Office of the Police & Crime Commissioner for Hampshire and Chief Constable for Hampshire

Joint Audit Committee Summary

For the year ended 31 March 2015

Audit Results Report – ISA (UK and Ireland) 260

September 2015

EY

Building a better working world

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Section 1

Executive summary

Executive summary – key findings

Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. Following the restructuring of police structures during in 2012, those charged with governance are the Police and Crime Commissioner (PCC) and the Chief Constable (CC)

This report summarises the findings from the 2014/15 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

- As of 11 September 2015, subject to satisfactory completion of outstanding work, we expect to issue an unqualified opinion on the financial statements. Our audit results demonstrate, through the few matters we have to communicate, that the Office of the Police & Crime Commissioner for Hampshire and the Chief Constable for Hampshire Police have prepared their financial statements to a good standard. The audit took longer than planned, due primarily to the change of financial system in year and the national issues resulting from Milne V GAD. We have agreed with the Chief Finance Officers for the PCC and CC that we will hold a meeting in autumn 2015 to understand how we can continue to improve our joint working arrangements in light of the future changes to completion deadlines.

Value for money

- We expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources.

Whole of Government Accounts

- Work has not yet started on the whole of government accounts. We will update the Joint Audit Committee on 21 September 2015 whether there are any significant matters to report to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

Audit certificate

- The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.

Section 2

Extent and purpose of our work

Extent and purpose of our work

The Office of the Police and Crime Commissioner and Office of the Chief Constable's responsibilities

- The PCC Group is responsible for preparing and publishing two Statements of Accounts, one for the Police and Crime Commissioner Group (PCC) and one for the Chief Constable (CC), each set accompanied by an Annual Governance Statement. In the Annual Governance Statements, the PCC and the CC report publicly on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.

- The Offices of the PCC and CC are also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources

Purpose of our work

- Our audit was designed to:
  - express an opinion on the 2014/15 financial statements of the PCC Group, the PCC and the CC; together with the consistency of other information published with them;
  - report on an exception basis on the Annual Governance Statements;
  - consider and report any matters that prevent us being satisfied that the Offices of the PCC and the CC have put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources (the value for money conclusion); and
  - discharge the powers and duties set out in the Audit Commission Act 1998 and the Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Offices of the PCC and CC's accounting policies and key judgments.

As a component auditor, we also follow the NAO group instructions and report the results on completion of the WGA work through the Assurance Statement to the NAO and to the Offices of the PCC and CC.

This report is intended solely for the information and use of the Offices of the PCC the CC. It is not intended to be, and should not be, used by anyone other than the specified party.

Section 3

Addressing audit risks

Addressing audit risks – significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over these issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Audit risk identified within our audit plan	Audit procedures performed	Assurance gained and issues arising
Significant audit risks (including fraud risks)		
Management Override: As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement. This risk applies to the Office of the PCC, Office of the CC and the Group.	Our approach focussed on: ▸ testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▸ reviewing accounting estimates for evidence of management bias, and ▸ evaluating the business rationale for significant unusual transactions.	From the work completed on journals, accounting estimates and unusual transactions we did not identify any evidence of management override of controls.
New accounting system in year: The PCC and CC changed the main corporate systems to a single SAP ERP system at the end of October 2014, as part of the move to the H3 Integrated Business Centre. This is a fundamental system which records the PCC's and CC's income and expenditure for the year.	Our approach focussed on: ▸ testing the data migration from the old systems to the new system, so we are assured that this was complete and accurate.	Our testing verified that the the data migration from the old system to the new system was materially complete and accurate.

Addressing audit risks – significant audit risks

We identified the following audit risk during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over these issues.

Audit risk identified within our audit plan	Audit procedures performed	Assurance gained and issues arising
Significant audit risks (including fraud risks)		
H3 Partnership The PCC and CC entered into the H3 Partnership with Hampshire County Council and Hampshire Fire and Rescue Service. We need assurance that appropriate legal, governance and financial arrangements have been put in place by the PCC and CC.	Our approach focussed on: ► reviewing the legal and governance arrangements of the H3 Partnership; and ► reviewing the arrangements for sharing costs and benefits from the Partnership.	We have not identified any issues in terms of legal, governance and financial arrangements.

Section 4

Financial statements audit – issues and findings

Financial statements audit – issues and misstatements arising from the audit

Progress of our audit

The following areas of our work programme remain to be completed. We will provide an update of progress at the Joint Audit Committee meeting:

- Whole of Government Accounts
- Receipt of a Letter of Representation

- Subject to the satisfactory resolution of the above items, we propose to issue an unqualified audit report on the financial statements.

Uncorrected misstatements

We have not identified any misstatements within the draft financial statements, which management has chosen not to adjust.

Corrected misstatements

To date, we have not identified any material misstatements within the draft financial statements. Management has corrected the following errors, which are shown in more detail in Appendix A for the PCC & Group and Appendix B for the CC & Group. These are classification errors which do not impact on the bottom line:

- <u>App A – Point 1</u>**:** Comprehensive Income and Expenditure Statement: corporate democratic core and non-distributed costs misclassified by £1.483 million.
- <u>App A. – Point 2</u>: Balance Sheet: assets held for sale misclassified by £1.442 million.
- <u>App A – Point 3</u>: Note 29.1: short term creditors: amendment required between the classification of types of short-term creditors.
- <u>App B – Points 4 and 5</u>: Note 6: reclassification of a number of lines in the subjective analysis in the CC accounts and consolidated into the Group accounts.

Disclosure issues

We have identified two disclosures that need to be added to both the PCC Group and the CC accounts. These are detailed in Appendix C.

- <u>App C - Point 6</u>: Related Parties – added the PCC Chief Executive Officer's role as Head of Legal Services for Hampshire County Council.

<u>App C - Point 7</u>: Post Balance Sheet non-adjusting event - during our audit, the Home Office agreed to accept the outcome of the Milne v GAD court case and its applicability in respect of historical police pension payments. In accordance with the Accounting Code of Practice and by reference to the appropriate accounting standards this event is deemed to be a plan amendment in terms of the police pension scheme which takes place in 2015/16.

As such this is reported as a non-adjusting post balance sheet event in that it is indicative of conditions that arose after the Balance Sheet date of 31 March 2015. The financial statements have been amended to remove the previously disclosed contingent liability of £33 million with an estimated calculation, using information provided by GAD, of £10.5m which will be funded by the Home Office.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Office of the PCC and Office of the CC's financial reporting process including the following:

- **Qualitative aspects of your accounting practices; estimates and disclosures;**
  - No significant issues to report. We will be holding a joint debrief in autumn 2015 to discuss how we can work together more effectively.
- **Other audit matters of governance interest – Joint Audit Committee (JAC)**
  - The 2014/15 JAC annual report and self-assessment will be presented to the committee meeting on 25 September. We recommend these are presented to the June Committee each year alongside the Annual Governance Statements (AGSs) as these reports underpin the disclosures in the AGSs.
  - The CC Chief Finance Officer produced an assurance framework for the June JAC outlining the main sources of assurance that underpin the Annual Governance Statement. The JAC may wish to use this as a tool to focus their discussions as to where they have sufficient assurance and where there are gaps in the assurances provided by officers, so that they are confident that they can fully report on the effectiveness of the PCC's and the CC's governance framework.

Financial statements audit – application of materiality for PCC Group

Our application of materiality

- When establishing our overall audit strategy, we determined the magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	
Planning Materiality and Tolerable Error	We determined planning materiality for the Group to be £7.341 million (2014: £7.356 million), which is 2% of gross revenue expenditure reported in the accounts at £367.034 million. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the group. We set a tolerable error for the group audit. Tolerable error is the application of planning materiality at the individual account or balance level. It is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality. The level of tolerable error drives the extent of detailed audit testing required to support our opinion. We have set group tolerable error at the upper level of the available range because there were no corrected significant errors in the PCC Group's 2013/14 financial statements and no uncorrected errors. Audit work for the PCC and CC components is undertaken based on a percentage of the group tolerable error based on the relative size of the component and our view of the risk of misstatement at that component. We call this 'component performance materiality'.
Reporting Threshold	We agreed with the Joint Audit Committee that we would report to the Committee all audit differences in excess of £367,000 (2014: £367,000). We identified two misstatement within the draft financial statements, which management has adjusted for.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas,. The areas identified and audit strategy applied include:

- Remuneration disclosures: we reviewed the senior officer remuneration note and agreed all amounts back to supporting documentation. No issues were noted from this review.
- Related party transactions: we reviewed the related party transaction disclosure and also the related party declarations distributed to the senior management team. No issues were noted from this review.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

Financial statements audit – application of materiality for Office of the Police and Crime Commissioner

Our application of materiality

- When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the PCC financial statements as a whole.

Item	
Planning Materiality and Tolerable Error	We determined planning materiality for the PCC to be £5.21 million (2014: £5.36 million), which is 2% of gross assets reported in the accounts at £280.841 million. We consider gross assets to be one of the principal considerations for stakeholders in assessing the financial performance of the PCC. We set a tolerable error for the audit as this drives the extent of detailed audit testing required to support our opinion. We have set a tolerable error for the PCC at the upper level of the available range because there were no corrected significant errors in the PCC's 2013/14 financial statements and no uncorrected errors. We ensured the tolerable error figure used did not exceed the assigned component performance materiality level.
Reporting Threshold	We agreed with the Joint Audit Committee that we would report to the Committee all audit differences in excess of £281,000 (2014: £268,000). We identified two misstatements within the draft financial statements, which management has adjusted for.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas,. The areas identified and audit strategy applied include:

- Remuneration disclosures: we reviewed the senior officer remuneration note and agreed all amounts back to supporting documentation. No issues were noted from this review.

- Related party transactions: we reviewed the related party transaction disclosure and also the related party declarations distributed to the senior management team. No issues were noted from this review.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

Financial statements audit – application of materiality for Office of the Chief Constable

Our application of materiality

- When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the CC financial statements as a whole.

Item	
Planning Materiality and Tolerable Error	We determined planning materiality for the CC to be £6.79 million (2014: £7.02 million), which is 2% of gross revenue expenditure reported in the accounts at £339.641 million. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the CC. We set a tolerable error for the audit as this drives the extent of detailed audit testing required to support our opinion. We set our tolerable error for the audit at the upper level of the available range because there were no corrected significant errors in the CC's 2013/14 financial statements and no uncorrected errors. We ensured the tolerable error figure used did not exceed the assigned component performance materiality level.
Reporting Threshold	We agreed with the Joint Audit Committee that we would report to the Committee all audit differences in excess of £340k (2014: £351k). We identified one misstatement within the draft financial statements, which management has adjusted for.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas,. The areas identified and audit strategy applied include:

- Remuneration disclosures: we reviewed the senior officer remuneration note and agreed all amounts back to supporting documentation. No issues were noted from this review.

- Related party transactions: we reviewed the related party transaction disclosure and also the related party declarations distributed to the senior management team. No issues were noted from this review.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

Financial statements audit – internal control, written representations and whole of government accounts

Internal control

It is the responsibility of the Office of the PCC and Office of the CC to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Office of the PCC and Office of the CC have put adequate arrangements in place to satisfy themselves that the systems of internal financial control are both adequate and effective in practice.

We have tested the controls of the Office of the PCC and Office of the CC only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.

We have reviewed the Annual Governance Statements for the PCC and the CC and can confirm that:

- they comply with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- they are consistent with other information that we are aware of from our audit of the financial statements.

We have not identified any significant deficiencies in the design of an internal control that might result in a material misstatement in the financial statements.

Request for written representations

We have requested management representation letters from both the PCC and CC to gain confirmation in relation to a number of matters. In addition to the standard representations, we have not requested any specific representations.

Whole of Government Accounts

- Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.
- We are currently concluding our work in this area and will report any matters that arise to the Joint Audit Committee.

Section 5

Arrangements to secure economy, efficiency and effectiveness

Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that the Office of the PCC and Office of the CC have put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources. In examining the Office of the PCC and Office of the CC's corporate performance management and financial management arrangements, we have regard to the following criteria and focus specified by the Audit Commission.

Criterion 1 – arrangements for securing financial resilience

'Whether the Office of the PCC and Office of the CC have robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future'

We identified one significant risk in relation to this criterion: *Delivery of a Sustainable Medium Term Financial Plan*

We note the following specific findings regarding this criterion:

- Hampshire Police are required to save some £53 million over the next four year. We noted that there is a current budget gap of some. £26 million over the next three years.
- We have considered this position against the current level of usable reserves, including earmarked reserves and balances at the disposal of Hampshire Constabulary. As at 31 March 2015 we calculated these to be £72 million.
- We acknowledge that Hampshire Police has a culture of delivering its saving plans and note the ongoing financial planning to identify the savings needed to close the cumulative budget gap in 2018/19.
- HMIC acknowledged in its Nov 2014 Police, Efficiency, Effectiveness and Legitimacy (PEEL) assessment that the Constabulary had risen to the funding challenge extremely well and that its planning for the future is assessed as good.

Criterion 2 – arrangements for securing economy, efficiency and effectiveness

'Whether the Office of the PCC and Office of the CC are prioritising their resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity'

We did not identify any significant risks in relation to this criterion.

- We have no issues to report.
- We have reviewed the findings from the first formal HMIC PEEL assessment, in November 2014, which showed that Hampshire Police was ranked as good for efficiency. The Constabulary was also rated as good for "the extent to which the Force is taking steps to ensure a secure financial position for the short and long term" and good for "the extent to which the Force has got an affordable way of providing policing.
- The PEEL assessment also noted that the Constabulary is good in the following three areas assessed:
  - preventing crime and reducing offending;
  - tackling anti-social behaviour;
  - investigating offending.
- Our work did not identify any other matters relating to aspects of your corporate performance and financial management framework which are not covered by the scope of the two specified criteria.

Addressing audit risks – significant VFM risk

We reported VFM Financial Resilience as an “Other Risk” in the Audit Plan we presented to you on 25 June. However, we reclassified the risk as significant during the fieldwork phase of our audit in July as we found that the savings requirements for next 3 years of £25.9 million is greater than our PCC Group planning materiality (PM) of £7.341 million. A significant audit risk in the context of the value for money conclusion is the risk we may issue the wrong value for money conclusion. Where we identify a significant value for money conclusion risk we will need to undertake additional audit work to enable us to reach an appropriate conclusion. Here, we set out how we have gained audit assurance over this issue.

VFM risk identified within our audit plan	Procedures performed	Assurance gained and issues arising
Financial Resilience - Delivery of a Sustainable Medium Term Financial Plan		
Whilst the PCC and CC have a good track record of making savings and HMIC commented favourably on their financial plans last year, the financial challenges continue with further reductions in the level of central government funding. An additional £53 million in savings needs to be delivered between 2015/16 and 2018/19. To meet these challenges, the PCC and CC must continue to improve efficiency and productivity, reduce costs, and have sustainable financial plans to ensure they are financially resilient. In response, the PCC and the CC are developing a change programme which includes a new operating models and increased collaboration.	Our approach focussed on: ▪ reviewing the outturn and savings achieved against budget for 2014/15; ▪ assessing the reasonableness of the major assumptions in the medium term financial plan; and ▪ considering how far the savings required over the next 3 years are underpinned by specific schemes.	• In 2014/15, Hampshire Police underspent compared to its budget. The 2014/15 net contribution to reserves was £3.158 million. Our audit of the financial statements has not identified any adjustments to the bottom line. • The HMIC (July 2014) report acknowledges that “Hampshire Constabulary has responded well to the challenge of the spending review. It is well placed to respond to future funding reductions in this ongoing era of austerity. In spite of a difficult financial challenge has achieved more savings than it needed to over the spending review period”. Although this was early on in the 2014/15 financial year, it provides assurance that Hampshire’s Police medium term financial planning is inherently sound. • We have reviewed the medium term financial strategy (MTFS), for 2015/16 to 2018/19, and looked at the MTFS assumptions and the granularity of savings identified over medium-term. The MTFS is well documented and underpinned by reasonable assumptions. • However, as expected, there are risks associated with delivery of savings. Plans have been developed to mitigate these risks. Total usable reserves were some £72 million at 31 March 2015. The MTFS shows how these reserves will be used to support the Constabulary’s change programme and to fund revenue budget shortfalls as efficiencies are delivered over the medium-term. • Frontline efficiencies are being delivered through the Hampshire Constabulary 2020 , including aligning the area structure with the 14 districts in the force to enable more effective partnership working for neighbourhood policing. Response policing is carried out using a borderless model and the Estates Change Programme (ECP) is a key facilitator in the rationalisation of assets. The OCP will deliver significant savings to cover the expected budget reductions for 2015/16 and 2016/17. Support services are now delivered in partnership with the County Council and Fire services. More support services will follow and processes and systems will be redesigned to give greater efficiencies, economies of scale and resilience to all three partner organisations in the future.

Section 6

Independence and audit fees

Independence and audit fees

Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 25 June 2015.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code and Standing Guidance. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm all auditors involved in the audit have had specific BPSS security clearance.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Joint Audit Committee on 21 September 2015.

We confirm that we have met the reporting requirements to the Joint Audit Committee, and to the PCC and CC, as 'those charged with governance', under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements were set out in our Audit Plan of 25 June 2015.

Audit fees

- The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2014/2015	Scale fee 2014/2015	Variation comments
	£	£	
Audit Fee: Code work (PCC)*	54,980	54,980	
Audit Fee – Code Work (CC)*	25,000	25,000	
Non-audit work – CC	2,100	0	

- * The audit took longer than planned, due primarily to the change of financial system in year and the national issues resulting from Milne V GAD. We will discuss the implications of this with officers once we have completed the outstanding audit work. Any scale fee variation will also need to be agreed with Public Sector Appointments Ltd.
- We have undertaken a small piece of non-audit work on the Constabulary's Risk Register, for a fee of £2,100, outside of the Audit Commission's Audit Code requirements.

Section 7

Appendices

Appendix A – Corrected audit misstatements (PCC & Group)

- The following corrected misstatements, greater than £5.21million for the PCC (typically we communicate those corrected misstatements greater than TE unless TCWG specifically requests us to communicate items above a lower threshold), have been identified during the course of our audit and warrant communicating to you. These items have been corrected by management within the revised financial statements.

PCC & Group Balance Sheet and Statement of Comprehensive Income and Expenditure

Item of account	Nature	Type	Balance sheet	Comprehensive income and expenditure statement
	Description	**F, P, J**	**Debit / (credit) (£'000)**	**Debit / (credit) (£'000)**
1. CIES: non distributed costs amendment	Correction of Non Distributed Costs	F		(1,483)
CIES: corporate and democratic core amendment	Correction of Corporate and Democratic Core costs	F		1,483
2. Balance sheet: assets held for sale (AHFS) amendment	Assets newly classified as AHFS	F	1,442	
	Assets declassified as AHFS	F	(1,442)	
3. Note 29.1: short term creditors – classification amendment between types of short-term creditors.	Central Government Bodies	F	4,620	
	Other Local Authorities	F	(2,491)	
	NHS Bodies	F	(3,234)	
	Public corporate and trading funds	F	(1,915)	
	Other entities and individuals	F	3,020	
Cumulative effect of corrected misstatements			0	0

Key

- F – Factual misstatement
- P – Projected misstatement based on audit sample error and population extrapolation
- J – Judgemental misstatement

Appendix B – Corrected audit misstatements (CC & Group)

- The following corrected misstatements, greater than £6.79 million for the CC (typically we communicate those corrected misstatements greater than TE unless TCWG specifically requests us to communicate items above a lower threshold), have been identified during the course of our audit and warrant communicating to you. These items have been corrected by management within the revised financial statements.

CC & Group - disclosures

Item of account	Nature	Type	Balance sheet	Comprehensive income and expenditure statement
	Description	**F, P, J**	**Debit /(credit) (£'000)**	**Debit /(credit) (£'000)**
4. Note 6: subjective analysis - reclassification of employee accumulated absences expense from the premises line to the employee line.	Premises Line	F		715
	Employee Line	F		(715)
5. Note 6: subjective analysis - reclassification of third party payments to supplies & services expenses.	Supplies and services	F		2,029
	Third party payments	F		(2,029)
Cumulative effect of corrected misstatements			0	0

Key

- F – Factual misstatement
- P – Projected misstatement based on audit sample error and population extrapolation
- J – Judgemental misstatement

Appendix C – corrected audit disclosures (PCC, CC & Group)

- The following amended disclosures have been identified during the course of our audit and in our professional judgement warrant communicating to you.
- These items have been corrected by management within the revised financial statements

PCC, CC & Group disclosures

Disclosure	Description of amendment
6. Note 10: Related Parties (PCC & Group)	Added that the PCC Chief Executive Officer is also employed by Hampshire County Council as the Head of Legal Services
7. Post balance sheet non-adjusting event (PCC, CC & Group)	As discussed on page 10, the financial statements have been amended to remove the previously disclosed contingent liability of £33 million with an estimated calculation, using information provided by GAD, of £10.5 million which will be funded by the Home Office.

Key

- F – Factual misstatement
- P – Projected misstatement based on audit sample error and population extrapolation
- J – Judgemental misstatement