

The Joint Audit Findings (ISA260) Report for South Yorkshire Police and Crime Commissioner and Chief Constable

Year ended 31 March 2023

20 December 2023

FINAL



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Your key Grant Thornton team members are:

Gareth Mills

Key Audit Partner & Engagement Lead

T 0113 200 2535

E gareth.mills@uk.gt.com

Greg Charnley

Engagement Manager

T 0113 200 2558

E greg.f.earnley@uk.gt.com

Winnie Odour

Engagement Assistant Manager

T 0161 953 645

E winnie.g.odour@uk.gt.com

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This Audit Findings (ISA260) Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management, the PCC and Chief Constable as those charged with governance, and the Joint Independent Audit Committee.

Gareth D Mills

Name: Gareth Mills, Key Audit Partner & Engagement Lead

For Grant Thornton UK LLP

Date: 20 December 2023

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

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1. Headlines

This table summarises the key findings and other matters arising for those charged with governance from the statutory audits of the Police and Crime Commissioner for South Yorkshire ('the PCC') and the Chief Constable ('the Chief Constable') and the preparation of the financial statements for the year ended 31 March 2023.

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:

- give a true and fair view of the financial positions of the PCC and Chief Constable's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAC 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 the audited financial statements (including the Annual Governance Statement (AGS), and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We received the PCC's and Chief Constable's draft 2022-23 accounts on 31 May 2023, in line with the statutory deadline for unaudited accounts. The places the South Yorkshire Police group in a minority of c30% local government, police and fire bodies that managed to achieve the draft accounts date. This represents a good achievement, given all other competing pressures.

Our audit fieldwork has been conducted remotely from July and through to end of September 2023 as planned. Our findings are summarised in Section Two of this report.

We have not identified any audit adjustments impacting on the PCC's or Chief Constable's useable reserves. Six misstatements were identified in total, two of which impacted classification on the PCC's balance sheet, which have been adjusted by management and are detailed at Appendix D. An additional adjustment identified in respect of the LGPS net pension surplus recognition and valuation also detailed at Appendix D and one further adjustment identified in respect of the PPS unfunded liabilities, also see Appendix D. Two final misstatements relate to the LGPS net pension balance and valuation of land and buildings, however, these are not considered material and have not been adjusted by management on these grounds. Whilst our report to JIAC in September identified a potential adjustment in respect of the prior year's valuation of land and buildings, management has demonstrated that it is appropriate to account for the 2022-23 valuation uplift on a prospective basis negating the need for a prior year adjustment. Our audit work also identified several presentational and disclosure adjustments which are detailed at Appendix D.

We have raised four recommendation for management as a result of our audit work in the Action Plan at Appendix B. Our follow up of the three recommendations from the prior year's audit is detailed at Appendix C, and at the date of this report two out of three of the prior year recommendations have been implemented.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of the Police and Crime Commissioner and Chief Constable and the financial statements we have audited. Some presentational and narrative amendments have been made as detailed at Appendix D.

Our audit work is now complete and our final audit opinion accompanies this report. We have revised our Audit Findings (ISA260) report, initially presented to JIAC on 27 September 2023, at the time of concluding our work and issuing the audit opinion. Our audit opinion is an unmodified 'clean' opinion with an emphasis of matter in respect of legacy provisions and highlighting the expected demise of the PCC in May 2024 from which time the elected South Yorkshire Mayor will take on the function of the PCC.

Our work on the PCC's and Chief Constable's value for money (VFM) arrangements is also now complete. The outcome of our VFM work has been reported in our commentary on the PCC's and Chief Constable's arrangements in our Auditor's Annual Report (AAR), which was presented to JIAC on 6 December 2023. No statutory or key recommendations were identified from our work and a total of eight improvement recommendations were reported.

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 the PCC and Chief Constable have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are 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
- Governance.

We have completed our VFM work and have issued our Auditor's Annual Report. The outcome of our VFM work has been reported in our commentary on the PCC's and Chief Constable's arrangements in our Auditor's Annual Report (AAR), which was presented to JIAC on 6 December 2023. No statutory or key recommendations were identified from our work and a total of eight improvement recommendations were reported.

As part of our work, we considered whether there were any risks of significant weakness in the Police and Crime Commissioner's and Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources. The Force is currently in the early stages of revised budgeting process, which is hoped will deliver increased cost efficiency to close the £20m budget gap identified over the term of its Medium-Term Resource Strategy to 2026. The findings from a recent HMICFRS Police Effectiveness, Efficiency and Legitimacy (PEEL) review were published in February 2023, which portrayed the Force in a positive light, with limited improvement areas identified. Our work did not identify any such risks of significant weakness in the PCC's and Chief Constable's arrangements to secure economy, efficiency and effectiveness in its use of resources.

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
- to certify the closure of the audit.

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

We expect to certify the completion of the audit upon the completion of our work on the the Police and Crime Commissioner's and Chief Constable's Whole of Government Accounts submission, which is planned to be completed by 22 December 2023.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit

National context – accounts and audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local authority sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021-22 accounts by the extended deadline of 30 November 2022.

There has not been a significant improvement with the accounts backlog over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/). We would like to thank everyone at the PCC and Chief Constable for their support in working with us. You have worked constructively with us to resolve issues on a timely basis and avoid such delays to issue timely audit opinions and we are appreciative of your efforts.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during the course of our audit. This is particularly noteworthy given the audited body has dealt with additional audit requirements arising from being categorised as a 'major' local audit for the first time in 2022-23 as a result of expenditure exceeding £500m for the first time. These matters included additional challenge of management in respect of significant risk areas, a financial reporting technical review and specialist IT auditor involvement. We would like to place on record our appreciation of this cooperation, noting the high level of engagement demonstrated by SYP finance officers throughout the audit process.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings (ISA260) Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code').

Its contents were discussed and agreed with the Chief Finance Officers for the PCC and Chief Constable prior to it being presented to the Joint Independent Audit Committee meeting on 27 September 2023. We have revised our Audit Findings (ISA260) report, initially presented to JIAC on 27 September 2023, at the time of concluding our work and issuing the audit opinion.

Our work on the PCC's and Chief Constable's value for money (VFM) arrangements is now complete. The outcome of our VFM work has been reported in our commentary on the PCC's and Chief Constable's arrangements in our Auditor's Annual Report (AAR), which was presented to Joint Independent Audit Committee on 6 December 2023. No statutory or key recommendations were identified from our work and a total of eight improvement recommendations were reported.

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

Audit approach

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

- An evaluation of the PCC's and Chief Constable's internal controls environment, including its IT systems and controls.
- An evaluation of the components of the group was undertaken based on a measure of materiality considering each as a percentage of the [PCC and Chief Constable's] gross revenue expenditure on cost of services. This procedure assessed the significance of each component to determine the planned audit response. From this evaluation we determined that a full audit for both the Police and Crime Commissioner for South Yorkshire (PCC) and the South Yorkshire Police Chief Constable (CC) was required using a materiality level determined for each entity (component materiality). All audit procedures have been completed by the group engagement team (Grant Thornton). This is consistent with our audit approach last year.
- Substantive testing on significant transactions and material account balances and disclosures, including the procedures outlined in this report in relation to the key audit risks.

We have not amended our planned audit approach set out in our Audit Plan, dated 14 June and presented to the JIAC meeting on 22 June 2023, with the exception of increasing our level of materiality used in the audit – as detailed overleaf.

Conclusion

We have completed our audit of your financial statements and we anticipate issuing an unqualified 'clean' audit opinion by the end of December 2023.

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.

Further to the receipt of the draft 2022-23 financial statements on 31 May 2023, we have revised the materiality level which was reported to you in our Audit Plan dated 14 June 2023. The Audit Plan was based on your 2021-22 audited gross expenditure on cost of services for the Chief Constable.

The increase is to reflect the year on year, increase in the Chief Constable's gross expenditure on cost of services by 2%, which is the benchmark used to determine the materiality. We also considered the context of the Group gross expenditure on surplus/deficit on provision of service rising by £34m (or 7%) and exceeding the £500m 'major' local audit threshold for the first time in 2022-23.

However, the percentage used of this benchmark remains unchanged at planning and final stages of the audit at 1.5% of the Chief Constable's gross expenditure on cost of services. We have used this benchmark consistently year on year, to determine materiality, however, the percentage applied year on year has fallen from 2% to 1.5% to reflect the major local audit status in 2022-23.

We detail in the table to the right our determination of materiality for the audit engagement. For clarity we have also included the initial materiality figures in the Audit Plan alongside our final materiality.

Materiality area	Planning Materiality (£)	Final Materiality (£)	Qualitative factors considered
Materiality for the financial statements	5.72m	5.83m	This equates to 1.5% of the Chief Constable's Gross Expenditure on Cost of Services presented in the 2022-23 draft financial statements (Total financial resources consumed).
Performance materiality	4m	4.08m	This has been set at 70% of headline materiality, which is in line with the prior year. This reflects the fact that the Group has a stable financial reporting team with a track record of preparing good quality financial statements, supporting working papers and engaging well throughout the audit process.
Trivial matters	286k	292k	This equates to 5% of headline materiality and represents our threshold for reporting corrected and uncorrected misstatements to the Joint Independent Audit Committee.
Materiality for senior officer remuneration	20k	20k	The senior officer remuneration disclosures in the financial statements have been identified as an area requiring a specific materiality due to its sensitive nature.



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
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	PCC and Chief Constable	<p>Auditor commentary</p> <p>Our work focussed on key estimates and judgements made by management. No entity-specific fraud risks were identified and communicated in our Audit Plan dated 14 June 2023 and none have subsequently been identified from the audit fieldwork procedures performed.</p> <p>In response to this risk, we have conducted testing on journal entries where there has been the potential to manually input adjustments to the general ledger, with a focus placed on closing journal entries in the final period and during the preparation of the financial statements as instructed by relevant auditing standards.</p> <p>We have also conducted a review of key accounting judgements and accounting estimates. No estimates or judgements have been identified as a fraud risks and due statutory accounting overrides prescribed by the Code, we have not identified any incentives for management to fraudulently misstate relevant transactions and balances. No indicators of management bias have been identified from our work on judgements and accounting estimates.</p> <p>As part of our work, we have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journal entries understood the ledger integration with relevant sources and sub-systems to identify how management may be able to intervene in the journals posting process and post fraudulent entries. analysed the journals listing and determined the criteria to be applied in identifying high risk unusual journals challenged management's key judgements and estimates and considering whether these judgements and estimates are individually or cumulatively indicative of management bias tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. evaluated the rationale including the existence of underlying incentives for any changes in accounting policies, estimates or significant unusual transactions. <p>Key findings</p> <p>Our audit work has not identified any issues in respect of management override of controls.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>ISA240 revenue risk – risk of fraud in revenue recognition (rebutted)</p> <p>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.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Police and Crime Commissioner & Chief Constable, as communicated in our audit plan dated 14 June 2023, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including the Police and Crime Commissioner & Chief Constable, mean that all forms of fraud are seen as unacceptable. 	<p>PCC and Chief Constable</p>	<p>Auditor commentary</p> <p>No changes to our assessment reported in the audit plan subsequently identified. We have undertaken standard audit procedures consistent with ISA(UK) for material streams of transactions, which include the following:</p> <p>Accounting policies:</p> <ul style="list-style-type: none"> • Evaluated the PCC's and Chief Constable's accounting policies for recognition of income for its material income streams and compliance of recognition principles with the CIPFA Code. <p>Grant income</p> <ul style="list-style-type: none"> • For grant income, we sample tested items for supporting evidence and checked the appropriateness of the accounting treatment in line with the CIPFA Code, including the treatment of credited to services and recognition as non-ringfenced other grant income. • For special grant funding received for the purpose of settling legacy matters, we have directly confirmed the conditions and recognition principles with the Home Office and reviewed that these principles have been appropriately applied by the PCC when determining grant income to be recognised. • Income raised from council tax, which is of a predictable nature, has been agreed to set precepts and the collection fund statements of the billing authorities. <p>Other income</p> <ul style="list-style-type: none"> • Disaggregated the non-grant income transaction stream, identifying significant and recurrent income sub-streams. Examples include vehicle recovery and Proceeds of Crime Act (POCA) income, over which an understanding has been gained as to the nature of the income and recognition principles. Substantive procedures were performed on these income sub-stream populations to test the occurrence, accuracy and completeness of the income recognised. • Tested, on a sample basis, income transactions to supporting documentation and cash receipts to evidence the occurrence of these transactions. • Designed and carried out appropriate audit procedures to ascertain that recognition of income is in the correct accounting period, for example, using cut off testing, focusing either side of the reporting date of 31 March 2023. <p>Key findings</p> <p>Our work has not identified any issues in respect of the risk of fraud in revenue recognition. There are no matters to report in respect of the PCC's and Chief Constable's income recognition.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>Risk of fraud related to expenditure recognition PAF Practice Note 10 (rebutted)</p> <p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).</p> <p>Having considered the risk factors set out in PAF PN10 and the nature of the revenue streams at the Police and Crime Commissioner & Chief Constable, as communicated in our Audit Plan dated 14 June 2023, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • expenditure is well controlled and the Police and Crime Commissioner & Chief Constable have a strong control environment • there is little incentive to manipulate expenditure for the Police and Crime Commissioner & Chief Constable where services are provided to the public through taxpayers' funds • there is no significant pressures on general fund reserves of the Police and Crime Commissioner & Chief Constable • the Police and Crime Commissioner & Chief Constable have clear and transparent reporting of their financial plans and financial position. 	<p>PCC and Chief Constable</p>	<p>Auditor commentary</p> <p>No changes to our assessment reported in the audit plan subsequently identified. We have undertaken standard audit procedures consistent with ISA(UK) for material streams of transactions, which include the following:</p> <p>Accounting policies:</p> <ul style="list-style-type: none"> • Evaluated the PCC's and Chief Constable's accounting policies for recognition of expenditure for its material expenditure streams and compliance of recognition principles with the CIPFA Code. <p>Expenditure</p> <ul style="list-style-type: none"> • Agreed, on a sample basis, non-pay expenditure to supporting evidence to demonstrate occurrence and accuracy of expenditure recorded. • Obtained an understanding of the goods received not invoiced (GRNI) and creditors closedown processes implemented to ensure that expenditure is accounted in the period to which it relates. • Undertook a detailed substantive analytical procedure on pay expenditure, including checking that changes in gross pay year on year were supported by underlying data including enacted pay awards and movements in workforce numbers. • Designed and carried out appropriate audit procedures to ascertain that recognition of expenditure is in the correct accounting period, for example, using cut off testing, focusing either side of the reporting date of 31 March 2023. • Disaggregated the non-pay expenditure transaction stream, identifying significant and recurrent expenditure sub-streams. Examples include NPAS contributions and contributions to other-force lead regional working arrangements, over which an understanding has been gained as to the nature of the expenditure and recognition principles. Substantive procedures were also performed on these expenditure sub-stream populations to test the occurrence and accuracy of the expenditure recognised. • Inspected a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the value of the accrual was consistent with the value invoiced after the year end. • Tested as sample of debits to expenditure for additional balance sheet provisions that were provided for in 2022-23, and determining whether these were appropriate charges to expenditure based on IAS37 principles being satisfied. <p>Key findings</p> <p>Our work has not identified any issues in respect of the risk of fraud in expenditure recognition. There are no matters to report in respect of the PCC's and Chief Constable's expenditure recognition.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>Provisions</p> <p>Included within the PCC's medium to long-term budget (Medium Term Resource Strategy) are a number of costs relating to legacy issues including the Hillsborough disaster and historic Child Sexual Exploitation cases. Dependent on whether the timing and likely value of these costs can be reliably estimated, provisions are recognised or contingent liabilities disclosed within the PCC's financial statements in respect of these issues.</p> <p>The highly unusual and complex nature of the potential and actual claims in respect of these areas makes it very difficult to estimate the quantum and likelihood of potential compensation payments, if any, that may be paid out to individual claimants or in total.</p> <p>We therefore identified completeness of provisions and contingent liabilities as a significant risk of material misstatement.</p> <p>The PCC has also provided for amounts in respect of insurance claims, however, these provisions are routine in nature and as such have not been identified as a matter requiring special audit consideration.</p>	PCC	<p>Auditor commentary</p> <p>In respect of the legacy issues, claims for damages in respect of the Hillsborough disaster and Child Sexual Exploitation (CSE) have been in ongoing for several years and SYP's internal legal function has gained significant experience in dealing with these claims. Management has drawn upon this experience to inform the legacy provision balances and disclosures presented in the financial statements. Whilst this data is subject to legal privilege, from discussions held with both finance and legal personnel, it is understood that these remain complex cases with each at varying stages in the legal process. We have obtained assurance that there is an established process in place at the Police and Crime Commissioner to identify amounts to be provided for, with clear collaboration between legal and finance colleagues.</p> <p>As part of our work, we have:</p> <ul style="list-style-type: none"> • updated our understanding of the circumstances of the relevant issues, the current budget forecasts and accounting treatment • reviewed each legacy provision or contingent liability to determine whether the treatment is consistent with IAS37 accounting principles and the CIPFA Code • documented and assessed management's processes in place for ensuring that all provisions and contingent liabilities are captured, recognised and classified appropriately in the financial statements. • apprised how management has considered previous settlements and adjusted for relevant forward-looking factors when calculating the values to be provided. • assessed management's judgements and accounting treatment against underlying evidence, legal advice, information from insurers and other supporting information. • held a number of joint meetings with the internal solicitors and management to discuss and challenge the draft accounts position and treatment using IAS37 principles. Procedures were also conducted during this meeting to verify and agree the number and classification of legacy cases to the legal department's case management software. <p>Key findings</p> <p>Our audit work has not identified any issues in respect of legacy provisions (and related contingent liability disclosures). It should also be noted that there is an inherent level of complexity in respect of legacy provisions that requires an enhanced level of audit procedures to obtain the required assurance, which have now been satisfactorily completed. Whilst material critical accounting judgements have been made by management, these are supported by the evidence obtained and are consistent with IAS37 accounting principles. There are no matters to report in this regard, however, we have raised a recommendation on page 34 for closer liaison between financial accounting and legal colleagues, to highlight that an increase in early and constructive engagement from legal officers in the audit process may be beneficial to the audit process in future years.</p>

2. Financial Statements - Significant risks

Risks identified in our
Audit Plan

Commentary

Closing valuation of land and buildings

The Police and Crime Commissioner re-values its land and buildings on a rolling five-yearly basis. In 2022-23 a full valuation of all land and buildings was undertaken therefore resetting the five-year valuation cycle.

The valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£135m in the 2022-23 balance sheet) and the sensitivity of this estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value of land and buildings in the PCC's financial statements is not materially different from the current value at the balance sheet date, where a rolling programme is used.

We therefore identified the closing valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.

Auditor commentary

The PCC appointed a new external valuer in 2022-23. We understand management's rationale behind this change was to provide a fresh perspective on the valuation of the PCC's estate and followed recent changes in professional valuers at neighbouring forces. On receipt of the PCC's draft accounts, we identified an increase in the valuation of land & buildings of more than £46m or 115% based on the prior year. For specialised assets such as police stations and custody suites, valued at £40m as at 1 April 2022, there was a baseline expectation of an increase of 8.6% (£3.5m). This expectation was based on the overall increase in the BCIS All in tender price index YoY, since BCIS rebuild rates are a key assumption for the valuation of specialised assets. These specialised assets were valued at £86m as at 31 March 2023 by the newly-engaged valuer, with the YoY increase significantly above our expectations. In contrast, non-specialised assets, totalling £47m as at 31 March, were materially in line with the prior period. The valuation of specialised assets valued using depreciated replacement cost basis was therefore a key area of audit focus.

As part of our work, we have:

- evaluated the design effectiveness of controls in place around the valuation process
- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of management's valuation expert
- written to the valuer to confirm the basis on which the valuation was carried out
- evaluated the appropriateness of the basis of the valuation
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the PCC's CIPFA asset register
- confirmed that all assets were valued as at 31 March 2023 and established that all assets had been valued during the financial year
- Engaged, for the first time on this audit, our own RICS registered valuation auditor's expert to assess the instructions issued to the valuer, the assumptions and estimates applied that underpin the valuation of buildings and give a view on the adequacy and appropriateness of management's external valuer's report
- agreed, on a sample basis, the internal floor areas (GIAs) to the PCC's AutoCAD building measurement software
- for non-specialised properties valued on the existing use value (EUV) basis, obtained market comparables to assess the appropriateness of market rents and yields selected by management's expert and used in the valuation calculations

Key findings

We identified an increase in the valuation of specialised assets of £45m (113%). Due to the highly material change and our existing knowledge not indicating that any significant building refurbishment programmes were ongoing, we challenged management to explain the factors that had led to such a material increase.

We obtained minutes of discussions between finance officers and in-house estates surveyors to ascertain whether significant alterations such as extensions or reconfigurations had occurred in-year. Challenge was also raised by management with their external valuers prior to the audit commencing to understand the reasons for the increase. This process identified significant decreases in the obsolescence factors applied in the 2022-23 valuations combined with material increases in the added costs for professional fees and rebuild costs of external areas.

Aided by input from their external expert valuer and in-house building surveyors, management was able demonstrate that the key changes in the assumptions behind the increase were linked with market-based and SYP-specific factors, which supported the use of the revised assumptions. These included reduced obsolescence following improvements and detailed condition surveys, increased external areas valuations to account for the security infrastructure in place and increased professional fee add-on costs to account for market-based changes. Management conducted an assessment using the IAS8 accounting principles and concluded that it was appropriate to account for this change on a prospective bases as a change in the accounting estimate. Our work concluded that management's proposed accounting treatment for this matter is consistent with the relevant accounting principles and judgements made did appear to be supported by relevant evidence. Additional disclosures were made in the updated financial statements to explain this to readers. One audit adjustment was identified of £320k in relation to the valuation of land which management has not opted to adjust on the grounds of materiality. This is set out on page 38.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Valuation of the pension fund liability for Police Pension Scheme (PPS) and the pension fund net surplus for Local Government Pension Scheme (LGPS)

The PCC and Chief Constable is party to two defined benefit pension schemes. The LGPS scheme is in surplus, as reflected in its revised balance sheet as the net defined benefit surplus. In contrast, the unfunded PPS scheme represents a pension fund liability in the financial statements.

Both schemes represent a significant estimate in the Chief Constable's financial statements, however, the valuation of the PPS scheme liability is significantly greater as a multiple of materiality than the LGPS scheme net asset/surplus. The PCC's share does not give rise to the same level of material misstatement as is the for the Chief Constable. However, operational audit procedures have been performed on the group's total share in both LGPS and PPS on the grounds of efficiency and consistency.

The pension fund liability (PPS) is considered a significant estimate due to the size of the numbers involved (£2.55bn) in the Chief Constable's balance sheet and the pension fund net surplus (LGPS) of £18m is recorded as an asset for the first time in 2022-23 giving rise to additional complexity. The sensitivity of the estimate to changes in key assumptions has given rise to a significant risk, which is pinpointed below.

The actuarial assumptions used are the responsibility of the entities 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 CPI inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 1.5% 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 PCC's and Chief Constable's pension fund net liability as a significant risk.

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.

However, for the first time since IFRS has been adopted, the PCC and Chief Constable have had to consider the potential impact of IFRIC 14 - IAS 19 - the limit on a defined benefit asset in respect of its share in the South Yorkshire Pension Fund. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk. Net pension asset/IFRIC 14 considerations do not impact the Police Pension Scheme (PPS) as this remains an unfunded scheme with no assets and this continues to be accounted as a pension liability by the Chief Constable.

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.

Relates to

Chief
Constable

Commentary

Police Pension Scheme – pension fund net liability - £2.55bn

Auditor commentary

We have observed a significant fall in the gross PPS liability year on year of nearly £1bn, reducing from £3.47bn at 31 March 2022. The improved position has arisen from a reduction in pension liabilities, driven by an increase in the discount rate being greater than the increase in the CPI inflation assumption and salary increase assumption. This change is consistent with the improvement noted in respect of the PCC's and Chief Constable's LGPS scheme, and movements observed in the net pension balance at other audited bodies in the local government, police and fire sector.

As part of our work, we have:

- updated our understanding of the processes and controls put in place by management to ensure that the Chief Constable's police pension scheme 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 (GAD) who carried out the PPS pension fund valuation
- assessed the accuracy and completeness of the information provided to the actuary to estimate the liability
- tested the consistency of the pension fund liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- performed procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and we have performed any additional procedures suggested within the report
- obtained records showing the detailed movements in membership data since the data collection took place for the 2020 full quadrennial valuation, and tested the accuracy and validity of movements, where material changes were identified. Detailed testing was performed in 2020-21 based on the 2020 position, which has been considered and rolled forward in 2022-23 to gain appropriate assurance over the material accuracy of membership data.
- challenged management to obtain an updated IAS19 valuation capturing the impact of actual known inflation as at the reporting date.

2. Financial Statements: Significant risks

Commentary (continued)

Local Government Pension Scheme – pension fund net surplus - £18m

Auditor commentary

Similar to PPS, there has been a significant fall in the pension liability – the pension fund net balance has moved from a net liability of £177m in 2021-22 to a net surplus of £18m in 2022-23. For the first time since International Financial Reporting Standards have been adopted in the public sector, the Chief Constable and Police and Crime Commissioner (in common with many public services bodies in 2022-23) has had to consider the potential impact of IFRIC 14 on the IAS 19 accounting for defined benefit pension schemes – the limit on recognition of a defined benefit asset. As a result of this, we have assessed the recognition, valuation and disclosures of the Chief Constable's share of the pension asset as a significant risk.

As part of our work, we have:

- updated our understanding of the processes and controls put in place by management to ensure that the Chief Constable's pension fund net balance 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 (Hymans Robertson) who carried out the Chief Constable's pension fund valuation
- assessed the accuracy and completeness of the information provided to the actuary to estimate the liability
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report
- requested assurances from the auditor of the South Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Additional commentary and work undertaken in respect of pension surplus position

Pension Fund Asset position:

UK economic and market conditions have given rise to circumstances for an IAS19 pension fund surplus to exist for the first time since International Financial Reporting Standards have been adopted in the public sector. These circumstances have arisen from a year-on-year increase in the discount rate on high-quality corporate bonds (assumption stipulated by IAS19 accounting standard) and crucially this increase has been greater than the increase in the inflation assumption. For reference, the inflation assumption has an opposite effect by increasing gross liabilities.

Whilst management opted to present the LGPS pension surplus gross at £18m offset against the Chief Constable's PPS liabilities, the audited body has further considered relevant IFRIC 14 accounting principles since the publication of the draft accounts. As a net pension surplus has never been a relevant matter for management to consider in prior periods, it is acknowledged that relevant CIPFA guidance was not widely known at the time of preparing the financial statements and the narrative presented in this Audit Findings Report has regard for these circumstances.

The following paragraphs detail the considerations made by management after the publication of the draft accounts, and we have seen management's interpretation of the relevant standards and guidance from their responses to the challenge posed by the auditor during the audit fieldwork process. Post draft accounts, management presented an IFRIC14 calculation that satisfies the requirements of the accounting standard. This calculation indicates that the asset ceiling is negative (i.e. less than £0) and per IFRIC14 principles, the asset ceiling has been capped at £nil in the revised financial statements. This audit adjustment has been reported on page 40. Due to the nature of IAS19 accounting as prescribed by the code of practice on local authority accounting, this adjustment does not impact on the CC's or PCC's useable reserves.

2. Financial Statements: Significant risks

Commentary (continued)

Additional commentary and work undertaken in respect of pension surplus position (continued)

Our audit work indicated that:

- there is a surplus/asset of £18.12m in the funded defined benefit local government pension scheme as at 31 March 2023 per the actuary's report, representing the Chief Constable's share (£18.1m) and PCC's share (£0.1m). This is a fluctuation of £195.5m from the liability position of £177.3m recognised as at 31 March 2022. The primary reason for this decrease is attributable to an increase in the real discount rate from -0.5% [31.03.22] to 1.8% [31.03.23]. The real discount rate is calculated as the discount rate less the pension increase rate (CPI inflation).
- management accounted for this £18.12m asset in the draft 2022-23 financial statements presented for audit by offsetting this surplus against the police pension scheme liability (unfunded). This accounting treatment led to a reduction in the PPS unfunded defined benefit pension liability recorded as a long-term liability on the balance sheet. We understand from management that this was the favoured accounting treatment at that time based on lack of technical guidance available on this issue at the time of accounts preparation. Management did approach GT for comment during the draft accounts' preparation phase, however, due to the emerging nature of the issue at that time and the requirement for various stakeholder involvement prior to national guidance being issued, both management and we as auditors agreed to work through this issue during audit fieldwork. Given the unusual nature of this matter and the lack of guidance, management opted to record the LGPS net pension balance within long-term liabilities consistent with the treatment in prior periods. This included the decision not to report any associated disclosures. We acknowledge that this is a national issues impacting many public sector bodies for the first time in 2022-23 and should be considered in that context.
- there is an unfunded defined benefit liability of £1.18m that should have been recognised under IAS19 in the draft 2022-23 accounts. These relate to termination benefits made on a discretionary basis upon early retirement in respect of some members of the pension scheme. Previously this balance had been included within the overall pension fund liability amount. With the move to a pension fund asset position this amount should have been accounted for separately as a liability on the Chief Constable's balance sheet.

During audit fieldwork, the application of IAS19 and IFRIC 14 principles was discussed with management when accounting for a pension fund asset. Some of the matters discussed include:

- checking whether there was an assessment of the asset ceiling performed by the actuary and subsequent management actions based on such a calculation. We identified that there was no such calculation done to determine the asset ceiling at the time the draft accounts were presented for audit, although this is understandable given the lack of available guidance on this unusual matter at that time. This has now been commissioned and received by management from the actuary. This initial calculation shows an indicative asset ceiling of £6.9m.
- checking the rationale for not accounting for the unfunded defined benefit liability (£1.18m) as a distinct liability. This amount should have been recognised separately on the Chief Constable's balance sheet irrespective of the pension fund asset position. As such, considering the unfunded liability is above our triviality reporting level, we have reported this as a proposed audit adjustment at Appendix D. Management has opted to adjust for this misstatement. Please note, this unadjusted misstatement has no impact on the usable reserves position.
- the draft accounts presented the LGPS pension surplus/asset of £18.12m offset against the gross PPS unfunded net pension liability. IAS1 states that an entity shall present its assets and liabilities gross and not offset and this is further clarified in IAS32 which permits offsetting when there exists a legally enforceable right to offset or a clear intention to settle on a net basis. We have not been furnished with evidence to indicate that either scenario is relevant to offsetting the LGPS surplus against the PPS liability and therefore, management has agreed to adjust the financial statements and present the LGPS pension asset/surplus in the top half of the balance sheet as an asset. Please see Appendix D showing all audit adjustments.
- challenge of management around the recognition of an LGPS net pension asset in accordance with IAS19 accounting principles and consideration made by management as to prudence/true and fairness of recognising an asset on the face of the balance sheet in line with IAS1 true and fair view accounting principles. This process included a review of the expected future cash contributions to the fund set out in the 2022 rates and adjustment certificate produced alongside the 2022 triennial valuation. It is acknowledged that contribution rates are set to increase from 2023-24 which may appear to contradict recognition of an asset since no clear cashflow benefits have been demonstrated at the balance sheet date. However, wider economic benefits are also required to be considered per IFRIC14 including for the potential for future contributions to be lower than future service costs. To this end, it is important to note that the assumptions applied for the purposes of determining the future funding requirements differ from those applied in the IAS19 valuation. Management acknowledges the differing bases of the valuations and has opted to add additional narrative and enhance relevant disclosures to make this clear to readers of the financial statements.

2. Financial Statements: Significant risks

Commentary (continued)

Additional commentary and work undertaken in respect of pension surplus position (continued)

During audit fieldwork, the application of IAS19 and IFRIC 14 principles was discussed with management when accounting for a pension fund asset. Some of the matters discussed include:

- discussion and challenge of management as to the nature and magnitude of any minimum funding requirement that exists in respect of LGPS. The £6.9m asset ceiling referenced above, is capturing some minimum funding requirement using the 2023-24 projected contributions, however, the contributions are to increase over the next three years per the 2022 rates and adjustment certificate. Management has considered this in selecting an appropriate estimate for the LGPS net pension balance at the year end. The rates and contributions schedule indicates negative secondary contributions for the next two years, which stop being negative and turn positive (a net charge) from 2025-26 onwards. Secondary contributions are made to fund benefits already accrued at the valuation date. This is having the effect of reducing the present value of future cash contributions and effectively presenting a higher asset ceiling. We have challenged the audited body to present their interpretation and rationale as to the appropriateness of the asset ceiling value calculated by the actuary.
- challenge of management as to the period over which the net asset ceiling has been performed. The £6.9m calculated asset ceiling as referenced above is based on the average future working lifetime of active members of 6.7 years. This was challenged based on the LGPS regulations with the scheme remaining open to new members and not expected to cease to exist in circa 7 years' time. In the auditor's view, capping the asset ceiling calculation at the future working lifetime was not appropriate and the expected life of the plan (uncapped) should be used instead. This led to an annuity in perpetuity calculation and the annuity multiple increasing from 6.45 to 83.3 in the revised calculation.
- appropriately allowing for negative secondary (past service) contributions was also considered as part of the revised calculation. Following auditor challenge arising from the top paragraph above, management obtained a revised asset ceiling calculation from their actuary applying the 2025-26 rate of contributions of 20.6% (secondary contributions of 0.9%), which gave rise to a negative asset ceiling of -£10m since the expected total future contributions exceed the future service cost. However, discussions with management and the challenge process identified that this methodology did not capture the benefit arising from the negative secondary contributions in the 2023-24 and 2024-25 financial years. However, further calculations indicated that allowing for the benefit over the two years specified would not have a material impact on the pension asset ceiling since the calculated value remained negative and therefore would be capped at Enil per IFRIC14 accounting principles.
- the length of the 'recovery period' for which secondary (past service) contributions are required to be paid has also been considered, however, it was identified that the length of the actual period over which secondary contributions will be required entails a management judgement. This recovery period has been assumed to be the future lifetime of the LGPS scheme with secondary contributions of 0.9% continuing to be paid over that period. We understand, that management considers this to be prudent judgement given future uncertainties and we have not obtained audit evidence to the contrary.


Key findings

Our work identified that under IAS1 accounting principles, it is not appropriate to offset the LGPS net pension asset against the PPS unfunded pension liability. This has now been adjusted for by management. Detailed audit procedures and challenge of management resulted in two IFRIC14 pension asset ceiling calculations being undertaken with the second and final iteration identifying a negative asset ceiling of -£10m. Management has adjusted for this in the accounts, capping the pension asset ceiling at Enil in line with IFRIC14 accounting principles. This accounting entry to adjust the original LGPS pension asset of £18m, offset against the unfunded PPS liability in the draft accounts, to Enil has been accounted for as Other Comprehensive Income in the CIES. In line local government accounting principles, this entry has also been accounted within the pension reserve, which is an unusable reserve and does not impact on the organisation's overall financial position. The final adjustment to the LGPS pension asset is reported as £19.3m, which takes into account the appropriate accounting of the LGPS unfunded liability of £1m, which remains within long-term liabilities on the balance sheet.

In addition to the IFRIC14 pension asset ceiling matter above, the South Yorkshire pension fund auditor reported a stale price adjustment, which relates to the time-lag in the valuations of unquoted asset classes. Taking the Chief Constable's share of total pension fund assets, suggests an adjustment to LGPS pension assets of £2.07m. This adjustment, if made, would not be expected to impact the balance sheet since the LGPS net pension recorded on the balance sheet has been capped at Enil and increasing assets through this adjustment would result in a larger contra entry to reduce the LGPS pension asset recorded to Enil. This is detailed on page 41 and management has opted not to adjust on the grounds of materiality.

2. Key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £135m Specialised/DRC - £94m Non-specialised/EUV - £41m	<p>Other land and buildings comprises specialised assets such as police stations and custody suites, required to be valued at depreciated replacement cost (DRC), reflecting the cost of a modern equivalent asset necessary to deliver the same service potential. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) based on market comparables such as the capitalisation of passing rent (income approach). EUV assets included the Carbrook House offices and the Atlas Court call centre.</p> <p>The PCC has engaged their own 'management expert', NPS Property Consultants, to complete the valuation of properties as at 31 March 2023. Operational property valuations are undertaken on a five yearly cyclical basis, as stipulated by the CIPFA Code of practice. Due to the newly-engaged valuer in year, all land and buildings have been fully revalued as at 31 March 2023.</p> <p>Management has considered the valuation provided by their expert and challenged the valuer on the significant increase in the valuations of specialised assets. In-house estates surveyors have also been involved in the scrutiny and challenge process, and whilst the estates surveyors are not holders of the RICS-registered valuer designation, they have been able to support finance officers in the stand-back and challenge process using their detailed working knowledge of the condition and function of the South Yorkshire Police estate.</p> <p>Management obtained prior year valuations from their expert, which had been updated for reduced obsolescence and increased professional fees and external areas rebuild cost assumptions. Updating for the revised assumptions led to a material change in the prior year's valuation. Management developed an understanding of the factors behind the valuation increase in specialised assets.</p> <p>The audited body identified that a detailed assessment was required with reference to IAS8 principles. The IAS8 standard, as adopted by the CIPFA Code, indicates that if new information has come to light since the prior year end date, prospective application of such information and its impact on the valuation estimate is appropriate. In contrast, a failure to reasonably apply information available at the time of making an estimate would likely be regarded as an error. The correction of errors may necessitate a prior year adjustment.</p> <p>Management produced an IAS8 assessment, aided by their external valuation expert and in-house building surveyors. This assessment indicated that key changes in the assumptions used in the valuation were supported by relevant evidence and asserted that it is appropriate to account for this change on an prospective basis as a change in accounting estimate.</p>	<p>We have:</p> <ul style="list-style-type: none"> assessed the competence and expertise of management's expert, concluding that they are competent, capable and objective reviewed the completeness and accuracy of the underlying information used to determine the valuation estimate reviewed the assumptions used by the expert in the calculations, including the accuracy of gross internal areas (floor areas) considered the valuation method used to revalue assets, and ensured that the method is suitable for the type of land or building engaged, for the first time on this audit, our own RICS-registered valuation expert to comment on the consistency of the process and valuation report with relevant RICS UK Red Book valuation standards considered the change in the valuation estimate for specialised buildings against movements in cost-based valuation indices to compare actual movements with expectations challenged management on the significant increase in specialised property valuations noted in year, resulting in further analysis being undertaken in respect of changes in obsolescence, professional fees and external areas cost assumptions requested an assessment from management on the year-on-year changes against the IAS8 accounting principles, which may give rise to a prior year adjustment obtained corroboratory evidence and rationale from in-house estates surveyors to demonstrate the appropriateness of the revised assumptions used for specialised asset valuations in 2023. reviewed managements IAS8 assessment and concluded that management's proposed accounting treatment is consistent with the relevant accounting principles and judgements made were supported by relevant evidence. 	 Green

2. Key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
<p>LGPS Net pension surplus £18m (draft A/cs)</p> <p>£nil (final A/cs)</p> <p>(Prior year: net pension liability £177m)</p>	<p>The Chief Constable's Local Government Pension Scheme net pension surplus at 31 March 2023 is £18m (PY £177m deficit) comprising the South Yorkshire Pension Fund Local Government Pension Scheme obligations.</p> <p>The Chief Constable continues to engage Hymans Robertson to provide actuarial valuations of the assets and liabilities derived from this scheme. A full actuarial valuation is required every three years which was undertaken as at 31 March 2022 for LGPS.</p> <p>A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return.</p> <p>Given the significant value of the net pension balance, small changes in assumptions can result in significant valuation movements. There has been a £241m net actuarial gain for the CC during 2022-23. This improved position is largely a result of an increase in the discount rate in excess of the increase in the CPI inflation assumption.</p>	<p>We have:</p> <ul style="list-style-type: none"> Assessed the competence, capability and objectivity of management's expert, Hymans Robertson (LGPS) Assessed the actuary's approach taken and deemed it reasonable Used PwC as an auditor's expert to assess the actuary and assumptions made by the actuary (see table below) Confirmed the completeness and accuracy of the underlying information used to determine the estimate Confirmed the reasonableness of the Chief Constable's share of pension assets Confirmed the reasonableness of the decrease in the liability estimate Confirmed the adequacy of the disclosure of the estimate in the financial statements Obtained assurances from the auditor of the South Yorkshire Pension Fund as at the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. <table> <tr> <th>Assumption</th><th>LGPS Actuary Value (Hymans Robertson)</th><th>* PwC comments</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>4.75%</td><td>See below</td><td>● Green</td></tr> <tr> <td>Pension increase rate</td><td>2.95%</td><td>See below</td><td>● Green</td></tr> <tr> <td>Salary growth</td><td>3.55%</td><td>See below</td><td>● Green</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>21.5/20.5</td><td>See below</td><td>● Green</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>25.2/23.7</td><td>See below</td><td>● Green</td></tr> </table> <p>* PwC has commented on the Hymans Robertson assumptions as follows: "We are comfortable that the methodologies used by Hymans Robertson to establish assumptions will produce reasonable assumptions as at 31 March 2023 for all employers".</p> <p>Our work has not identified any evidence to conclude that key assumptions are not appropriate, in line with the table shown above. Our work identified that under IAS1 accounting principles, it is not appropriate to offset the LGPS net pension asset against the PPS unfunded pension liability. This has now been adjusted for by management. Detailed audit procedures and challenge of management resulted in two IFRIC14 pension asset ceiling calculations being undertaken with the second and final iteration identifying a negative asset ceiling of -£10m. Management has adjusted for this in the accounts, capping the pension asset ceiling at £nil in line with IFRIC14 accounting principles. This accounting entry to adjust the original LGPS pension asset of £18m to £nil has been accounted for as Other Comprehensive Income in the CIES. Consistent with local government accounting principles, this entry has also been accounted within the pension reserve, which is held as an unusable reserve. An additional state price adjustment of £2.07m has been identified by the pension fund auditor further detailed on pages 15 and 41. There are no further matters to note arising from our LGPS work.</p>	Assumption	LGPS Actuary Value (Hymans Robertson)	* PwC comments	Assessment	Discount rate	4.75%	See below	● Green	Pension increase rate	2.95%	See below	● Green	Salary growth	3.55%	See below	● Green	Life expectancy – Males currently aged 45 / 65	21.5/20.5	See below	● Green	Life expectancy – Females currently aged 45 / 65	25.2/23.7	See below	● Green	<p>● Green</p>
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2. Key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Police pension scheme liability £2.55bn (Prior year: pension liability £3.47bn)	<p>The Chief Constable's Police Pension Scheme liability at 31 March 2023 is £2.55bn (PY £3.47bn). The Chief Constable operates three pension schemes for police officers, these are the 1987, 2006 and 2015 Police Pension Schemes.</p> <p>The Chief Constable engages Government Actuary's Department to provide actuarial valuations of their Police Pension Scheme liabilities. A full actuarial valuation is required every four years.</p> <p>Whilst the last full actuarial valuation was completed in 2016, the estimate of the pension liability at 31 March 2023 is based on up-to-date membership data and assumptions.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £0.98bn net actuarial gain during 2022-23. The improved position is largely a result of an increase in the discount rate in excess of the increase in the CPI inflation assumption.</p>	<p>We have:</p> <ul style="list-style-type: none"> Assessed the competence, capability and objectivity of management's expert, Government Actuary's Department (PPS) Assessed the actuary's approach taken and deemed it reasonable Used PwC as an auditor's expert (consulting actuary) to assess actuary and assumptions made by actuary (see table below) Confirmed the completeness and accuracy of the underlying information used to determine the estimate Assessed the reasonableness of the decrease in the liability estimate Reviewed the adequacy of the disclosure of the estimate in the financial statements Obtained membership data as at 31 March 2023 and compared this with the membership data as at 31 March 2020, when data was collected for the 2020 full actuarial valuation and tested in detail during the 2022-21 audit. Sample testing has been performed where significant movements have been identified <table> <tr> <th>Assumption</th><th>PPS Actuary Value (GAD)</th><th>* PwC comments</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>4.65%</td><td>See below</td><td>● Green</td></tr> <tr> <td>Pension increase rate</td><td>2.60%</td><td>See below</td><td>● Green</td></tr> <tr> <td>Salary growth</td><td>3.85%</td><td>See below</td><td>● Green</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>23.5/21.9</td><td>See below</td><td>● Green</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>25/23.5</td><td>See below</td><td>● Green</td></tr> </table> <p>* PwC has commented on the GAD assumptions as follows: "We are comfortable that the methodologies used by GAD to establish assumptions will produce reasonable assumptions as at 31 March 2023 for all employers."</p> <p>Our work has not identified any evidence to conclude that key forward-looking assumptions are not appropriate, in line with the table shown above. Our review of inputs used in the IAS19 calculation, did identify that actual inflation up the balance sheet date was significantly above the part-year inflation value used in the calculation that would lead to a material change in financial assumptions leading to greater unfunded liabilities being recorded at year end. A revised IAS19 calculation was obtained from the actuary and management has updated the accounts for this. As with other IAS19 accounting entries, this adjustment has not impacted useable reserves. The accounting entry to adjust the year end PPS liability has been made to Other Comprehensive Income on the face of the CIES and has been accounted as an adjustment to the pension reserve held within unusable reserves.</p>	Assumption	PPS Actuary Value (GAD)	* PwC comments	Assessment	Discount rate	4.65%	See below	● Green	Pension increase rate	2.60%	See below	● Green	Salary growth	3.85%	See below	● Green	Life expectancy – Males currently aged 45 / 65	23.5/21.9	See below	● Green	Life expectancy – Females currently aged 45 / 65	25/23.5	See below	● Green	<div>●</div> <div>Green</div>
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2. Key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Legacy Provisions	<p>Management has recognised both a provision and a contingent liability in respect of the Hillsborough disaster.</p> <p>A provision has been recognised in relation to claims not yet settled as at 31 March 2023. The expected settlement per claim has been determined by Legal Services, informed by the circumstances and the complexity of each case, and also considers previous settlements, where appropriate.</p> <p>The provision covers part of the Hillsborough future liability, however, the remainder remains as a contingent liability, disclosed at Note 40, being an obligation arising from a past event where the amount to settled cannot be reliably estimated at the balance sheet date. This accounting treatment represents a significant judgement on the part of management.</p>	<p>As part of our work we have discussed the latest position in respect of the settlement of legacy cases with in-house solicitors, the CFOs and the Head of Financial Accounting, Exchequer, Insurance & Organisational Infrastructure, and reviewed the information and evidence supporting the accounting entries in the draft financial statements.</p> <p>Management has included some narrative at Note 4 Critical judgements in applying accounting policies, to explain the judgement made based on the circumstances that it was not possible to reliably estimate the future liability with material accuracy.</p> <p>Claims against South Yorkshire Police are split into several tiers, linked with their circumstances and complexity. Whilst data is available as to past case outcomes and settlements made, it has been noted from our work that previous settlement values cannot be meaningfully applied to provide for all cases that remain ongoing. This is due to the differing circumstances and specific factors presented on the schedule of loss for each case.</p> <p>Consistent with prior periods, management has presented a rationale that since the majority of claimants (>90%) have yet to submit their application for damages with supporting evidence, any future cash outflows to settle cannot be reliably estimated at the reporting date. As external auditors, we have seen supporting evidence from our testing and the electronic case management database to support the assertion that applications for damages remain outstanding in the vast majority of cases.</p> <p>We also understand from inspecting the authorisation process and final settlements reached and paid in 2022-23, that in many instances cases will be subject to additional procedures prior to settlement which often lead to an extended period of time between a claim being received and settled. Such steps in the process include internal review, discussions with counsel and the potential for challenging the schedule of loss and in some cases, a process of negotiation. Moreover, the damages categories are extensive and wide ranging, covering a period of up to 30 years.</p> <p>From our enquiry procedures, we have also identified that the nature of cases and potential settlement values for outstanding cases at 31 March 2023 differ from those provided for and settled in prior periods. This presents additional challenges in estimating a provision since management's ability to use previous outcomes to inform the valuation of the year end provision appears to be limited.</p> <p>Our audit work has not identified any issues in respect of legacy provisions (and related contingent liability disclosures). It should also be noted that there is an inherent level of complexity in respect of legacy provisions that requires an enhanced level of audit procedures to obtain the required assurance, which have now been satisfactorily completed.</p> <p>From our review performed, we do not consider the assertions and rationale presented by management to be unfounded and overall, the judgements made do not appear to be unreasonable. Whilst material critical accounting judgements have been made by management, these are supported by the evidence obtained and are consistent with IAS37 accounting principles. There are no matters to report in this regard, however, we have raised a recommendation on page 34 for closer liaison between financial accounting and legal colleagues, to highlight that an increase in early and constructive engagement from legal officers in the audit process may be beneficial to the audit process in future years.</p>	<p>● Green</p>

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation - £272m <p>The PCC receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code.</p> <p>The main considerations are to determine whether the PCC is acting as principal/agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income.</p> <p>The PCC also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.</p>	<p>In circumstances where the PCC has determined that it is acting as the principal, it has credited the grants, contributions and donations to the Comprehensive Income and Expenditure Statement.</p> <p>The PCC has also received a number of grants, contributions and donations, principally special grant funding from the Home Office relating to legacy settlements, that have yet to be recognised as income as they have conditions attached to them which remain unsatisfied at the balance sheet date. These have been recorded on the balance sheet as Grants received in advance.</p> <p>For other grants where the PCC has determined that it does not exercise control over the grant award, these have been excluded from the financial statements except to the extent that the PCC holds a net debtor/creditor position with the counterparty.</p>	<ul style="list-style-type: none"> For grant income, we sample tested items for supporting evidence and checked the appropriateness of the accounting treatment in line with the CIPFA Code, including the treatment of credited to services and recognition as non-ringfenced other grant income. For special grant funding received for the purpose of settling legacy matters, we have directly confirmed the conditions and recognition principles with the Home Office and reviewed that these principles have been appropriately applied by the PCC when determining grant income to be recognised. We have reviewed the determination as to whether the PCC is acting as the principal or agent and considered if the principles applied are consistent with section 2.6 of the Code. Checked grants recognised are consistent with those recognised in the prior period and expectations to satisfy completeness. Inspected underlying information for a sample of grants to identify conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. 	 Green
Minimum Revenue Provision – £0.94m <p>There continues to be an increased level of scrutiny from auditors following several cases of highly publicised financial challenges at certain local authorities with some resulting in S114 notices. Many of these high-profile cases involve MRP charges that on reflection were deemed to be inappropriate.</p>	<p>The Police and Crime Commissioner is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in the regulations and statutory guidance.</p> <p>The PCC publishes an MRP policy annually as part of its annual budget setting process, which is reviewed for compliance against statutory guidance and approved if concluded to be appropriate.</p> <p>The annual MRP charge for 2022-23 was £947k which is broadly in line with the prior year (£967k).</p>	<ul style="list-style-type: none"> We compared the MRP charge as a percentage of the Capital Financing Requirement. Typically, we would expect the charge to be around 2% representing an asset life of 50 years. For the PCC, the 2022-23 charge equated to 1.07% of the opening CFR (or a 93-year asset life) as opposed to a 50-year GT expected asset life. We understand a key reason for the debit to General Fund being lower than expected is the annuity methodology applied, which creates an increased charge over time with the highest annual debits to general fund occurring in the final years. Assuming no new borrowing is taken, the charge is set to peak in just under 50 years at around 160% of the 2022-23 level. The annuity method it is a permitted option albeit its application does create potentially greater budget pressures in future years. We have not identified signs of excessive financial stresses, as evidenced by the PCC funding £4m of capital expenditure through direct revenue contributions in 2022-23. Those charged with governance are required to monitor the MRP charge annually, and understand the long-term impact of the charge's profiling, as a matter relevant to their oversight of the financial reporting process. 	 Green

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Joint Independent Audit Committee. We have not been made aware of any significant incidents in the period and no other 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 appropriately 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	<p>A letter of representation has been requested from the Police and Crime Commissioner and Chief Constable which will be presented to management and those charged with governance prior to giving the audit opinion.</p> <p>Specific representations have been obtained from management in respect of the legacy-related provisions recorded on the balance sheet (and related contingent liability disclosures), related parties identified pertaining to a temporary chief officer for which no declaration of interest was furnished to audit, no additional liabilities arising from equal pay claims, and the recognition and valuation of IFRIC14 pension asset ceiling at Enil.</p>
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the PCC's banks and counterparties that hold the PCC's deposits. This permission was granted and the requests were sent. These requests were returned with positive confirmation and no issues were noted.
Accounting practices	We have evaluated the appropriateness of the PCC's and Chief Constable's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations / significant difficulties	All information and explanations requested from management were provided aside from outstanding requests in respect of IT work and provisions. We would like to thank the Chief Financial Officers and their teams for their help and support during the audit process.

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 the PCC’s and Chief Constable’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this 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 the PCC and Chief Constable meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:

- the nature of the PCC and Chief Constable and the environment in which they operate
- the PCC’s and Chief Constable’s financial reporting framework
- the PCC’s and Chief Constable’s system of internal control for identifying events or conditions relevant to going concern
- management’s going concern assessment.

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 PCC or the Chief Constable
- management’s use of the going concern basis of accounting in the preparation of both sets of financial statements is appropriate.







In light of the expected transfer of the PCC’s role and integration of the Office of the Police and Crime Commissioner with SYMCA planned for May 2024, we have reported an emphasis of matter in the audit opinion to highlight these circumstances to readers. Note this is an unqualified opinion and noting Practice Note 10 referenced above, such circumstances are not expected to impact on the application of the going concern basis of preparation.

2. Financial Statements – other responsibilities under the Code





Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.</p> <p>We identified some suggested narrative amendments to both the AGS and NR and these have been adequately updated by management. These disclosure changes have been summarised at Appendix D.</p> <p>No material inconsistencies have been identified. We plan to issue an unmodified ‘clean’ opinion in this respect as per Appendices I & J.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness or weaknesses. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As in prior years, only limited work is expected to be required on this, as the Group is not expected to exceed the audit threshold in 2022-23.</p>
Certification of the closure of the audit	<p>We intend to issue the certification of the closure of the year end 31 March 2023 audit of South Yorkshire PCC and Chief Constable in the audit reports, as detailed in Appendices I and J, following completion of our WGA work. We aim to certify completion of the audit before the end of January 2024.</p>

3. Information Technology Findings

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

IT system	Level of assessment performed	Overall ITGC rating	ITGC control area rating				Related significant risks / other risks
			Cybersecurity	Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Cybersecurity	Design and Implementation Effectiveness	 Amber	 Amber	N/A	N/A	N/A	N/A
Oracle E-Business Suite (EBS)	Design and Implementation Effectiveness	 Amber	N/A	 Green	 Green	 Amber	N/A

Assessment

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

Body Worn Video Data Loss Incident

We are also aware of a data loss issue communicated by the force on 23 August 2023. Whilst the investigation remains ongoing at the time of concluding the financial statement audit, findings obtained to date indicate that the Oracle general ledger system has not been impacted in any way and there are no such concerns around the integrity of financial data arising. Our auditor's annual report has reported an improvement level recommendation for arrangements in place to be strengthened to reduce the risk of future reoccurrence.

3. Cybersecurity Findings

Assessment	Issue and risk	Recommendations
● Amber	<p>Inadequate policies around cybersecurity.</p> <p>Good governance practice includes having adequate policies and procedures in place, this would help with setting employee expectations, compliance, points of contact, expected behaviour etc. During our cybersecurity review we noted that whilst the policies below were documented by South Yorkshire Police, they were either in draft form or lacking final approval.</p> <ul style="list-style-type: none"> • Cybersecurity Strategy • Vulnerability Assessment and Management Strategy • Asset Management Policy • Access Control Policy • Configuration Management Policy • Software and Application Management Policy • Network Management Policy • GDPR <p>Risk</p> <p>Compliance violations: Laws, regulations, and industry standards are constantly evolving, and outdated policies may not reflect the latest requirements. This can lead to compliance violations and legal penalties. Security vulnerabilities: Technology is constantly changing, and outdated policies may not address new security risks. This can leave the organisation vulnerable to cyber-attacks, data breaches, and other security incidents.</p>	<p>Policies and procedures should all be finalised and signed off before being communicated with the appropriate teams and departments at SYP.</p> <p>Due to the ever-evolving nature of technology, policies should be reviewed annually to ensure they are up to date and reflect the current cyber environment.</p> <p>Whilst the list of policies identified in this finding is a snapshot, and the policies require further review and updating, this recommendation would apply to all policies and procedures within the organisation.</p> <p>Management response</p> <ul style="list-style-type: none"> • Listed policies (and others) are to be taken to final draft, reviewed by IT SLT and then published to live and distributed. <ul style="list-style-type: none"> • ACTION: SLT to review and agree draft policies for publication by 31st March 2024 • Annual or biennial (two-yearly) review where appropriate for all Cybersecurity Policies will be adopted from the “go live” publication date(s) of the current tranche of draft policies under review. <ul style="list-style-type: none"> • ACTION: Create a schedule containing review dates for all policies. This schedule will be owned by the IT Security Team and tracked through the IT Joint Assurance Board. • OWNER: Mike Verdun, ITSO/Cyber Security Manager, GRC Manager
● Amber	<p>Lack of an appropriate cybersecurity team.</p> <p>Cybersecurity is an increasing risk within all organisations. The review carried out identified that the IT Security team, responsible for designing, implementing and monitoring cybersecurity controls, is made up of two people which is considered to be light given the risk and size of SYP.</p> <p>Risk</p> <p>A small cybersecurity team may not have the resources needed to implement the latest security technologies or respond to incidents effectively. This can lead to delays in incident response and an increased risk of damage from cyber-attacks.</p>	<p>SYP should consider increasing the resource within the IT Security team to provide additional coverage. Cybersecurity training and education should be provided for existing staff. Additionally, a fully documented, up-to-date and approved incident response plan should be in place, so that the team can respond quickly and effectively in the event of a cyber-attack.</p> <p>Management response</p> <ul style="list-style-type: none"> • The Cyber Security Team is currently carrying a vacancy. Filling this role will increase the capacity of the team by 33%. This role has been left vacant pending the outcome of the current IT review. Agreement has been reached with the Head of IT that the IT Security Manager will move forward to actively recruit this vacancy. In the meantime, additional specialist resource is available within other areas of the department such as the IT operations team, and within the business from the Information Security Officers. <ul style="list-style-type: none"> • ACTION: IT Cyber Security Manager to go to recruit for the vacant role. Anticipated duration of 3 to 6 months. • OWNER: Mike Verdun, Cyber Security and GRC Manager.

3. Cybersecurity Findings

Assessment	Issue and risk	Recommendations
<p>●</p> <p>Amber</p>	<p>Inadequate cybersecurity training</p> <p>Training is required to keep employees up to date and aware of current threats that the organisation is facing. We noted that cybersecurity training is provided to employees on a three yearly basis which is not sufficient to keep employees up-to-date on emerging cyber threats and how to mitigate cyber threats.</p> <p>Risk</p> <p>Without regular training, employees may:</p> <ul style="list-style-type: none"> not be aware of the latest security risks, leaving the organisation more vulnerable to cyber-attacks. make mistakes that compromise the organisation's security, such as falling for phishing scams or using weak passwords. 	<p>SYP should provide regular (annually as a minimum) cybersecurity training to all employees, including training on the latest security threats and best practices for identifying and mitigating those threats. This training should be tailored to employees' roles and responsibilities and should be mandatory for all employees.</p> <p>Management response</p> <ul style="list-style-type: none"> There is a level of Cyber Security Training provided to employees at varying levels depending upon role within the organisation. The level of training needs to be investigated to ensure it is current and fit for purpose. Responsibility for this function lies within the Learning and Development Team. The Data Office work closely with business colleagues to provide continual updates on information security to all officers and staff. Recently, this has included email phishing warnings and cyber security awareness month as published on the force Intranet. ACTION: IT Security Manager to work with ISO to understand the full training position for the organisation and how it is regularly reviewed. <ul style="list-style-type: none"> OWNER: IT Security Manager and Force ISO. Feedback to be provided by 31st March 2024

3. IT General Controls Assessment Findings

Assessment	Issue and risk	Recommendations
<p>● Amber</p>	<p>Lack of proactive monitoring of concurrent programs within Oracle EBS</p> <p>A concurrent program is a program or process that can be executed simultaneously with other programs or processes. We noted that these programs are not actively monitored on a regular basis within Oracle EBS to identify job failures and errors.</p> <p>Instead, reliance is placed on end users identifying and reporting issues to IT for subsequent review and investigation.</p> <p>It was noted that the log retention window is set to 3 months and therefore we were unable to identify and test the process for identifying, escalating and resolving concurrent job failures.</p> <p>Risk</p> <p>Where proactive monitoring is not undertaken, there is a risk that job processing exceptions or events that may need operator intervention or corrective actions may not be identified in a timely manner. This may then impact on the integrity of data within the system.</p>	<p>Management should implement a formal process for monitoring of batch and scheduled jobs to allow failures to be effectively identified, recorded and investigated.</p> <p>Options may include</p> <ul style="list-style-type: none"> - configuring automated alerts / email; or - implementing a periodic manual review of system job completion logs. <p>The log retention window should be increased to at least 1 year to allow records to be retained and investigated where needed.</p> <p>Management response</p> <ul style="list-style-type: none"> • Proactive monitoring of Force Systems is available via a number of applications including Solarwinds and PRTG as well as automated e-mail notifications. • Data Services team to review available proactive monitoring for Oracle EBS <ul style="list-style-type: none"> • ACTION: Proactive monitoring to reviewed by Data Service Manager and IT SLT Head of Solutions Delivery. • Feedback by 31st March 2024 • OWNER: Stuart Dean, Head of Solutions Delivery
<p>● Amber</p>	<p>Inadequate control over third-party users assigned privileged systems access</p> <p>We noted that there were six consultants from SSS (Secure Solutions and Services) who provide software for self-serve, duties desktop and the duty management system, have been assigned privileged access within the Oracle EBS application. While access is required to provide ongoing IT support services, this access is permanently active.</p> <p>During our inquiries, we were informed by SSS that one Application Consultant from SSS, who had been assigned “System Administrator” access was no longer required to have this access. We verified that this user had not logged into the account during the audit period.</p> <p>Risk</p> <p>Without adequate oversight over the third-party users with system administration accounts, there is an increased risk of unauthorised or inappropriate changes to the underlying data and system</p>	<p>Management should undertake a review for all IT support partners to confirm how they obtain assurance over appropriate IT controls being implemented / operated by these third-party service organisations. This should, as a minimum, include the controls over privileged production or database access such as</p> <ul style="list-style-type: none"> • approving vendor access for specific requirements and disabling the access after completion • reviewing account activities performed <p>Where independent service organisation assurance reports are available, management should assess the findings and consider whether complementary user entity controls are effective.</p> <p>Management response</p> <ul style="list-style-type: none"> • Although the Third Party Consultant accounts do remain open access to the Force Network is limited. Access has to be requested via the IT Service Desk and justification given. Access is disabled each evening so does not remain open. • System Admin Team to review users and revoke access where no longer required. <ul style="list-style-type: none"> • ACTION: Process to be reviewed by System Admin Team Leader and IT SLT Head of Solutions Delivery. • Feedback by 31st March 2024 • OWNER: Stuart Dean, Head of Solutions Delivery

3. IT General Controls Assessment Findings

Assessment	Issue and risk	Recommendations
<p>● Amber</p>	<p>Segregation of duties conflict as developers have access to the production environment</p> <p>Members of the IT team and third-party support organisation have continuous access to both develop and implement changes into the production environment.</p> <p>We noted that 9 users had been granted to access both the “Application Developer” and “System Administrator” roles in the development and production environments, respectively.</p> <p>Through inquiry, we noted that access for members of the IT team was historically assigned to system administrators to schedule concurrent requests, but due to changes in the client's processes, this access was now redundant. For third-party support it was noted that this access was not required.</p> <p>We noted that there was only one change performed in the audit period which had appropriate segregation for the change.</p> <p>Risk</p> <p>The combination of access to develop and implement those changes in the production environment creates a risk that inappropriate or unauthorised changes are made to data and/ or programs.</p>	<p>Management should segregate a user’s ability to develop and implement changes. Privileged access to the production environment should be revoked from users that are involved in development.</p> <p>Where management is unable to fully segregate access for operational reasons, alternative options to mitigate the risk could include performing a review of change implementation activity logs. These should be regularly reviewed for appropriateness by an independent individual with evidence retained.</p> <p>Management response</p> <ul style="list-style-type: none"> Privileged Access Management to be reviewed, process for developing and deploying changes/updates to be reviewed. <ul style="list-style-type: none"> ACTION: above to be reviewed and amended as needed by System Admin Team Leader and IT SLT Head of Solutions Delivery. Feedback by 31st March 2024 OWNER: Stuart Dean, Head of Solutions Delivery

4. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022-23

The National Audit Office issued its latest guidance for auditors in January 2023. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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



1. 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.



2. 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)



3. 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 (listed in terms of severity and importance):

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 completed our VFM work and our detailed commentary is set out in our separate 2022-23 Auditor's Annual Report. This was presented to JIAC on 6 December 2023.

As part of our work, we have considered whether there were any risks of significant weakness in the Police and Crime Commissioner's and Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources. At the planning stage we did not identify any such risks of significant weakness in arrangements with no subsequent changes in our risk assessment identified. We are satisfied that the PCC and Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources.

5. Independence and ethics

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

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

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

Details of fees charged are reported at Appendix E.

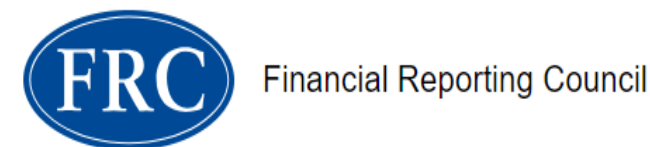
Transparency

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

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the South Yorkshire Police group.

No other audit or non-audit services are provided to the South Yorkshire Police group.



5. Independence and ethics

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

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

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action Plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation – PCC
- H. Management Letter of Representation – Chief Constable
- I. Audit opinion – PCC
- J. Audit opinion – Chief Constable
- K. Audit letter in respect of delayed VFM work



A. Communication of audit matters to those charged with governance

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

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

This document, the Audit Findings (ISA260) Report, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

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

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

Distribution of this Audit Findings (ISA260) Report

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

B. Action Plan – Audit of Financial Statements

We have identified four recommendations as a result of issues identified during the course of our audit and other key issues to consider prior to next year end. We have concluded these are of sufficient importance to merit being reported to you in accordance with auditing standards and these have been agreed with management.

Assessment	Issue and risk	Recommendations
Medium	<p>Closer liaison and joined up working approach between financial accounts, legal and IT personnel</p> <p>During the audit fieldwork, we encountered an excellent level of engagement and received responses to audit requests in a timely manner from core financial accounts personnel, however, this was not mirrored across all teams involved in the external audit process. IT and legal are two teams that are required to liaise and provide information to external audit considering the legacy provisions significant risk identified, and also the increased depth and scope of IT audit work this financial year, both of which were highlighted in our Audit Plan.</p> <p>From discussions held, it is clear to us that there are clearly many professional and experienced personnel within the organisation, however, gaining access to speak to the relevant colleagues and obtaining the evidence required in a timely manner posed challenges during the audit fieldwork process. As highlighted in our September-dated report, these factors had a detrimental impact on the progress of our audit work in respect of provisions and our assessment of IT controls. For the external auditor to improve the timeliness of reporting, conduct the audit in an efficient manner, minimise the risk of additional audit fees and pressures on the core finance function, it is imperative that we get a good level of 'buy in' from all officers at the audited body throughout the audit process.</p>	<p>We recommend that arrangements and collaboration between the finance function, legal and IT are strengthened and enhanced. It may also be beneficial to communicate the time requirement and audit period with these teams so sufficient officer availability can be planned in around annual leave and requirements of the 'day job'. Finally, we would also recommend enhancing accountability arrangements to ensure these changes are appropriately implemented and the benefits realised.</p> <p>Management response (September 2023)</p> <p><i>Head of Financial Accounts to arrange individual meetings with IT and Legal to discuss the feedback from the audit and to discuss the importance of providing information, evidence and correspondence in a timely manner going forward. In preparation for next year's audit, Head of Financial Accounts to arrange a year end workshop with all the Heads of the Departments, supported by the CFOs in advance of the 2023-24 audit to ensure engagement and accountability.</i></p>
Medium	<p>Completion and retention of new starter and leaver forms:</p> <p>During the performance on substantive testing on PCC's and Chief Constable's starters and leavers, it was identified that the relevant forms approved and signed by the supervisory manager were not furnished to audit for all individuals selected for testing.</p> <p>Authorisation procedures are in place for new starters to ensure that only bona fide individuals are joining the organisation and will be paid, and the relevant checklists are completed during the onboarding phase. One of the critical new joiner steps is ensuring that vetting procedures are carried out.</p> <p>For leavers, the risks identified are the potential for payments to be made after the leave date and relevant checklists not being completed prior to leaving such as disabling system access and returning warrant cards.</p>	<p>The Force and Office of the Police and Crime Commissioner should revisit and assess whether its existing procedures for completion and retention of starter and leaver forms are sufficient. Where appropriate procedures are already integrated in the relevant process flows, compliance requirements should be communicated and reinforced internally. Procedures should also be followed and documented, and checklist steps completed for non-standard leavers such as where a dismissal may occur.</p> <p>Management response (December 2023)</p> <p><i>The process for starter and leaver forms and the existing procedures are being reviewed as part of the forces transition to Oracle Cloud. Existing procedures will be changed in line with the system upgrades and main improvements for these forms will be integrated into the cloud systems, rather than an off-system process which requires separate forms to be sent to multiple hand-off points in the process. This should ensure that 'incomplete' forms cannot be progressed. This includes a new feature in Cloud for Onboarding Checklists and integrated communications for applicants, Hiring managers, recruitment and other departments. The leavers process will also follow system tasks to exit the organisation, connected to the relevant leaver responsibilities for each stakeholder. The system will also have HR Admin users that can process non-standard leavers such as dismissals, where the system can be manually updated by these key users based on the Cloud procedures to ensure the leaver is correctly processed. These procedures will be rolled out in line with the Oracle System switch over period, training of system users and where relevant part of the guided learning in-built to assist user experience.</i></p>

B. Action Plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
Medium	<p>Expected transfer of PCC's function to South Yorkshire Mayoral Combined Authority and its related impact on the 2023-24 financial statements:</p> <p>We understand that agreement has now been confirmed that this transfer will take place in May 2024, and whilst discussions remaining ongoing between the PCC, SYMCA and the Home Office in respect of potential governance arrangements, such a transaction is expected to have a significant impact on the presentation of the 2023-24 financial statements.</p> <p>For the transfer of the PCC's role to the South Yorkshire Mayor to be coterminous with local mayoral elections, the date of transfer is anticipated to be in May 2024 and from early discussions with management, we understand that the accounting period would likely be extended up to this date. There are complexities associated with a period greater than 12 months including the need to obtain property and defined benefit pension valuations at a date other than 31 March.</p>	<p>From our liaison meetings held from May 2023 onwards there has been a good level of discussion on this matter and the progress of the workstreams being developed. This includes conversations held with the Police and Crime Commissioner, Chief Executive and Chief Constable and also the Chief Finance Officers. Throughout the autumn and into winter 2023, we would like to highlight the need for the good level of communication to continue between the CC and PCC and external audit on this matter.</p> <p>Once the transaction date is confirmed, there are various planning steps that need to occur on both sides and will be important to ensure that all parties have sufficient time to progress the relevant matters prior to May 2024. This recommendation communicated here does not represent a deficiency or issue identified from our audit but is a key matter to consider in advance of next year end.</p> <p>Management response (December 2023)</p> <p><i>A programme manager has now been employed by the Combined Authority to work with officers on designing and implementing a workable transition plan. It is envisaged that relevant stakeholders, including external audit, will be consulted, and involved with this transition plan.</i></p>
Medium	<p>Planned implementation of Oracle Cloud general ledger in March 2024</p> <p>The current Oracle E-Business suite general ledger is not fully supported, which is linked with a prior year recommendation (see page 36). An upgrade of the general ledger/ERP system to Oracle Cloud (web-based platform) is planned to take place in March 2024, and at the time of writing this report, we understand that the workstream is progressing as per the set timetable.</p> <p>Additional complexity to the implementation programme has arisen as a result of the potential integration of the PCC's function into SYMCA in May 2024. If the Oracle Cloud ledger implementation occurs as planned on 31 March, then two general ledger systems would be in use during the final period.</p> <p>It is expected that such a scenario would require an increased level of IT audit work and audit fee, and external audit require appropriate advance notice so appropriate capacity and resource can be programmed to undertake the work required.</p>	<p>As discussions between the PCC, Home Office and SYMCA progress, the OPCC should continue to communicate internally on the expected transfer to occur in May 2024. Given we understand this date is now confirmed, considerations should be made as to whether Oracle Cloud ledger implementation date can be aligned with the date of any transfer of the PCC's function to SYMCA.</p> <p>Also, aside from the transfer to SYMCA expected to occur during May 2024, early engagement with Grant Thornton in respect of the new ledger is important as it is expected that specialist technology audit colleagues will need to be engaged. They will need to undertake appropriate work on the ledger transfer to obtain appropriate assurance over the transfer of transactions and balances to the new Oracle Cloud ledger.</p> <p>Management response (September 2023)</p> <p><i>The timing of the implementation of Oracle Cloud and Grant Thornton engagement will be considered as part of the transition plan (referenced above), in consultation with the Oracle Project Team.</i></p>

C. Follow up of prior year audit recommendations

We identified three issues in our 2021-22 audit of the financial statements as set out below, together with an update from management.

Assessment	Issue and risk identified in 2021-22 ISA260 Report (November 2022)	Recommendations and management's initial responses, updated for our 2022-23 audit findings:
Completed	<p>Cash and cash equivalents – Bank reconciliation</p> <p>It was identified that the bank reconciliation was not presented in a readily understandable format and contained unreconciled cash items dating back to December 2020.</p> <p>The audit team recommended that the finance team should take greater control over the bank reconciliation process, ensuring that historic items are cleared, and the bank reconciliation is reduced to timing differences between the cash book and bank statement around the year end.</p>	<p>The audit team recommended that the finance team should take greater control over the bank reconciliation process, ensuring that historic items are cleared, and the bank reconciliation is reduced to timing differences between the cash book and bank statement around the year end.</p> <p>Management response (April 2023): <i>Management confirmed the March 2023 bank reconciliation was reviewed in detail. Historic items have been cleared. Monthly meetings are now in place between the Exchequer Supervisor and the Financial Accounts Officer to ensure transactions are reviewed and action is taken to resolve any issues. The Financial Accountant provides oversight and direction for any queries.</i></p> <p>GT comments (September 2023): <i>Our work on the cash & bank reconciliation indicated that historic items have now been cleared. One issue was identified with the bank reconciliation, with an adjustment identified and reported on page 37, however this is not considered to be indicative of reconciliation issues not being cleared in a timely manner. We consider this recommendation to have been implemented and now closed.</i></p>
Completed	<p>IT controls – Oracle E-business suite no longer supported after January 2022</p> <p>As noted in the Strategic Concerns Register, the auditor highlighted that having an Enterprise resource planning (ERP) system that is longer supported gives rise to risks around the integrity of data and broader functioning of the finance system. Our enquiries made in 2021-22 established that the contingency plan in place was not comprehensive with regards to contingency planning in the event of system failure or data loss.</p>	<p>The audit team recommended that management take steps to ensure comprehensive contingency plans are in place to deal with such risks for the remainder of the period that EBS system remains in use. We are aware of plans in place to upgrade to Oracle Cloud, which is a fully supported ERP system, and this is programmed to take place during 2022/23.</p> <p>Management response (April 2023): <i>SYP has purchased Market Driven Support from Oracle to bridge the support gap until the Force moves onto the Oracle HCM Cloud platform, scheduled to be in place by March 2024. To prevent data loss, the current live database is backed up regularly via well-established IT business as usual processes. In the event of a catastrophic failure, the IT Major Incident Process would be triggered to manage recovery of the system and data.</i></p> <p>GT comments (September 2023): <i>This recommendation has been progressed per the management comment above. We understand that the implementation of Oracle Cloud is scheduled for April/May 2024 which is the action required to fully address the risk. Our IT general controls assessment reported on page 24 did not identify material weaknesses in relation to the Oracle EBS finance system or business continuity arrangements and therefore this recommendation is marked as completed.</i></p>
Completed	<p>Accounts payable – Duplicate payments</p> <p>From our review of internal audit reports, we noted weaknesses in the process of identifying and preventing duplicate payments to suppliers. One duplicate payment had been identified by internal audit and two further examples were identified by external audit following additional audit procedures. We reported that duplicate supplier payments present a risk of financial loss and bank mandate fraud, whilst noting the other controls implemented in the accounts payable process that go some way to reduce this risk.</p>	<p>We recommended that management implement adequate controls and validation checks including timely reconciliations between the sub-systems (iProcurement and Atrium) and the accounts payable ledger to identify any duplicate payments.</p> <p>Management response (April 2023): <i>Work has been ongoing in relation to this to ensure all orders are through iProc. We have a No PO No Payment policy, but invoices have been accepted down the miscellaneous invoice authorisation route previously. This will no longer be the case from 1st October and significant progress has been made with FM to ensure controls are followed. This includes training to Business Support Staff at the conference last week and the action plan for the No PO No Payment work. We are also signed up to the National Fraud Initiative where invoices are all checked so this identifies any duplicate payments and helps us to improve controls. This work is ongoing until end of October. The Exchequer team have been informed to follow the No PO No Payment except for the exceptions that are clearly documented and any not compliance will result in action being taken.</i></p> <p>GT comments (September 2023): <i>From audit testing on non-pay expenditure and creditors, no duplicate payments have been identified. Whilst we note that controls have been designed to reduce the risk of duplicate payments, these have not been implemented effectively in prior periods since finance colleagues have accepted miscellaneous invoices for payment. The auditor has viewed the No PO No Payment action plan set to go live from 1 October 2023, which includes disciplinary provisions for non-compliance. Overall, we are satisfied that this control will appropriately address the risk and appears to be designed and implemented effectively. We consider this recommendation to have been implemented and now closed.</i></p>

D. Audit Adjustments - PCC

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

Impact of adjusted misstatements

This section provides commentary on the adjustments identified during the course of the audit, which have been adjusted for by management.

Detail	Impact on Comprehensive Income and Expenditure Statement £000	Impact on Balance Sheet £000	Impact on useable reserves?
1. Bank reconciliation – payment made prior to year-end included within cash at bank balance Our work on the bank reconciliation identified one payment amounting to £6.4m which cleared the bank prior to year-end but since a GL date of April 2023 had been assigned by the Oracle general ledger, this was shown as a reconciling item on the bank reconciliation. As a result, this amount was incorrectly presented as cash and cash equivalents in the draft financial statements. Since this had already been paid prior to the balance sheet date, the PCC no longer had access to this cash and therefore, including in the cash balance did not give a true and fair view of the available cash resources at the balance sheet date. This issue has been adjusted by management. Since the payment in question related to the April 2023 pension payment, the correcting entry has been to record this as a payment in advance.	Nil	Credit (decrease) Cash and Cash Equivalents £6.4m Debit (increase) Short-Term Debtors (Payments in advance) £6.4m	Nil
2. Recognition of debtor balance that will not be realised Sample testing work on debtor balances identified £1.37m that was recorded as a debtor due from the Home Office that would not be realised. This was for civil costs in respect of legacy issues. Cash had already been provided to the PCC and this has been recorded as a revenue grant receipt in advance. Following audit challenge, and in line with the principles of IAS32 and Code 7.3.5, management now deems it appropriate to account for these two transactions on a net basis. By accounting for this on a net basis, short-term debtors have been reduced by £1.37m and revenue grants receipts in advance reduced by an equivalent £1.37m. Income and expenditure entries have been appropriately accounted with no required adjustments identified and therefore, no CIES impact has been identified from this adjusted misstatement.	Nil	Debit (decrease) Revenue Grants Receipt in Advance £1.37m Credit (decrease) Short-term Debtors £1.37m	Nil
Overall impact	-	-	None

D. Audit Adjustments - PCC

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

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022-23 audit which have not been made within the final set of financial statements. The PCC is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Impact on Comprehensive Income and Expenditure Statement £000	Impact on Balance Sheet £000	Impact on useable reserves?	Reason for not adjusting
<p>1. Adjustment to the land value of one specialised building</p> <p>Our work identified that the land value applied in the valuation calculation of a specialised building (police station) in the Rotherham district was not supported by comparable evidence. Following challenge of management's valuation expert, it was noted that the land value applied in this valuation should have been higher based on the additional evidence now considered. This has led to an increase of £320k in the valuation of this asset, however, due to local government accounting principles prescribed by the CIPFA Code 2022-23, this adjustment does not impact on usable reserves. Management also considered whether the carrying value of other land & building assets would be affected by this change in assumption and demonstrated that this was an isolated issue only affecting Rotherham Police Station.</p> <p>In line with local government CIPFA Code accounting principles, revaluation accounting entries made to Net Cost of Services are reversed through the Movement in Reserves Statement and are accounted for as an unusable reserve. As such, the proposed accounting entries shown to the right would not impact on the Police and Crime Commissioner's useable reserves. We understand that management has opted not to adjust on the grounds of materiality.</p>	<p>Credit Net Cost of Services – £262k</p> <p>Credit Other Comprehensive Income – (Surplus) or deficit on revaluation of Property, Plant and Equipment - £58k</p>	<p>Debit (increase) Property, Plant and Equipment – Land & Buildings £320k</p>	Nil	Considered immaterial by management
Overall impact	-	-	None	

D. Audit Adjustments - CC

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

This section provides commentary on the adjustments identified during the course of the audit, which have been adjusted for by management.

Detail	Impact on Comprehensive Income and Expenditure Statement £000	Impact on Balance Sheet £000	Impact on useable reserves?
1. Police Pension Scheme – capturing the impact of known inflation at the balance sheet date Our review of inputs used in the IAS19 calculation identified that actual inflation up the balance sheet date was significantly above the part-year inflation value used in the calculation and the increase would lead to a material change in financial assumptions leading to greater unfunded liabilities being recorded at year end. A revised IAS19 calculation was obtained from the actuary and management has updated the accounts for this. As with other IAS19 accounting entries, this adjustment has not impacted usable reserves. The accounting entry to adjust the year end PPS liability has been made to Other Comprehensive Income on the face of the CIES and has been accounted as an adjustment to the pension reserve held within unusable reserves.	Debit (Expenditure) Other Comprehensive Income £51.2m This is accounted for in the Pensions Reserve (unusable) and therefore, does not impact usable reserves (see Note 34).	Credit (Increase) Police Pension Scheme Liabilities £51.2m	Nil
Overall impact	-	-	None

D. Audit Adjustments – Chief Constable

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

Impact of adjusted misstatements

This section provides commentary on the adjustments identified during the course of the audit, which have been adjusted for by management.

Detail	Impact on Comprehensive Income and Expenditure Statement £000	Impact on Balance Sheet £000	Impact on useable reserves?
<p>1. LGPS unfunded liabilities and LGPS pension asset– recognition and classification</p> <p>Our work on the LGPS pension surplus as described on pages 13 to 15 identified £1.18m of unfunded liabilities that have been netted off against the pension surplus. These relate to termination benefits made on a discretionary basis upon early retirement in respect of some members of the pension scheme. Previously this had been included within the overall pension fund liability amount. Since not all members in the main LGPS scheme have a right to the unfunded benefits, management has not been able to demonstrate per IAS1 or IAS32 accounting principles that there is a right to the unfunded scheme's liabilities to be offset with the overall LGPS pension surplus.</p> <p>Therefore, the unfunded liabilities of £1.18m should continue to be presented as a liability on the balance sheet and disclosed as a gross liability within the supporting notes to the balance sheet, which is change from the draft account's presentation where the LGPS liability is shown net in the notes supporting the balance sheet.</p> <p>The draft accounts also presented the LGPS pension asset surplus of £18.12m within the pension liability on the face of the balance sheet, netted off against the £2.55bn PPS unfunded pension liability. IAS1 states that an entity shall present its assets and liabilities gross and not offset and this is further clarified in IAS32 which permits offsetting when there exists a legally enforceable right to offset or a clear intention to settle of a net basis. We have not been furnished with evidence to indicate that either scenario is relevant to offsetting the LGPS surplus against the PPS liability and therefore, management has agreed to adjust the financial statements and present the LGPS pension asset/surplus in the top half of the balance sheet as an asset.</p> <p>Management conducted an assessment based on IFRIC14 principles - IAS 19 - the limit on a defined benefit asset and obtained an asset ceiling calculation from the actuary. This asset ceiling calculation was presented to audit and we raised some challenge on utilising the future working lifetime (FWL) as the time horizon in the calculation considering LGPS remains an ongoing scheme open to new members. A revised calculation was computed based on an annuity in perpetuity basis to reflect the lengthened time horizon. This revised calculation also used the 2025-26 contribution rate as a proxy for contributions over the remainder of the schemes lifetime (perpetuity). This calculation indicated that future scheme contributions were greater than the expected future service cost and therefore, the asset ceiling would be -£10m. In line with IFRIC14 principles, a negative ceiling is capped at £0 and therefore, this adjustment has reduced the £18m offset presented in the draft accounts down to £0. Management has worked on the basis that a minimum funding requirement exists in respect of LGPS, and we are of the view that this judgement is consistent with LGPS regulations. As noted in the right hand columns, the adjustment is shown as a debit to Other comprehensive income & expenditure, and has been accounted for in the Pensions Reserve. As such there is no impact on useable or general fund reserves arising as a result of this adjustment. It can be noted that the adjustment shown to the right is greater than the £18.12m LGPS net pension balance offset against the gross PPS liability in the draft accounts. This is to present an LGPS liability of £1.18m within Other long-term liabilities which represents the unfunded LGPS pension liability highlighted in the second paragraph above.</p>	<p>DR (Expenditure) Other Comprehensive Income £19.3m</p> <p>This is accounted for in the Pensions Reserve (unusable) and therefore, does not impact usable reserves (see Note 34)</p>	<p>CR (Increase) Other Long-Term Liabilities £19.3m</p>	<p>£Nil</p>
Overall impact	-	-	£Nil

D. Audit Adjustments - Chief Constable

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

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Chief Constable is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Impact on Comprehensive Income and Expenditure Statement £000	Impact on Balance Sheet £000	Impact on useable reserves?	Reason for not adjusting
1. LGPS - gross pension assets valuation As last year, the South Yorkshire pension fund auditor noted in their IAS19 report an unadjusted error relating to Pooled Investment Vehicles (PIVs) of £46.4m relating to all admitted bodies. For the Chief Constable this unadjusted error totals £2.07m, representing the SYP Chief Constable's share - (an increase to investment assets). This accounting entry would increase the gross pension asset, however, due to the asset ceiling being capped at £nil (see page 40), this entry would not impact the balance sheet.	DR (Expenditure) Other Comprehensive Income £2.07m This is accounted for in the Pensions Reserve (unusable) and therefore, does not impact usable reserves (see Note 34).	£nil impact due to LGPS pension ceiling cap (page 40)	Nil	Considered immaterial by management
Overall impact	-	-	None	

D. Audit Adjustments – PCC & CC

Misclassification and disclosure changes

The table below and overleaf provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. The second column specifies which audited body within the group is affected by the disclosure adjustment.

No.	Body & Adjustment Type	Disclosure omission description and value	Area within the accounts	Updated in the revised accounts?
1.	Chief Constable - Disclosure	LGPS Defined Benefit Pension Scheme valuation: As indicated at pages 13 to 15, our work on this area remains ongoing, including assessing the asset ceiling calculation under IFRIC14 and then assessing how much of the asset can be recognised or disclosed. As a national issue affecting the local authority, police and fire sector, with the significant and unusual nature of the accounting matter, there are expected to be updates to the relevant notes and further disclosures in the financial statements, before we issue our audit opinion.	Note 25: Defined Benefit Pension Scheme	✓
2.	PCC - Disclosure	Financial Instruments: Our audit work identified the following issues. The financial instruments note has been updated to correct these matters. The table has been updated in Note 21 to accurately reflect the classification of debtors and creditors as financial/non-financial assets and liabilities, accordingly and explain to readers how the amounts presented in the table can be reconciled to the balance sheet. The fair value comparative disclosure on has been updated to adjust the fair value disclosed downwards by the PWLB loan premia deduction applied to the carrying value disclosed. This is to ensure consistency and to aid comparability between the carrying and fair values disclosed. Additional narrative has been added within Note 21 to clarify the nature of the financial instruments held by the PCC and their measurement bases, and to enable a greater understanding of the PCC's arrangements to manage credit and market risk in relation to financial instruments.	Note 21: Financial Instruments	✓
3.	PCC & Chief Constable - Disclosure	Statement of Cash Flows: Note 36 (Cash Flows from Operating Activities) has been disaggregated to present investing and financing amounts separate from non-cash adjustments to aid understandability and ensure that adjustments are appropriately grouped according to their nature. Plus/minus signs have been reversed throughout to more appropriately reflect whether individual line items represent cash inflows/outflows. A transaction line with a value of £66k relating to the write down of PLWB premium has been reclassified from financing activities to non-cash movements to better reflect its nature.	Statement of Cash Flows, Note 36, Note 37 & Note 38	✓
4.	PCC & Chief Constable - Disclosure	Remuneration disclosure: The amount disclosed as salary, fees and allowances for the Assistant Chief Officer – Resources has been updated for accuracy.	Note 12: Officers' Remuneration	✓
5.	PCC - Disclosure	Note 19, Property, plant and equipment (2021-22 comparative note) – derecognition transaction Narrative has been added under the table to enable a clearer understanding as to why the accumulated depreciation on assets de-recognised exceeds the cost value of assets de-recognised in the 2021-22 financial year.	Note 19, Property, plant and equipment (2021-22 comparative note)	✓

D. Audit Adjustments

No.	Body & Adjustment Type	Disclosure omission description and value	Area within the accounts	Updated in the revised accounts?
6.	Chief Constable - Disclosure	Movement in Reserves Statement (Force only) In the Movement in Reserves Statement on page 36 of the Force accounts, the general fund, pension reserve and accumulated absence opening balances at 1 April 2021 have been updated for accuracy.	Movement in Reserves Statement – Force accounts	✓
7.	PCC - Disclosure	Note 14, Grant Income The value for the Home Office Pension Grant disclosed at Note 14 has been updated for accuracy. This has been amended to £53,654k, which is now consistent with Note 9 - Taxation and Non-Specific Grant Income.	Note 14 – Grant Income	✓
8.	Disclosure	Narrative Statement & Annual Governance Statement (AGS): Our review of the Narrative Report and AGS identified several proposed disclosure updates which we reported to management. These were identified from reviewing compliance with the requirements of the CIFPA framework: Delivering Good Governance in Local Government (2016) and checking that the key themes were mentioned and recommended disclosures present. The key changes impacted on the AGS and include the following: <ul style="list-style-type: none"> • Loss of body worn video footage data announced by the Chief Constable on 23 August 2023 • Elected South Yorkshire Mayor to take on PCC's role from May 2024 and Office of Police and Crime Commissioner to become part of the South Yorkshire Mayoral Combined Authority from that time Both the Narrative Statement and AGS were updated by management to reflect these disclosure changes.	Narrative Statement & AGS	✓
9.	Disclosure	Operating lease disclosure note (2021-22 comparative note) Disclosure note (31 March 2022 column) has been updated for accuracy to ensure the lease commitments disclosed are supported by underlying source data including signed lease contracts.	Note 14 Chief Constable Note 24 PCC Leases	✓
10.	PCC & Chief Constable - Disclosure	Defined Benefit Pension disclosure note Our review of the pensions disclosures within Note 18 and Note 35, Defined Benefit Pensions identified that no sensitivity analysis had been disclosed for pension assets valued at level 3 (e.g. complex valuations such as private equity and special purpose investment vehicles where there is no readily available comparable market information) around the estimation uncertainty in relation to the valuation of these assets. Following discussions with management, this disclosure has now been added based on South Yorkshire Pension Fund (SYPF) 2022-23 valuations reported in the SYPF accounts.	Note 18 Defined Benefit Pension Schemes Chief Constable Note 35 Defined Benefit Pension Schemes PCC	✓
11.	PCC & Chief Constable - Disclosure	Post Balance Sheet Event It has been confirmed to management that the transfer of the PCC's role to the South Yorkshire Mayor is to go ahead following mayoral elections in May 2024. A ministerial letter has also been received confirming this fact. It is expected that the Office of Police and Crime Commissioner will become part of the South Yorkshire Mayoral Combined Authority from that time. A statutory instrument is expected to be published subject to approval in early 2024 confirming the specifics of the transfer of responsibilities, services, staff, assets & liabilities. This is a non-adjusting post balance sheet event per IAS10, however, it would require disclosure as a post balance sheet event at Note 41 to the accounts.	Note 41 Events after the reporting period	✓
12.	Disclosure	Other minor disclosure amendments to improve financial reporting and transparency for readers of the accounts.	Various disclosures	✓

E. Fees

Our fees charged for the audit are shown below and we confirm there were no fees for the provision of non-audit services. The table below shows an additional £12k of audit fees to those set out in our Audit Plan dated June 2023. This takes into account the additional audit work done in relation to the IFRIC14 pension asset calculation (in line with a number of other 2022-23 audits), the additional work performed to satisfy ourselves that a prior year adjustment was not required in respect of the valuation of land and buildings and the additional work from our IT auditors based on the volume of findings in this area.

	PCC	Chief Constable
PSAA Scale fee for 2022-23	£39,401	£18,674
The revised Value for Money (VfM) approach, introduced under the new NAO Code in 2020-21 (after the 2017 PSAA tender)	£7,000	£2,000
Increased audit requirements relating to ISA 540 Revised - Auditing Accounting Estimates and Related Disclosures	£1,890	£630
Enhanced audit procedures for journals and grants testing, given the risk of management override of controls	£2,104	£1,052
Enhanced audit procedures for Payroll – Change of circumstances	-	£500
Increased audit requirements of ISA 315 Revised - Identifying and assessing the Risks of Material Misstatement	£1,250	£1,250
Engagement of IT audit specialists in IT general controls work on Oracle EBS	£8,500	£3,000
Increased audit work linked with significant risk identified on provisions	£2,500	-
Reduction in materiality – a requirement for a ‘major’ audit (FRC AQR scope)	£3,500	£1,500
Additional risk management and audit procedures required for a ‘major’ audit	£1,000	£500
Use of land & buildings external valuation expert as required for a ‘major’ audit	£5,000	-
Additional audit work in respect of the SYP’s share of the Pension Fund asset position, the implications of IFRIC14, including reviews of asset ceiling calculations and internal technical discussions with GT technical department on individual client basis	£500	£4,500
Additional work on the valuation of land and buildings in order to satisfy ourselves that a prior year adjustment was not required, including discussions with both management and auditor external experts.	£3,000	-
Total audit fees 2022-23 (excluding VAT)	£75,645	£33,606

The fees reconcile to Note 13 of the group’s financial statements and Note 11 of the Chief Constable’s – subject to the £12k fee variance noted from our Audit Plan.

Note: All variations to the scale fee will need to be approved by PSAA.

Please also note that DLUHC has continued to set aside £15m of funding to deal with the expected increase in 2022-23 audit fees, a direct response to one of the key findings of the Redmond Review into local authority external audit. Police bodies have access to this funding to mitigate the direct financial impact of this increase in audit fees. The receipt of Redmond funding is shown at Note 13 External Audit Fees and is £24k for the group.

No non-audit or other audit-related services have been undertaken for the Group. This covers all services provided by us and our network to the PCC and Chief Constable, and their senior management, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69).

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	<p>The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of:</p> <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assessed and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	<p>Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.</p>
Professional scepticism	<p>The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible.
Definition of engagement team	<p>The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor.</p> <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	<p>The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance.
Documentation	<p>The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.</p>

G. Management Letter of Representation – PCC



20 December 2023

Ref: SA/FM

Grant Thornton UK LLP
No. 1 Whitehall Riverside
Whitehall Road
Leeds
LS1 4BN

Dear Grant Thornton UK LLP

Police and Crime Commissioner for South Yorkshire and subsidiary undertaking Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Police and Crime Commissioner for South Yorkshire (PCC) and its subsidiary undertaking, the Chief Constable for South Yorkshire Police for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the group and the PCC's financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the group and the PCC's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and the PCC and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The group and the PCC have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.



- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that it is appropriate to account for the material uplift in the valuation of specialised buildings, observed at the balance sheet date, as a change in accounting estimate on a prospective basis in line with IAS8 accounting principles. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and the PCC financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - a. none of the assets of the group and the PCC has been assigned, pledged or mortgaged
 - b. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and the PCC's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

South Yorkshire Police and Crime Commissioner
Carbrook House, Carbrook Hall Road, Sheffield, South Yorkshire S9 2EH
Tel: 0114 2964150

Email: thepcc@southyorkshire-pcc.gov.uk
www.southyorkshire-pcc.gov.uk

South Yorkshire Police and Crime Commissioner
Carbrook House, Carbrook Hall Road, Sheffield, South Yorkshire S9 2EH
Tel: 0114 2964150

Email: thepcc@southyorkshire-pcc.gov.uk
www.southyorkshire-pcc.gov.uk

G. Management Letter of Representation – PCC



- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the group and the PCC and their financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the group and the PCC's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
- the nature of the group and the PCC means that, notwithstanding any intention to cease the group and the PCC operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - a. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - b. the group and the PCC's system of internal control has not identified any events or conditions relevant to going concern.
- We believe that no further disclosures relating to the group and the PCC's ability to continue as a going concern need to be made in the financial statements
- xv. The group and the PCC have complied with all aspects of ring-fenced grants that could have a material effect on the group and the PCC's financial statements in the event of non-compliance.

Information Provided

- xvi. We have provided you with:
- access to all information of which we are aware that is relevant to the preparation of the group and the PCC's financial statements such as records, documentation and other matters;
 - a. additional information that you have requested from us for the purpose of your audit; and

- b. access to persons within the group and the PCC via remote arrangements, from whom you determined it necessary to obtain audit evidence.
- xvii. We have communicated to you all deficiencies in internal control of which management is aware.
- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and the PCC, and involves:
- management;
 - a. employees who have significant roles in internal control; or
 - b. others where the fraud could have a material effect on the financial statements.
- xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiii. We have disclosed to you the identity of the group and the PCC's related parties and all the related party relationships and transactions of which we are aware. We can confirm that the non-completion of a declaration of interest by ACC Butterfield does not give rise to any previously undisclosed related party relationship and/or related transactions.
- xxiv. We have disclosed to you all known actual or possible litigation and claims in particular those arising from the Hillsborough disaster. These have been accounted for and disclosed in accordance with the requirements of the International Financial Reporting Standards.
- xxv. We confirm that it is appropriate to account for the pension asset ceiling at £nil in line with IFRIC14 accounting principles. We acknowledge that a key assumption in the calculation is that secondary (past service) contributions of 0.9% will be payable in perpetuity and we consider this to be a prudent and appropriate assumption based on the information available as at the reporting date.
- xxvi. We have considered whether the group and the PCC is required to reflect a liability in respect of equal pay claims within its financial statements. We confirm that we are satisfied that no liability needs to be recognised on the grounds that:

- A Collective Agreement was reached in May 2000 with the recognised trade unions as part of the Single Status Agenda.
- The group and the PCC has adopted the equality proofed National Joint Council (NJC) for Local Government's Job Evaluation Scheme which ensures that work of equal value is allocated to the same salary banding, progression within which is determined by performance. The scheme is regularly updated to comply with equal pay legislation
- a. The group and the PCC's Pay Policy Statement determines its approach to pay and the Remuneration Committee ensures the provisions set out in the statement are applied consistently throughout the group and the PCC.
- b. Roles and working arrangements whereby individuals or groups may work less time than their contracted hours do not exist in the group and the PCC as services where these practices might arise have been contracted out.

Annual Governance Statement

- xxvii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the group and the PCC's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxviii. The disclosures within the Narrative Report fairly reflect our understanding of the group and the PCC's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was approved by myself as PCC for South Yorkshire.

Yours faithfully

Name Sophie Abbott
Position Chief Finance Officer
Date 20 December 2023

Name Dr Alan Billings
Position SY Police and Crime Commissioner
Date 20 December 2023

South Yorkshire Police and Crime Commissioner
Carbrook House, Carbrook Hall Road, Sheffield, South Yorkshire S9 2EH
Tel: 0114 2964150
Email: thepcc@southyorkshire-pcc.gov.uk
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H. Management Letter of Representation – Chief Constable



Lauren Poultney
Chief Constable

Mr Gareth Mills
Engagement Lead
Grant Thornton UK LLP
No. 1 Whitehall Riverside
Whitehall Road
Leeds
LS1 4BN

20th December 2023

Dear Gareth,

Chief Constable for South Yorkshire Police Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Chief Constable for South Yorkshire Police for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Chief Constable's financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Chief Constable's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Chief Constable and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Chief Constable has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements

- vi. used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii. Except as disclosed in the financial statements:
 - there are no unrecorded liabilities, actual or contingent
 - none of the assets of the Chief Constable has been assigned, pledged or mortgaged
 - there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- ix. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- x. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- xi. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Chief Constable's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xii. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Chief Constable and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xiii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiv. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xv. We have updated our going concern assessment. We continue to believe that the Chief Constable's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - the nature of the Chief Constable means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

OFFICIAL

South Yorkshire Police Headquarters
Carbrook House
Carbrook Hall Road
Sheffield
S9 2EH

Direct Dial no. 0114 2623167
E-mail: chief@southyorks.pnn.police.uk

H. Management Letter of Representation – Chief Constable

- the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- the Chief Constable's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Chief Constable's ability to continue as a going concern need to be made in the financial statements

- xvi. The Chief Constable has complied with all aspects of ring-fenced grants that could have a material effect on the Chief Constable's financial statements in the event of non-compliance.

Information Provided

- xvii. We have provided you with:
- access to all information of which we are aware that is relevant to the preparation of the Chief Constable's financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of your audit; and
 - access to persons within the Chief Constable via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Chief Constable and involves:
- management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
- xxv. We have disclosed to you the identity of the Chief Constable's related parties and all the related party relationships and transactions of which we are aware. We can confirm that the non-completion of a declaration of interest by ACC Butterfield does not give rise to any previously undisclosed related party relationship and/or related transactions.
- xxvi. We confirm that it is appropriate to account for the pension asset ceiling at £nil in line with IFRIC14 accounting principles. We acknowledge that a key assumption in the calculation is that secondary (past service) contributions of 0.9% will be payable in perpetuity and we consider this to be a prudent and appropriate assumption based on the information available as at the reporting date.

- xxvii. We have considered whether the Chief Constable is required to reflect a liability in respect of equal pay claims within its financial statements. We confirm that we are satisfied that no liability needs to be recognised on the grounds that:

- A Collective Agreement was reached in May 2000 with the recognised trade unions as part of the Single Status Agenda.
- The Chief Constable has adopted the equality proofed National Joint Council (NJC) for Local Government's Job Evaluation Scheme which ensures that work of equal value is allocated to the same salary banding, progression within which is determined by performance. The scheme is regularly updated to comply with equal pay legislation
- The Chief Constable's Pay Policy Statement determines its approach to pay and the Remuneration Committee ensures the provisions set out in the statement are applied consistently throughout the Chief Constable.
- Roles and working arrangements whereby individuals or groups may work less time than their contracted hours do not exist in the Chief Constable as services where these practices might arise have been contracted out.

Annual Governance Statement

- xxviii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Chief Constable's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxix. The disclosures within the Narrative Report fairly reflect our understanding of the Chief Constable's financial and operating performance over the period covered by the Chief Constable's financial statements.

Approval

The approval of this letter of representation was approved by myself as Chief Constable for South Yorkshire.

Yours faithfully,



Lauren Poultney
Chief Constable



Name: Debbie Carrington
Position: Chief Finance Officer
Date: 20/12/23
Signed:

I. Audit opinion – PCC

Independent auditor's report to the Police and Crime Commissioner for South Yorkshire

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of the Police and Crime Commissioner for South Yorkshire (the 'Police and Crime Commissioner') and its subsidiary the Chief Constable (the 'group') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and Notes to the Accounts, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Police Pension Fund Account and Net Assets Statement, and Notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Police and Crime Commissioner as at 31 March 2023 and of the group's expenditure and income and the Police and Crime Commissioner's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Police and Crime Commissioner and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Police and Crime Commissioner and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Police and Crime Commissioner and the group to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Police and Crime Commissioner and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Police and Crime Commissioner and the group. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Police and Crime Commissioner and group and the Police and Crime Commissioner and group's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Police and Crime Commissioner and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

Emphasis of Matter – contingent liability in respect of the Hillsborough disaster

We draw attention to Note 4 to the financial statements, which describes the existence of a contingent liability in respect of the Hillsborough disaster. As disclosed at Note 4, management recognise the complexity of the scheme which is over a 30-year period. In management's opinion, it is therefore not possible to materially quantify the total likely payments in the statement of accounts. Our opinion is not modified in respect of this matter.

Emphasis of matter – demise of the organisation

We draw attention to Note 41 to the financial statements, which indicates that as a result of the adopting a mayoral model for policing in South Yorkshire, the Police and Crime Commissioner will be incorporated into the South Yorkshire Mayoral Combined Authority in May 2024 and become one single entity from that date. Subject to the approval of a statutory instrument expected in early 2024, the services, assets and liabilities of the Police and Crime Commissioner for South Yorkshire will transfer to South Yorkshire Mayoral Combined Authority. Our opinion is not modified in respect of this matter.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

I. Audit opinion – PCC

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Police and Crime Commissioner under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Police and Crime Commissioner and the Chief Finance Officer

As explained more fully in the Statement of Responsibilities, the Police and Crime Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Police and Crime Commissioner's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Police and Crime Commissioner and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Police and Crime Commissioner and the group and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Police Reform and Social Responsibility Act 2011, the Public Service Pensions Act 2013, the Police Pension Fund Regulations 2006 and the Police Pensions Regulations 2015).

We enquired of management and the Police and Crime Commissioner concerning the Police and Crime Commissioner and group's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;

- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Police and Crime Commissioner whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Police and Crime Commissioner and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and risk of judgements derived by management with high estimation uncertainty. We also considered the risk of fraudulent revenue and expenditure recognition, however these risks were rebutted. We determined that the principal risks were in relation to:

- manual journal entries made during the financial statement preparation process which had an impact on the Comprehensive Income and Expenditure Statement, and
- material closing journals that are unusual in nature and outside our expectations.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on closing manual journals posted close to the year end during the financial statement preparation process. Our work was planned in a manner to identify cumulative material impacts due to management override of controls through journal entries; and
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings for the Police and Crime Commissioner and the group and the IAS19 Police Pension Scheme liability and the Local Government Pension Scheme net surplus for the Chief Constable and the group;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the police sector
- understanding of the legal and regulatory requirements specific to the Police and Crime Commissioner and group including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Police and Crime Commissioner and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

I. Audit opinion – PCC

- the Police and Crime Commissioner and group's control environment, including the policies and procedures implemented by the Police and Crime Commissioner and group to ensure compliance with the requirements of the financial reporting framework.

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

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

Matter on which we are required to report by exception – the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

Our work on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources is complete and we have nothing to report in respect of the above matter.

Responsibilities of the Police and Crime Commissioner

The Police and Crime Commissioner is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

We document our understanding of the arrangements the Police and Crime Commissioner has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for South Yorkshire Police and Crime Commissioner for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Police and Crime Commissioner for the year ended 31 March 2023.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

Use of our report

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

Gareth D Mills

Gareth Mills, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Leeds

20 December 2023

J. Audit opinion – Chief Constable

Independent auditor's report to the Chief Constable of South Yorkshire Police

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of the Chief Constable for South Yorkshire Police (the 'Chief Constable') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and Notes to the Accounts, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Police Pension Fund Account and Net Assets Statement, and Notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2023 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Chief Constable in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Chief Constable's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Chief Constable to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Chief Constable's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Chief Constable. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Chief Constable and the Chief Constable's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Chief Constable's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Chief Constable under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

J. Audit opinion – Chief Constable

Responsibilities of the Chief Constable and the Chief Finance Officer

As explained more fully in the Statement of Responsibilities, the Chief Constable is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Chief Constable without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Chief Constable and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Police Reform and Social Responsibility Act 2011, the Public Service Pensions Act 2013, the Police Pension Fund Regulations 2006 and the Police Pensions Regulations 2015).

We enquired of management and the Chief Constable concerning the Chief Constable's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Chief Constable whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Chief Constable's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and risk of judgements derived by management with high estimation uncertainty. We also considered the risk of fraudulent revenue and expenditure recognition, however these risks were rebutted. We determined that the principal risks were in relation to:

- manual journal entries made during the financial statement preparation process which had an impact on the Comprehensive Income and Expenditure Statement, and
- material closing journals that are unusual in nature and outside our expectations.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on closing manual journals posted close to the year end during the financial statement preparation process. Our work was planned in a manner to identify cumulative material impacts due to management override of controls through journal entries; and
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the IAS19 Police Pension Scheme liability and the Local Government Pension Scheme net surplus;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the police sector
- understanding of the legal and regulatory requirements specific to the Chief Constable including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Chief Constable's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Chief Constable's control environment, including the policies and procedures implemented by the Chief Constable to ensure compliance with the requirements of the financial reporting framework.

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

J. Audit opinion – Chief Constable

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

Matter on which we are required to report by exception – the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

Our work on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources is complete and we have nothing to report in respect of the above matter.

Responsibilities of the Chief Constable

The Chief Constable is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

We document our understanding of the arrangements the Chief Constable has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Chief Constable for South Yorkshire for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Chief Constable for the year ended 31 March 2023.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

Use of our report

This report is made solely to the Chief Constable, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Chief Constable those matters we are required to state to the Chief Constable in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable as a body, for our audit work, for this report, or for the opinions we have formed.

Gareth D Mills

Gareth Mills, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Leeds

20 December 2023

