valuer. We have identified one asset that was omitted from the inspection list of residual 20% of assets (Imber Court Sports Club and Mounted Branch). It is important to recognise that despite not being subjected to a physical inspection, this asset will still have received a full revaluation as every asset has done. Total value of this asset is £14,891k per 19/20 net book value. This is significantly below materiality. Therefore the asset value would have to move by circa 370% in order to constitute a material misstatement within the financial statements. We are therefore content that the fact this property was omitted from inspection will not constitute a material misstatement. This inconsistency does however present a risk that assets are not captured in the rolling review programme to ensure the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period. This is because regular physical inspection ensures greater accuracy of property valuations and reflects better potential impairments and property changes over time. We have concluded from our review that the risk of material misstatement to the financial statements as a result of this inconsistency is less than remote.	Management should ensure that accounting policies adopted for property valuations are appropriately applied and that classes of asset are captured for physical inspection on a rolling basis to ensure the carrying value is not materially different to the current value determined at the end of the reporting date. Management response TBC

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

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A. Action plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
Low	<u>Plant and Equipment Assets</u> As part of our audit testing we selected a sample of nil net book value assets within plant and equipment and noted a number of these assets remained on the asset register at nil net book value as management were unable to identify the relevant asset holder and therefore were unable to conclude whether the asset remained in use or not. Management has shown prudence by keeping these assets on the asset register however there is a risk that gross cost and accumulated depreciation is overstated where an asset is still in use and the useful economic life has not been revisited or should be shown as a disposal or derecognised where the asset is no longer in use.	Management should look to improve this process to ensure assets that are no longer in use are removed from the asset register or if still in use, UELs should be updated to ensure the net book value is appropriate. Management response TBC
Medium	<u>Movement in Reserves</u> From our review of the movement of reserves statement we noted a reconciliation difference of £4.3m between the CIES movement and the movement between opening and closing reserves in the balance sheet. This was due to two separate issues: 1) An adjustment made for £1.4m relating to property, plant and equipment that went directly to the Capital Adjustment Account (Unsuable Reserves) however no entry was made through the CIES and therefore was subsequently not accounted for through the MIRS. 2) £2.9m of capital grants which were received however were unapplied and therefore should have been recognised within the capital grants unapplied account. Note 30 Adjustments between accountning basis and funding basis under regulations noted the full amount of capital grants received £35m were applied from useable reserves within only £32m being applied through unusable reserves therefore creating a £2.9m difference between useable and unusable reserves. We are satisfied the reconciling issues identified are isolated to these two areas and therefore is not indicative of a material imbalance within the accounts. An imbalance between reserves could indicate inaccurate accounting entries which presents the risk that there is a gross material error within the financial statements as a result of incorrect accounting entries. We have investigated the reasons for the discrepancy identified in the MIRS and are satisfied that there is no material error as a result of this discrepancy.	Checks should be carried out within the quality review stages of producing the financial statements to ensure the CIES movement in year reconciles accurately to the opening and closing reserves movements, any variances identified during this process should be followed up and investigated to ensure there is not any material issues underlying the reconciling difference. As this error will roll-forward into future years it is also recommended that management look to correct this error to ensure future financial statements balance correctly. Management response TBC

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

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B. Follow up of prior year recommendations

We identified the following issues in the audits of MOPAC and the MPS's 2019/20 financial statements, which resulted in 4 recommendations being reported in our 2019/20 Audit Findings report. We have followed up on the implementation of our recommendations and note 1 recommendation is still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Fixed asset register (FAR) In our prior year Audit Findings Report we communicated the following control issue: *The FAR is maintained through asset listings on numerous Excel spreadsheets. With the high number and value of MOPAC assets there is great risk around the maintenance of the FAR, in relation to the risk of human error and management not being able to have easy overview of adjustments and PPE accounting entries.* Management have carried out considerable work to improve the quality of working papers to support PPE balances during 2019-20, however the fact remains that maintaining over £1.8bn of assets through excel spreadsheets is imperfect and not fit for purpose. The risk of error from maintaining your assets on numerous excel spreadsheets increases year on year as the audit trail is continually being layered by offline adjustments which also make it more difficult to audit and obtain the assurances we need. As part of our reconciliation of your financial statements to the general ledger, the PPE note and your underlying fixed asset register we identified several trivial and non-trivial gross variances. We were able to assure ourselves that these variances net to a non-material amount and so we are satisfied that the control risk we have highlighted has not manifested in a material misstatement in your 2019-20 accounts.	Management have now implemented a new automated fixed asset system to ensure appropriate processes and controls operate over fixed asset accounting entries. A £22.5m adjustment was made to the opening revaluation reserve as a result of prior year impairment and revaluation reserves being held on individual assets which is not in line with accounting practice, more details can be found in Appendix C. Management have correctly adjusted for this error in the current year and no material errors were noted as a result of the transfer to the new fixed asset system. We are therefore satisfied management has resolved the issue and risk previously communicated.

Assessment

✓ Action completed

X Not yet addressed

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B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Property Valuations Within the financial statements MOPAC has included a policy on valuations whereby the top 20 highest value properties as well as 20% of assets are subject to physical inspection by the valuer. From our work on property valuations we noted that there were two assets within the top 20 highest value that had not been subject to physical inspection. The combined value of these two assets were £29.6m. Instead, two other assets had been included for physical inspection. These assets ranked #21 and #22 largest assets in MOPAC's property portfolio. The combined value of these two assets were £24.5m. We also noted that there were five assets from the residual 20% of assets category which had not been subject to physical inspection. The combined value of these assets were £17m. The above two issues are to be understood as inconsistencies between the accounting policy adopted and set out in the financial statements and the accounting policy being applied. This inconsistency presents a risk that assets are not captured in the rolling review programme to ensure the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period. This is because regular physical inspection ensures greater accuracy of property valuations and reflects better potential impairments and property changes over time. We have concluded from our review that the risk of material misstatement to the financial statements as a result of this inconsistency is less than remote. We are also satisfied from audit work performed that the approach to property valuations complies with the CIPFA Code.	We have identified one asset that was omitted from the inspection list and was due to be inspected in 2020/21- Imber Court Sports Club and Mounted Branch. It is important to recognise that despite not being subjected to a physical inspection, this asset will still have received a full revaluation as every asset has done. Total value of this asset is £14,891k per 19/20 net book value. This is significantly below materiality. Therefore the asset value would have to move by circa 370% in order to constitute a material misstatement within the financial statements. We are therefore content that the fact this property was omitted from inspection will not constitute a material misstatement. Therefore the issue and risk previously communicated has not been resolved.

Assessment

✓ Action completed

X Not yet addressed

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B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Property depreciation In accordance with your accounting policy, property assets are depreciated on a straight line basis over their Useful Economic Life's (UEL). The UEL of an asset represents a key assumption in the depreciation estimate. On an annual basis, management are provided with UEL information for each asset from your professional valuer. On receipt of this information management have told us that they perform an undocumented assessment of UEL's for each asset which takes into consideration information provided by the valuer. Management only update UEL's in the asset register where the existing value differs significantly to that of the valuers. We recognise that there may be very good reason for management to have a different view to the valuer in terms of UEL because the valuer may not be privy to all the information e.g. the future plans of the Authority. The control issue being highlighted here is that there is insufficient documented evidence setting out management's judgement, particularly where they differ to the valuer. Based on our work on depreciation, we are satisfied that there is no material difference between the depreciation actually charged and the depreciation that would have been charged had the estimate been based solely on the valuers UEL assumptions. That being said, the difference is significantly above our trivial threshold and growing year on year. With the introduction of a new asset register, we recommend as best practice, management formalise their policy and processes for assessing UELs across the property portfolio. In doing so, they should ensure that the process is documented, evidenced and has an internal review process.	We have reviewed the depreciation charge and created an expectation based on information provided by the external valuer on UEL and recalculated an expectation of the depreciation charge. The results of this expectation were found to be within our expected threshold and therefore we are satisfied that the depreciation charge stated within the financial statements is appropriate. As we have used the UELs provided by the valuer to form an expectation we are satisfied that management has used appropriate UELs for property assets to ensure the depreciation charge is reasonable. We are therefore satisfied the issue and risk previously communicated has been resolved.

Assessment

✓ Action completed

X Not yet addressed

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B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Asset Under Construction (AUC) Reclassifications As part of our work we identified an asset (Charing Cross Police Station Refurbishment) worth £28.5m which was incorrectly classified in your draft financial statements as AUC as at 31 March 2020. This is because the refurbishment had been completed at the end of December 2019 and so should have transferred to Operational Property. We identified this by reviewing the Q3 Financial Performance Report (dated 11 February 2020) which states: "*A further underspend on the refurbishment of Charing Cross following the successful completion of the project - £0.8m*". Management have updated the accounts to reflect this classification change however our investigation as to the reason why the error occurred has identified a control weakness which we need to communicate. Current process: On a quarterly basis management extract information from the underlying project management system (Artemis) to identify all projects which have been completed so that the accounts can be updated accordingly. The Artemis system is maintained and regularly updated by Property Services and relevant project management teams. Issue: The error arose because when Corporate Finance extracted the data from Artemis during production of the financial statements, Property Services had not yet updated Artemis with the completion date for Charing Cross PS. Further consideration: Having identified this single error we considered the possibility of other similar errors occurring and the potential risk of material misstatement. To that end, we obtained the 2020/2021 Q1 report from Artemis of completed projects. This now included Charing Cross PS and a further 110 projects worth £17m. As £17m is significantly below our materiality levels, we are satisfied that even at a worst case scenario the accounts could not be materiality misstated. Nevertheless, because of the nature of capital projects and the size of your capital programme, in a different year this could be material and so we are recommending to management to consider improving the controls around this process for future years.	Based on our work performed on asset under construction reclassifications we identified two reclassifications from our sample of seven that were costs attributable to an asset that was operational in the previous year however the cost had not been reclassified to the operational asset. The extrapolated misstatement of these two fails was £195k which is highly trivial and our review of material reclassifications identified no material issues. We are therefore satisfied that management have appropriately addressed the issue and risk previously communicated.

Assessment

✓ Action completed

X Not yet addressed

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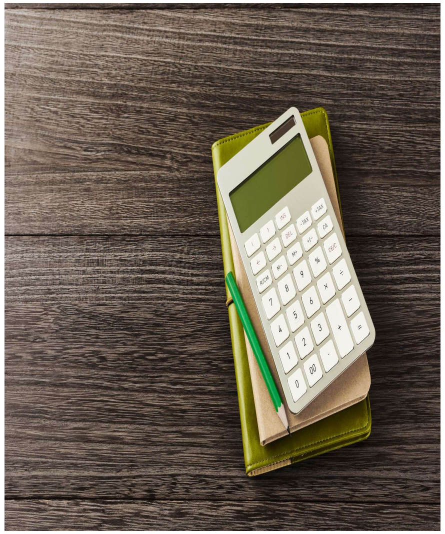
C. Audit Adjustments

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 have been no adjusted misstatements included in the financial statements of MOPAC, the Group or MPS.



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C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Detail	Relates to	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Property, Plant and Equipment Disposals Based on our testing performed of asset disposals we identified a fleet disposal that had been disposed of in the prior financial year however had not been accounted for as a disposal until the 2020/21 financial year. We identified similar issues in the prior year although this had been extrapolated to below material. Based on our understanding of the process and issues identified in the previous year we are aware this is an issue relating to fleet disposals only as the process for fleet disposals is inherently different to that of other PPE disposals and therefore we have isolated the error to fleet disposals within the disposals population. The delay in processing the fleet disposal occurred as a result of the fleet department sending the disposals spreadsheet late and therefore was not processed in the correct financial year. The total of fleet disposals recorded in 2020/21 is £20.7m therefore even in the unlikely event the full population was incorrect this would not cause a material misstatement. We therefore extrapolated our error of £35k over a total sample tested of fleet disposals of £227k which resulted in an extrapolated error of £3.2m.	Group and MOPAC	CR Loss on disposal £3,205 DR General Fund via MIRS £3,205	DR Plant and Equipment Disposals £3,205 Cr Capital Adjustment Account £3,205 CR Opening Cost PPE Plant and Equipment Assets £3,205 DR B/F Capital Adjustment Account £3,205	Nil	Non-material extrapolated error.
Goods Received Not Invoiced During our testing of goods received not invoiced we reperformed the reconciliation between the trial balance and the payables ledger and identified a £3,895k reconciling difference. This is a brought forward reconciling difference from prior years as a result of the system migration transfer which has not yet been corrected. Discussions with management identified that a robotic solution for bulk purchase orders has recently been developed however was not operating until post year end and therefore reconciling error was not corrected before the draft accounts were submitted for audit.	Group, MOPAC and MPS	DR Expenditure £3,895	CR GRNI £3,895	£3,895	Non-material error

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C. Audit Adjustments

Impact of unadjusted misstatements (continued)

Detail	Relates to	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Movement in Reserves (MIRS) From our review of the movement of reserves we noted a reconciliation difference of £4.3m between the CIES movement and the movement between opening and closing reserves in the balance sheet. This was due to two separate issues: 1) An adjustment made for £1.4m relating to property, plant and equipment was accounted for directly to the Capital Adjustment Account (Unsuable Reserves) however, no entry was made through the CIES and therefore was subsequently not accounted for through the MIRS creating an imbalance between usable and unusable reserves of £1.4m. 2) £2.9m of capital grants which were received however were unapplied and therefore should have been recognised within the capital grants unapplied account however, Note 30 Adjustments between accounting basis and funding basis under regulations noted the full amount of capital grants received (£35m) were applied from useable reserves within only £32m being applied through unusable reserves therefore creating a £2.9m difference between useable and unusable reserves. We are satisfied the reconciling issues identified are isolated to these two areas and therefore is not indicative of a material imbalance within the accounts. A control recommendation has been raised in light of these reconciling errors identified (see Appendix A for further details).	Group and MOPAC	Issue 1 DR CIES £1,394 CR General Reserves (MIRS) £1,394 Issue 2 DR Capital Grants Unapplied Reserve (MIRS) £2,871 CR General Reserves (MIRS) £2,871 This is also a disclosure issue relating to the manual adjustment of £2.9m being overstated in Note 30. Adjustments between accounting and funding basis-application of capital grants to finance capital expenditure.	Nil Nil	Nil Nil	Non-material error
Plant and Equipment Nil Net Book Value (NBV) Assets As part of our audit testing we selected a sample of nil net book assets of which from a sample of 10 items we identified 7 items that were still in use. We therefore recalculated an expected net book value for the asset based on expected remaining life of the asset which resulted in an extrapolated error of £6.056m.	Group and MOPAC	Nil	DR Accumulated Depreciation £6,056 CR Capital Adjustment Account £6,056	Nil	Non-material extrapolated error.
Overall impact		DR £3,895	CR £3,895	DR £3,895	

C. Audit Adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements

Detail	Relates to	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Property, Plant and Equipment Disposals: From audit testing performed we identified two disposals which were disposed of in 2018/19 however were accounted for in 2019/20. This was due to a delay in finance processing disposals provided to them by the Fleet team. We have followed up on this issue and isolated it to just transactions from Fleet. The total gross cost of Fleet assets affected by this cut off issue was £3m with the respective proceeds from the sales being £403k. Based on this evidence we have projected the worst case scenario error to be a misstatement of £3m in the opening PPE GBV. We do not have the accumulated depreciation figures for these assets and so we are unable to project what the precise impact is on the CIES and the brought forward equity balances. However, because GBV is £3m and the proceeds are £403k, the potential impact ranges from a profit of £403k and a loss of £2.6m.	Group and MOPAC	Nil	2019/20 Impact: CR Opening PPE Gross Book Value £3,007 DR Disposals PPE Gross Book Value £3,007 2020/21 Impact: Nil	Nil	No impact on 2020/21 closing reserves
Cash and Cash Equivalents: We obtained bank confirmation for a number of covert bank accounts. The total difference between the amount per the bank statements received and the amount recorded in the ledger is £2.921m. Bank reconciliations to support the difference require security clearance level 3, which none of the audit team have. As the difference exceeds our triviality threshold, we are communicating this issue to you as a non-material uncertainty in the accounts.	Group and MOPAC	2019/20 Impact: DR Expenditure £2,921 2020/21 Impact: Nil	2019/20 Impact: CR Cash £2,921 2020/21 Impact: DR B/F General Reserves £2,921 CR B/F Cash £2,921	2019/20 Impact: DR Expenditure £2,921 2020/21 Impact: Nil	Non material error

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C. Audit Adjustments

Impact of prior year unadjusted misstatements (continued)

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements

Detail	Relates to	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Operating Expenditure/Creditors: Our completeness testing of invoices in April 2020 identified one invoice for £16.8k that related to 2019/20 however was incorrectly coded to 2020/21 financial year. We extrapolated the error across all invoices coded to May 2020 which resulted in an estimated misstatement of £3,269k. Our completeness testing of invoices in May 2020 identified one invoice for £29k that related to 2019/20 however was incorrectly coded to 2020/21 financial year. We extrapolated the error across all invoices coded to May 2020 which resulted in an estimated misstatement of £7,751k. The total unadjusted misstatement is therefore £11,021k.	Group, MOPAC and the MPS	2019/20 Impact: DR Expenditure £11,021 2020/21 Impact: Nil	2019/20 Impact: CR Liabilities £11,021 2020/21 Impact: DR Liabilities £11,021 CR B/F General Reserves £11,021	2019/20 Impact: DR Expenditure £11,021 2020/21 Impact: Nil	Non Material Extrapolated Error
Non-accounts payable expenditure sample testing: As part of our sample testing of non-accounts payable expenditure testing, we identified two samples whereby the PO/Goods receipted amount on the ledger was higher than the invoice amount so overstating expenditure. The total overstatement across these two errors was £6,791. We have evaluated the potential misstatement in the financial statements by extrapolating this error across the affected population. This extrapolation projected a misstatement of £4,684k. As this amount is significantly below materiality, we are satisfied there is no risk of material misstatement. Given that it exceeds our triviality threshold, we are required by the ISAs to communicate this extrapolation in this report.	Group, MOPAC and the MPS	2019/20 Impact: CR Expenditure £4,683 2020/21 Impact: Nil	2019/20 Impact: DR Liabilities £4,683 2020/21 Impact: DR Liabilities £4,683 CR B/F General Reserves £4,683	2019/20 Impact: CR Expenditure £4,683 2020/21 Impact: Nil	Non Material Extrapolated Error

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C. Audit Adjustments

Impact of prior year unadjusted misstatements (continued)

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements

Detail	Relates to	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Depreciation: To obtain assurance that management's estimate for depreciation is reasonable we carried out a substantive analytical review. This analytical review compared the actual depreciation charge to our expectation based on Useful Economic Life (UEL) assumptions provided by your valuer. The difference identified by this procedure was £27m. What this meant was that based on our calculation, we would expect the depreciation charge to be £27m lower than the amount recognised in the draft accounts. As the difference exceeded our tolerable difference threshold, we carried out additional work to obtain sufficient assurance that management's estimate is reasonable, and that the depreciation charge is not materially misstated. The additional work performed was a sample test of assets and the reasonableness of their respective annual depreciation charges. The results of this testing found that the assumptions used by management for UEL's were consistently lower than the UEL's provided by your independent expert. Based on our sample testing, we extrapolated the impact of this difference in assumption to be £22.8m. Upon challenge of management's UEL assumption we were told that UEL's are only updated when they significantly differ to the value currently held within the asset records. This explains why management's UEL figures differs to that of the valuer. The projected unadjusted misstatement we are communicating therefore represents the potential difference had management updated to the valuers assumptions. To be clear, given that this difference is significantly less than material, we have concluded that management's estimate is not unreasonable.	Group, MOPAC and MPS	2019/20 Impact: CR Expenditure £22,768 2020/21 Impact: Nil	2019/20 Impact: DR Property, Plant and Equipment Depreciation £22,768 2020/21 Impact: DR B/F Property, plant and equipment accumulated depreciation £22,678 CR B/F Capital Adjustment Account £22,768	2019/20 Impact: CR Expenditure £22,768 2020/21 Impact: Nil	This is an extrapolated error that is well below materiality levels. Management's estimate remains reasonable.
Overall impact		£Nil	£Nil	£Nil	

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C. Audit Adjustments

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

Misclassification and disclosure changes

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

Disclosure changes	Relates to	Auditor recommendations	Adjusted?
We selected a sample of assets to gain assurance over the existence and rights and obligations of opening balance of assets, based on our sampling approach we selected all assets with a net book value (NBV) above performance materiality which included a £57m IT asset (named MIPS however is related to CONNECT which is a large-scale IT transformation project which is currently still being constructed). This asset was classified as IT within the opening balance for 2020/21 and therefore was confirmed to be included within the closing balance of IT assets as at 31 March 2021. Upon our testing performed we identified this asset was related to the CONNECT project which has not yet become operational and therefore the asset should have been classified as an Asset Under Construction as opposed to operational IT. This therefore means that the PPE disclosure note for 2019/20 was materially incorrect and requires a comparator disclosure adjustment to reclassify the IT asset from the IT category to AUC category and the disclosure note for 2020/21 required updating to reflect the changes in opening balance values for AUC and IT categories. As this is a classification issue only there is no net impact on the net book value of the asset affecting the primary statements with the only impact being a disclosure change in the Property, Plant and Equipment note to the accounts. The valuation of the asset under operational IT is held at cost and it's change in classification to AUC would also be held at cost and therefore there is no impact on the valuation of the asset that has been misclassified.	MOPAC and the Group	Management have agreed to correctly adjust for the prior year comparator disclosure note within the PPE Note to the accounts as well as adjust the brought forward balances for the 2020/21 disclosure note. **Management response** Management have agreed to adjust the financial statements for the disclosure change.	✓

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C. Audit Adjustments

Misclassification and disclosure changes (continued)

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

Disclosure changes	Relates to	Auditor recommendations	Adjusted?
Audit Fees Auditor's remuneration as disclosed in financial statements did not agree to the draft audit plan issued for the 2020/21 financial statement audit.	Group, MOPAC and the MPS	Management have agreed to update the audit fee disclosure note to reflect the audit fee included within the Grant Thornton Audit Plan.	✓
Financial Instruments Our review of the financial instruments disclosure identified a creditors balance of £12m that did not meet the criteria of a financial instrument under IFRS9.	Group and MOPAC	Management have agreed to remove the £12m creditors balance from the financial instruments disclosure.	✓
Related Parties During our review of disclosed related party transactions we noted that NPEG and Staff Welfare Fund did not meet the definition of a related party.	Group, MOPAC and the MPS	Management have agreed to remove NPEG and Staff Welfare Fund from the related parties disclosure note.	✓
Significant estimates and judgements and assumptions made about the future and other major source of estimation uncertainty Our review of Note 4: Significant estimates and judgements in applying accounting policies and Note 5: Assumptions made about the future and other sources of estimation uncertainty noted that • Further narrative was required to reflect the key assumption and methods underpinning the valuation of land and building assets; • Further narrative was required to disclose the impact of the roll-forward method of pension data to support the pension valuation and the impact on estimation uncertainty this causes; and • Further narrative was required regarding the key assumptions underpinning the police pension net liability valuation.	Group, MOPAC and the MPS	Management have agreed to the disclosure changes.	✓
Earmarked Revenue Reserves Our review of usable earmarked revenue reserves identified that prior year comparators had been restated. Management had undertaken an exercise to review each reserve and assess whether it was still required for the original purpose as well as assessing the need for reserves balances for other purposes. This resulted in a decision to realign some balances to previously existing or new purposes, as well as a restatement of reserves in a format required by the Minister for Policing and the Fire Service. It is our view that the decision made to review and realign reserves after the year end date of 31 March 2020 does not meet the definition of a prior period restatement as there has been no overall change in the closing balance of earmarked revenue reserves as at 31 March 2020. Therefore management have removed the prior year restatement and disclosed the changes made in year. This is a disclosure issue only as closing balance for useable earmarked reserves has not changed as at 31 March 2020.	Group and MOPAC	Management have agreed to the disclosure changes.	✓

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D. Fees

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

Audit fees	Proposed fee	Final fee
MOPAC Audit	£159,483	TBC
MPS Audit	£132,525	TBC
Total audit fees (excluding VAT)	£292,008	TBC

The fees reconcile to the financial statements after disclosure adjustments have been made.

We can confirm that no-non audit or audit related services have been undertaken for MOPAC, the Group and the MPS relating to the 2020/21 financial year.

PSAA has announced that it will be distributing £5.6m of surplus funds to opted-in eligible bodies. PSAA operates on a not-for-profit basis and the revenue PSAA receives covers the costs of auditors and their operating expenses. The distribution of these surplus funds includes a redistribution of £20,020 to MOPAC and £18,230 to the MPS.

MHCLG is also providing principal local government bodies with £15 million in additional funding in 2021/22 To support implementation of the Redmond review recommendations. This is intended to support affected local bodies to meet the anticipated rise in fees for 2020/21 audits, driven by new requirements on auditors, including the National Audit Office's Code of Audit Practice 2020, and to enable local authorities to develop standardised statements of service information and costs.

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Mayor's Office of Policing and Crime
The Commissioner of the Police of the Metropolis
Audit Progress Report and Sector Update

Year ending 31 March 2021

January 2021

Contents

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

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Key Grant Thornton team members

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Iain will be the main point of contact for the Deputy Mayor of Policing and Crime, the Commissioner of the Police of the Metropolis, Chief Finance Officers and Audit Panel members. He will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice. Iain will ensure our audit is tailored specifically to you, he will take overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value. Iain will review all reports and the team's work, focussing his time on the key risk areas to your audit.

Parris Williams

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Parris is responsible for planning, managing and leading the audit and providing feedback to you throughout the audit process. Parris is responsible for audit quality, project management of the audit, ensuring the audit requirements are fully complied with and producing reports for the Joint Audit Panel. He will respond to ad-hoc queries whenever raised and meet regularly with the Chief Finance Officers and members of the finance team.

Rebecca Lister

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Rebecca will work with senior members of the finance team ensuring testing is delivered and any accounting issues are addressed on a timely basis. She will attend the Joint Audit Panel and liaison meetings, undertake reviews of the team's work, and ensure that our reports are clear, concise and understandable. She will be part of the team responsible for the delivery of our work on your arrangements in place to secure value for money.

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Corinne is responsible for the delivery of the audit, acting as first port of call for the finance team in any technical matters. Corinne monitors the deliverables with your finance team, highlighting any significant issues and adjustments to senior management. Corinne will undertake the more technical aspects of the audit, coach the junior members of the team and review the team's work.

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Introduction & headlines

This paper provides the Joint Audit Panel with a report on progress in delivering our responsibilities as your external auditors

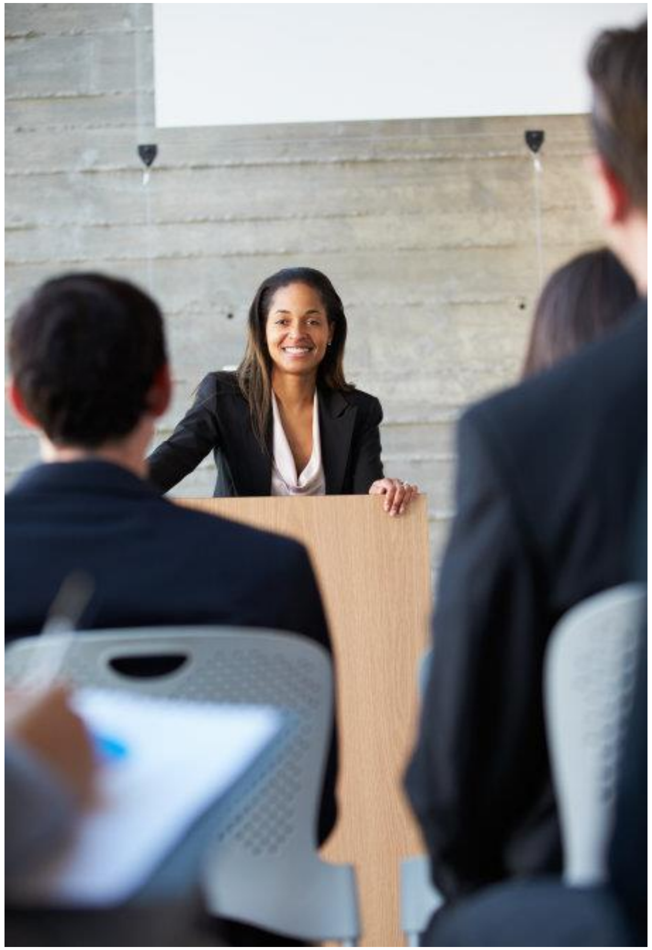
The paper also includes a summary of emerging national issues and developments that may be relevant to you.

Members of the Joint Audit Panel can find further useful material on our website where we have a section dedicated to our work in the public sector. Here you can download copies of our publications.

If you would like further information on any items in this briefing or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

We continue to bring specialists to our update conversations where appropriate to share any learning from our position as a leading audit supplier to the police sector.

You will also have access to our annual Chief Accountant Workshops and any other networking opportunities we create for the various stakeholders.



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The auditor's statutory responsibilities

Opinion on the audited body's financial statements

Our work enables us to give an opinion as to whether the financial statements:

- give a true and fair view of the financial position of the audited body and its expenditure and income; and
- have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards and other directions.

Our planning will document our understanding of your key risks, your control environment and inform our testing strategy. This will continue until we begin our final accounts testing.

Since we last reported we have:

- continued to have regular discussions with management discussing issues identified in previous audits, and emerging themes which are expected to impact on the current audits;
- reviewed meeting papers and the latest financial and operational performance reports ensuring we understand your current challenges; and
- considered any reports from regulators regarding your operational effectiveness.

We expect to issue our joint audit plan summarising our approach to key risks on the audit in March 2022. We will report any key findings from the planning and interim audit visit in our progress reports to Joint Audit Panel.

We will deliver our final accounts audits in July and August, and summarise our work in the Auditors' Annual Report.

Work on value-for-money arrangements

Under the 2020 Audit Code of Practice, we are required to undertake sufficient work to satisfy ourselves that the Police and Crime Commissioner and Chief Constable "has made proper arrangements for securing economy, efficiency and effectiveness in their use of resources."

Our initial risk assessment will build on our understanding of your arrangements, taking into account any findings from previous work on value for money. We will report our risk assessment to you at your March Joint Audit Panel against the following reporting criteria:

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

We will keep our risk assessment under continuous review. Where appropriate, we will update our risk assessment to reflect emerging risks or findings and report this to you. Our final commentary in the Auditors' Annual Report will include:

- a summary of our findings on any risks identified during our work;
- our judgements on the adequacy of the Police and Crime Commissioner and Chief Constable's arrangements for each of the three reporting criteria, as set out above;
- any recommendations made to management as a result of our work; and
- a follow up of progress against any recommendations raised in previous audits.

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The auditor's statutory responsibilities

Other responsibilities

We are required to give an opinion on whether:

- other information published together with the financial statements is consistent with the financial statements.

We are also required to:

- consider whether the Annual Governance Statement complies with relevant disclosure requirements and whether it is consistent with the information we are aware of from our audit; and
- examine and report on the consistency of 'Whole of Government Accounts' consolidation schedules with the financial statements.

We will complete this work as part of our financial statements visit.

Other 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.

Our work to date has not required us to report any such matters to you.

Added value

Grant Thornton has a large Public Sector practice and is a key supplier to the market. As a valued audit client, you will receive:

- an annual invitation to our free Chief Accountant Workshop. This will provide an opportunity to work through new accounting standards or reporting requirements prior to the year end pressure as well as networking with other Chief Accountants;
- the opportunity to access support from experienced technical colleagues. This means you will be at the forefront of accounting developments. Through this relationship we also ensure that communication works both ways and feed issues back from our clients.;
- insight from our regular meetings within the sector where we discuss emerging developments. We will also raise any areas of concern that you have over policy, procedure, or regulation with your regulators; and
- technical and sector updates for the Joint Audit Panel.

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2021/22 deliverables

2020/21 Deliverables	Planned Date	Status
Joint Audit Findings (ISA260) Report The Joint Audit Findings Report is attached as a separate item to this report. The joint Audit Findings report was communicated to the Deputy Mayor for Policing and Crime and the Commissioner of the Police of the Metropolis on 29 September 2021.	September 2021	Attached as a separate item to this report.
Auditor's Annual Report The key output from local audit work on arrangements to secure VFM is an annual commentary on arrangements, which will be published as part of the Auditor's Annual Report (AAR). The AAR has been attached as a separate item to this report.	January 2022	Attached as a separate item to this report.

2021/22 Deliverables	Planned Date	Status
Accounts Joint Audit Plan We are required to issue a detailed accounts joint audit plan to the Joint Audit Panel setting out our proposed approach in order to give our opinions on the 2021-22 financial statements.	March 2022	Not due yet
Interim Audit Findings We will report to you the findings from our interim audit within our Progress Report to the July Joint Audit Panel.	July 2022	Not due yet
Joint Audit Findings (ISA260) Report The Joint Audit Findings Report will be reported to the October Joint Audit Panel.	October 2022	Not due yet
Auditors Reports These are the opinions on your financial statements and annual governance statements.	October 2022	Not due yet
Auditor's Annual Report The key output from local audit work on arrangements to secure VFM is an annual commentary on arrangements, which will be published as part of the Auditor's Annual Report (AAR). A draft of the AAR will be taken to the October Joint Audit Panel.	October 2022	Not due yet

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Sector Update

Policing services are rapidly changing. Increased demand from the public and more complex crimes require a continuing drive to achieve greater efficiency in the delivery of police services. Public expectations of the service continue to rise in the wake of recent high-profile incidents, and there is an increased drive for greater collaboration between Forces and wider blue-light services.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider Police service and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from sector specialists**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and police sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Police

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HMICFRS

HMICFRS's proposed 2021/22 policing inspection programme and framework

HMICFRS published the policing inspection programme and framework for 2021/22 in July 2021.

This can be found at the following link - Policing inspection programme and framework 2021/22

The document, which has been laid before parliament, sets out HMICFRS's programme of policing inspections for this financial year. It also details those inspections already taking place.

Pandemic has intensified vulnerability and increased demand on police

In his annual assessment of policing in England and Wales, Sir Thomas Winsor described how crime patterns have changed over the last year, with more crime committed online. He said there is a case for greater sanctions in the Online Safety Bill to protect vulnerable people online.
The Chief Inspector said the pandemic had also increased vulnerability in other ways, such as the lockdown leading to more calls for help from those suffering from domestic abuse.
In his 2020 report, Sir Thomas Winsor said some public services, including mental health, keep on failing. Unless the health and social care system is fixed and people can get the support they need, more people will continue to be vulnerable and enter the criminal justice system unnecessarily, he said.
The Chief Inspector recognised that the chronic backlog in court cases has increased as a result of the pandemic, but he questioned why waiting times have become inexcusably long when the number of cases going into the system is at the lowest level for decades.

The report can be accessed here.

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HMICFRS

HMICFRS

Progress against recommendations issued in 2018/19

HMICFRS has published police forces' progress against recommendations for the first time. The recommendations included in this first release are from the 2018/19 Integrated PEEL Assessment inspection reports.

The status of recommendations shown is a snapshot as at 19 October 2021.

This will be updated in batches throughout the year.

Progress can be found here.

Summary of consultation responses: Policing inspection programme and framework 2021/22

HMICFRS have published the summary of consultation responses to the policing inspection programme and framework 2021/22.

The responses can be found here.

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Home Office

Government nearly half-way to recruiting 20,000 more officers

The government is nearly half-way to delivering on its pledge to put 20,000 additional officers on the streets by 2023, figures released in July 2021 show.

An extra 9,814 police officers have been recruited across all 43 police forces in England and Wales, where they are already having an impact in tackling crime and keeping communities safe.

The latest figures follow the launch of the government's Beating Crime Plan, aimed at reducing crime, protecting victims and making the country safer.

The plan includes ensuring each neighbourhood has named, contactable police officers, who know their area and are best placed to ensure that persistent crime and anti-social behaviour is tackled - a pledge made more possible by the increase in police numbers.

The full article can be accessed here.

Home Office

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Home Office

Police and local authorities given extra £23.5 million for safer streets

Police forces and local authorities across England and Wales, are to receive a share of £23.5 million to make public spaces safer for all through projects to help women and girls feel safer on our streets as part of the government's Safer Streets Fund.

Created with the objective of tackling local acquisitive crimes like car theft and burglary, the latest round of the Safer Streets Fund has a particular emphasis on the safety of women and girls. The investment will go to police forces and local authorities across England and Wales as well as the British Transport Police to spend in the 2021 to 2022 financial year.

Crimes which take place in public places such as sexual harassment disproportionately affect women. Recipients of funding have submitted bids for innovative plans to increase the safety of public spaces, including projects which emphasise changing attitudes and behaviours in local communities.

Since its inception, the government has committed £70 million to the Safer Streets Fund to support local areas across England and Wales to introduce initiatives aimed at stopping offences happening in the first place.

Round two saw 50 projects across England and Wales awarded a total of £18.4 million to go towards measures proven to cut crime, including simple changes to the design of streets such as locked gates around alleyways, increased street lighting and the installation of CCTV.

The full article can be found here.

Home Office

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Home Office

Over 11,000 police hired with more women than ever before

The Home Office have confirmed that more than half of the promised 20,000 additional police officers have now been recruited, with an increasing number of women signing up to join forces across England and Wales.

An extra 11,053 officers have been hired across England and Wales as part of the Police Uplift Programme to help bring crime down and keep neighbourhoods safer, meaning that the government is now 55% of the way to meeting its recruitment target of 20,000 additional officers by March 2023.

Forces saw more women joining the ranks to tackle criminals and protect the public from harm between July and September 2021 – with female officers accounting for 45% (1,451) of all new joiners during that time. And over the last year eight forces – Derbyshire, Lancashire, Greater Manchester, Staffordshire, Sussex, Thames Valley, Kent and Suffolk – have hired more women than men. This means more officers on the streets bringing down drugs gangs, bearing down on violent crime and tackling anti-social behaviour.

There are also more Black, Asian and minority ethnic officers employed across forces than at any other time in the country's history, now making up 7.9% (10,690) of all officers.

The full article can be found here.

Home Office

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Association of Police and Crime Commissioners

Association of Police and Crime Commissioners Response To Budget Announcements

APCC Chair, Marc Jones, and APCC Finance Lead, Roger Hirst have issued a response to the Autumn Budget.

The full response can be found here.

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Annual Transparency Report – Grant Thornton

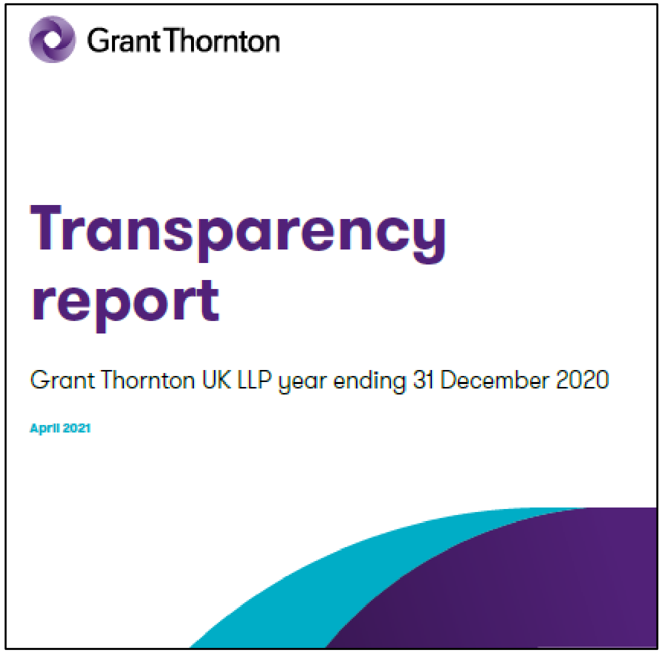
As auditors of several listed entities as well as nearly one hundred major local audits, we are required as a firm to publish an annual transparency report.

The report contains a variety of information which we believe is helpful to audit committees as well as wider stakeholders. The Financial Reporting Council (FRC) in their thematic review of transparency reporting noted that they are keen to see more Audit Committee Chairs actively engaging and challenging their auditors on audit quality based on the information produced in Transparency reports on a regular basis. We agree with the FRC and are keen to share our transparency report and discuss audit quality with you more widely.

The transparency report provides details of our:

- Leadership and governance structures
- Principle risks and Key Performance Indicators
- Quality, risk management and internal control structure
- Independence and ethics processes
- People and culture
- Compliance with the Audit Firm Governance code and EU Audit directive requirements

We have made significant developments in the year as part of our Local Audit Investment Plan to improve our audit quality. We welcome an opportunity to discuss these developments and our transparency report should you wish.



The full report is available here:

[Transparency report 2020 (grantthornton.co.uk)]

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