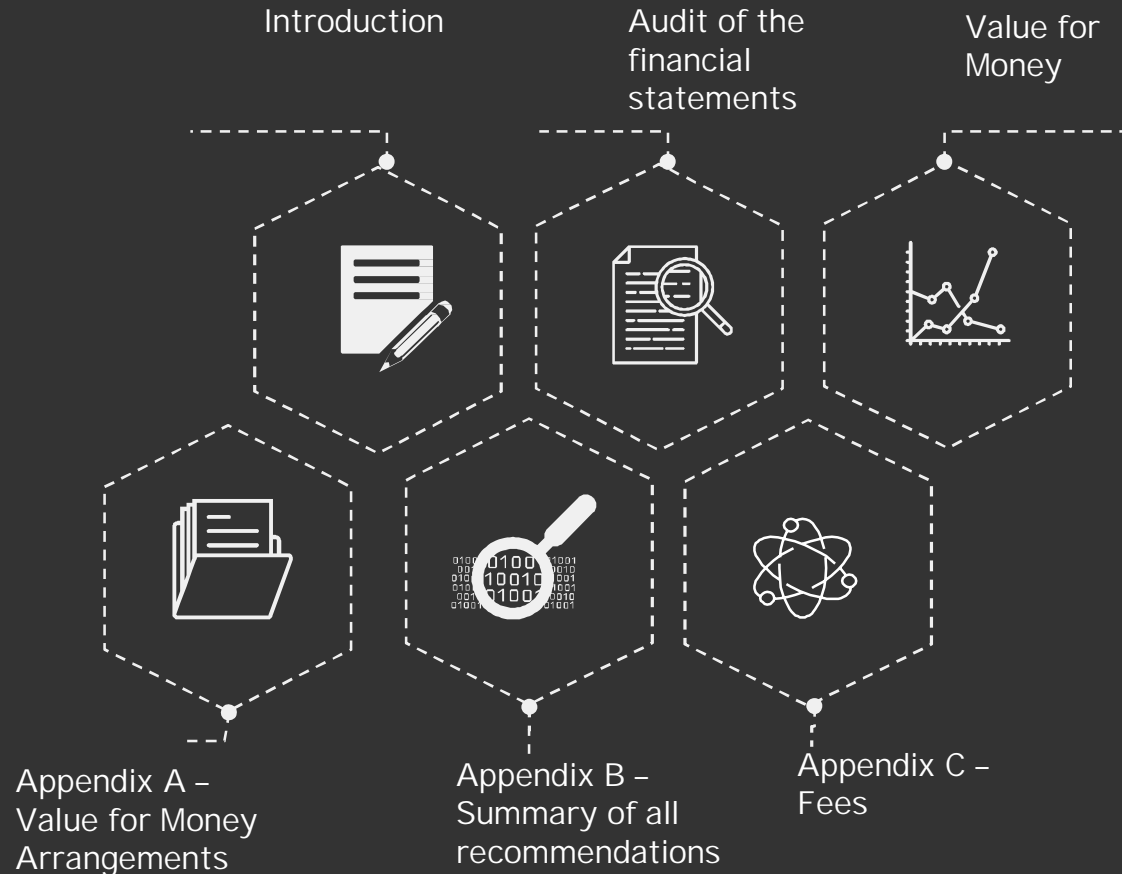


Hampshire and Isle of Wight
Police and Crime
Commissioner,
Hampshire and Isle of Wight
Constabulary
Auditor's Annual Report

Year ended 31 March 2022

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Joint Audit Committee and management of Hampshire and Isle of Wight Police and Crime Commissioner and Hampshire and Isle of Wight Constabulary in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Joint Audit Committee and management of Hampshire and Isle of Wight Police and Crime Commissioner and Hampshire and Isle of Wight Constabulary those matters we are required to state to them in this 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 Joint Audit Committee and management of Hampshire and Isle of Wight Police and Crime Commissioner and Hampshire and Isle of Wight Constabulary for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



Introduction

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Police and Crime Commissioner, the Chief Constable (the 'PCC and CC'), or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2021/22 audit work in accordance with the Audit Plan that we issued on 22 February 2023. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the PCC and CC;
- If we identify a significant weakness in the PCC and CC's arrangements in place to secure economy, efficiency and effectiveness in their use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the PCC and CC

The PCC and CC are responsible for preparing and publishing their financial statements, narrative statement and annual governance statement. They are also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.



Introduction (continued)

2012/22 Conclusions

Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the PCC and CC and group as at 31 March 2022 and of the expenditure and income for the year then ended. We issued our auditor's report on 22 February 2023.
Going concern	We have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	We had no matters to report by exception on the PCC and CC's VFM arrangements. We have included our VFM commentary in Section 03.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the PCC and CC.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of government accounts	We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission.
Certificate	We have not yet issued our certificate for 2021/22 as we have not yet received confirmation from the National Audit Office as to whether any additional information is required on the Whole of Government Accounts submission.

Audit of the financial statements

Key findings

The Narrative Statement and Accounts is an important tool for the PCC and CC to show how they have used public money and how they can demonstrate their financial management and financial health.

On 22 February 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the September 2022 Joint Audit Committee meeting. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

We report 3 areas for improvement in the processes for the production of the financial statements. These are set out on page 22.

Significant risk	Conclusion
Risk of fraud in revenue and expenditure recognition Inappropriate capitalisation of Expenditure	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund.</p> <p>Our testing did not identify any material misstatements from inappropriate capitalisation of revenue expenditure. Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the PCC or CC's financial position.</p>
Misstatements due to fraud or error Management override of controls	<p>An ever present risk that management is in a unique position to commit fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Our work did not identify any material weaknesses in the design and operation of controls or evidence of material misstatements, whether due to fraud or error. Our work did not identify any instances of inappropriate judgements being applied.</p> <p>Our work did not identify any other transactions during our audit which appeared unusual or outside the PCC and CC's normal course of business.</p>



Audit of the financial statements cont.

Other Areas of Audit Focus

Area	Conclusion
Valuation of Land and Buildings	<p>Land and buildings are one of the most significant balances in the PCC's Balance Sheet. The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.</p> <p>Our review of the indexation of assets not valued in year has indicated that these assets may be understated by £1.8m. Our review of assets valued in year has indicated that the assets are understated by £1.8m. Management have chosen not to adjust these audit differences as they are based on judgement and not material to the Financial Statements. We are satisfied this has no impact on the audit opinion.</p> <p>We encountered delays in completing the audit in their area after reporting to the joint audit committee in September 2022. We have discussed improvements for next year's audit with the PCC CFO such as early sample selection and regular touch points with the Valuer to ensure we receive the correct evidence first time.</p>
Pension Liability Valuation	<p>The Pension Fund liability is a material balance in the Balance Sheet. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>Our review of the accounting entries & disclosures and our review of the assumptions used by the actuaries did not identify any issues.</p> <p>The Liability roll forward procedures were by EY pensions team and noted the value was within an acceptable range. No issues were noted in the assurance letter from pension fund auditors on the material accuracy of the information provided to the actuary from the pension fund.</p>

We did not identify any risks of significant weaknesses in the PCC and CC's VFM arrangements for 2021/22.

Our VFM commentary highlights relevant issues for the PCC and CC and the wider public.

We have no matters to report by exception in the audit report.

Scope

We are required to report on whether the PCC and CC have put in place proper arrangements to secure economy, efficiency and effectiveness in the use of their resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the September Audit Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of PCC and CC committee reports, meetings with the Chief Financial Officers and evaluation of associated documentation through our regular engagement with PCC and CC management and the finance team.

Reporting

We completed our risk assessment procedures in September and did not identify any significant weaknesses in the PCC and CC's VFM arrangements. We have also not identified any significant risks during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our commentary for 2021/22 is set out over pages 8 to 10. The commentary on these pages summarises our conclusions over the arrangements at the PCC and CC in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Annual Auditors Report and have been updated for 2021/22.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the PCC and CC plan and manage resources to ensure they can continue to deliver their services	No significant risks identified	No significant weaknesses identified
Governance: How the PCC and CC ensure that they make informed decisions and properly manages risks	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness: How the PCC and CC use information about costs and performance to improve the way they manage and deliver their services	No significant risks identified	No significant weaknesses identified



Value for Money (continued)

Financial Sustainability: How the PCC and CC plans and manages their resources to ensure it can continue to deliver their services

During the year the PCC and CC continued to effectively manage their budgets, and look to the future through their Medium Term Financial Strategy (MTFS). They responded well to cost pressures as they emerged, within the context that effective financial planning does remains difficult due to continuing uncertainties in the funding that will be made available to police forces.

The budget established and approved in February 2021 was managed with an overall underspend of £5.8m (1.5%). The net revenue budget for the year was £388m for the PCC and CC, and the reported outturn position for the PCC and CC was net expenditure of £381m. The largest single contribution to this position was an underspend in employee costs in the Constabulary, predominantly relating to changes in the profile of police officer recruitment, linked to COVID and the availability of estate for training new recruits.

The Medium Term Financial Strategy has since been updated, with the latest iteration approved during February 2023. The organisations continued to set a balanced budget looking forward into the year 2023/24. There are future gaps identified between available and required resources post 2023/24, but the organisations have good track record of planning ahead and reducing those gaps by the time of the annual budget setting.

The Organisations have monitoring processes in place to help ensure the continuances of their services. In order to ensure these finances support the delivery of services they align to the Police and Crime Plan which sets out the priorities and responsibilities of the Organisations.

We identified no risks in this areas as part of our risk assessment.

Conclusion: Based on the work performed, the PCC and CC had proper arrangements in place in 2021/22 to enable them to plan and manage their resources to ensure that they can continue to deliver their services.



Value for Money (continued)

Governance: How the PCC and CC ensures that they make informed decisions and properly manages their risks

The PCC and CC are required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement rests with management.

The Organisations have a number of arrangements in place to ensure that appropriate decisions are made. There is a clear decision policy to provide clarity of the role and expectations of all involved in the process to ensure that any decision reached by the Commissioner is done so in an open and transparent way.

To ensure effective leadership throughout the entity, members and officers work together to deliver agreed plans with defined functions and roles. These roles and responsibilities are set out in the Constitution including those for the Police and Crime Panel and the rules under which they operate.

The Organisations have an effective corporate risk management framework in place to identify, mitigate and monitor the risks in delivering strategic objectives. This includes both financial and non-financial risks. The risk register is reviewed throughout the year by the Joint Audit Committee. Risk management is embedded throughout Hampshire Police and in its partnership working arrangements.

The Organisations have a sound management philosophy, demonstrates clarity of purpose and focus, with emphasis on performance and risk management.

We identified no risks against this criteria.

Conclusion: Based on the work performed, the PCC and CC had proper arrangements in place in 2021/22 to enable them to make informed decisions and properly manage their risks.



Value for Money (continued)

Improving economy, efficiency and effectiveness: How the PCC and CC uses information about their costs and performance to improve the way they manage and deliver their services

The Organisations produce a Police and Crime Plan which sets out the priorities and responsibilities of the Organisations.

In November 2021 an updated Plan was developed called "More Police and Safer Streets". This plan sets the strategic direction and priorities for policing across Hampshire and the Isle of Wight for the next three years. It is the Organisation's statutory responsibility to ensure that a Police and Crime Plan is fit for purpose. The plan gives strategic direction for the future and has been developed in consultation with their key stakeholders.

Through this plan the strategic objectives and priorities are stated, showing the steps to be taken in order for these to succeed. This then links back to the budget and the financial information available i.e. MTFS to show how these strategic objectives and priorities can be achieved.

Progress in relation to the actions and intended outcomes in the Delivery Plan are presented to the Police and Crime Panel. Through this information, and other supporting methods, the PCC and CC can evaluate and improve their services.

We identified no risks in relation to this criteria.

Conclusion: Based on the work performed, the PCC and CC had proper arrangements in place in 2021/22 to enable them to use information about their costs and performance to improve the way they manage and deliver services.

Appendices



Building a better
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Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

Findings

Regarding financial planning, HPCC is working to refine budgets and the Medium Term Financial Strategy (MTFS) to respond to cost pressures as they emerge, and recognise that effective financial planning remains difficult due to continuing uncertainties in the funding that will be made available to police forces. Both PCC and CC (which we will refer to as “The Organisations”) review their budgetary position annually and produces a rolling five year plan, known as the Medium Term Financial Strategy (MTFS). This plan considers the financial climate at both the local and national level together with available resources and budgetary pressures in arriving at a financial strategy. The Commissioner and Chief Constable share a responsibility to provide effective financial and budget planning for the short, medium and longer term.

Medium Term Financial Strategy (MTFS):

The Organisations produce a MTFS every year on a rolling basis that revises the current financial year and sets out financial estimates for the following 4 years, with most of the focus on the budget for the following year. The strategy that the Organisations follow involves planning ahead of time, releasing resources in advance of need and using those resources to help fund transformational change.

The MTFS details that the Police Settlement has provided greater clarity on the expected levels of Government grant support and Council Tax Precept referendum limits for 2023/24 and 2024/25.

Based on current assumptions, the MTFS currently shows that for 2022/23 the PCC is able to set a balanced budget, but for the years 2023/24, 2024/25 and 2025/26 the budget currently shows a shortfall/budget in excess of forecast income of:

	Forecast Budget Deficit £m
2023/24	9.8
2024/25	12.9
2025/26	22.2

As currently presented, it is likely that further savings will be necessary in future years to balance the budget in 2023/24 and beyond, but this will be firmed up in later iterations of the MTFS. In the event that the MTFS were to remain unbalanced in future years post confirmation of funding for the years 2023/24 onwards, the PCC and Chief Constable would need to review planned expenditure and propose mitigating reductions to balance the budget position.

Annual Budget Setting Process:

The revenue budget provides an estimate of the annual income and expenditure requirements for the police service and sets out the financial implications of the Commissioner’s strategic policies.

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (cont...)

Findings

The Commissioner should consult with the Chief Constable and other relevant partners and stakeholders in planning the overall annual budget which will include a separate force budget. This will take into consideration funding from government and from other sources, and balance the expenditure needs of the policing service against the level of local taxation.

The main responsibilities for the key individuals throughout the CC and PCC are shown below.

Responsibilities of the Commissioner:

- To consult the Chief Constable on the planning timetable
- To obtain the views of the local community on the proposed expenditure (including capital expenditure) in the financial year ahead of the financial year to which the proposed expenditure relates
- To present the proposed budget and council tax recommendations to the Police and Crime Panel to decide whether they wish to veto the proposed precept or not
- To approve the budget and precept

Responsibilities of the Commissioner's CFO:

- To determine the format of the revenue budget to be presented to the Commissioner. The format is to comply with all legal requirements and with latest guidance issued by CIPFA.
- To obtain timely and accurate information from billing authorities on the council taxbase and the latest surplus/deficit position on collection funds to inform budget deliberations
- To advise the Commissioner on the appropriate level of general balances, earmarked reserves or provisions to be held

Responsibilities of the Chief Constable and Chief Constable's CFO:

- To prepare detailed budget estimates for the forthcoming financial year in accordance with the timetable agreed with the Commissioner's CFO.
- To submit estimates in the agreed format to the Commissioner for approval, including details of council tax implications and precept requirements.

How the body plans to bridge its funding gaps and identifies achievable savings

As noted above, the Organisations operate a Medium Term Financial Strategy in order to conduct their financial planning. The Organisations recognise that a gap may be identified between available resources and required resources post 2022/23. Requirements should be prioritised by the Chief Constable to enable the Commissioner to make informed judgements as to future funding levels and planning the use of resources.

In 2021/22, the Organisations implemented a £15 per annum increase for Band D properties. This was supported by

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria	Findings
How the body plans to bridge its funding gaps and identifies achievable savings (cont...)	<p>the PCP in January 2021. The additional increase was used fully to support local policing in areas such as recruitment and funding significant costs to deliver the critical pressures being faced by the Organisations.</p> <p>In 2022/23, the Organisations have implemented a £10 increase to Band D Council tax precept in order to balance the budget. This increase to the precept will support the delivery of the PCC's Police and Crime Plan 'More Police, Safer Streets' which includes delivering an increase in police officer numbers.</p> <p>We note that there is one significant saving which may materialise and impact the MTFS forecast in relation to the LGPS pension deficit contribution saving. As the most 2019 recent valuation determined that the Hampshire LGPS was fully funded, the requirement to pay deficit contributions fell away for the period 2020/21 – 2022/23. On that basis, the deficit saving of £5.5m has been utilised over the past two years to fund one-off pressures, and will also be used on the same basis to fund one off pressures within the 2022/23 budget.</p>
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>As mentioned above, the Organisations have financial planning and monitoring processes in place to help ensure the continuances of their services. In order to ensure these finances support the delivery of services the Organisations produce a Police and Crime Plan which sets out the priorities and responsibilities of the Organisations.</p> <p>In November 2021 a new Plan was developed called "More Police and Safer Streets". This plan sets the strategic direction and priorities for policing across Hampshire and the Isle of Wight for the next three years. It is the Organisation's statutory responsibility to ensure that a Police and Crime Plan is fit for purpose. The plan gives strategic direction for the future and has been developed in consultation with their key stakeholders.</p> <p>Throughout this plan, the strategic objectives and priorities of the PCC and CC are stated showing the steps to be taken in order for these to succeed. This then links back to the budget and the financial information available i.e. MTFS to show how these strategic objectives and priorities can be achieved.</p>
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	<p>We note that throughout the financial planning process i.e. budget and MTFS, consideration of other plans such as capital and treasury management also take place. The Capital and Investment strategy and Reserves strategies all form part of the annual budget setting process. These strategies are appended to the budget and precept report presented to the Police and Crime Panel and are approved by the PCC as part of her approval of the budget, MTFS and Precept.</p> <p>This Capital and Investment strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of the services within the PCC's remit, including policing, and provides an overview of how associated risk is managed and the implications for future financial sustainability.</p>

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria	Findings
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system (cont...)	<p>The MTFS ensures that the PCC continues to invest in the existing assets and deliver a programme of new assets in line with overall priorities. The Treasury Management strategy involves keeping sufficient cash available to meet spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.</p> <p>The Organisations also operate a Reserves Strategy. The Chief Finance Officers have a responsibility to ensure that the level of reserves maintained is sufficient. The Police Reform and Social Responsibility Act 2011 states that only the PCC, and not the Chief Constable, is permitted to hold reserves. The Reserves Profile shows that existing planned commitments will result in a forecast reduction of useable reserves by March 2026 to £20.5m (down from £91.1m at the end of March 2021).</p> <p>The PCC continues to use reserves to pay for the cost of change that is required to meet both the financial challenge and the necessary investment to ensure that the Constabulary remains a modern, operationally effective Police Service.</p> <p>We have considered whether the reduction in reserves, and the budget gaps identified in the medium term financial strategy, represent a risk of significant weakness in the organisations' arrangements regarding financial sustainability. We have concluded they do not. The arrangements in place clearly identify these issues, including the relevant risk, uncertainties and assumptions made. The arrangements in place have a clear track record of addressing the budget gaps.</p>
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>Throughout the preparation of each of these, risks are taken into consideration in order to see how they impact certain areas and what the financial implications of these risks might be.</p> <p>The Organisations have an effective corporate risk management framework in place to identify, mitigate and monitor the risks to the Organisations in delivering strategic objectives. This includes both financial and non-financial risks. The elements of the PCC's and CC's risk management's framework are outlined on their website. The risk register is reviewed throughout the year by the Joint Audit Committee.</p>

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

Findings

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Organisations have an effective corporate risk management framework in place to identify, mitigate and monitor the risks in delivering strategic objectives. This includes both financial and non-financial risks. The risk register is reviewed throughout the year by the Joint Audit Committee. Risk management is embedded throughout Hampshire Police and in its partnership working arrangements. The effective scrutiny of risk management is split between, at the highest and national level, the Constabulary's Chief Officer Group and at a local level for PCC and HC at each quarterly Joint Audit Committee.

Quarterly reports are received from the internal auditors highlighting work carried out including a breakdown of fraud investigations with any significant issues detailed in summary format. The internal audit plan incorporates both reactive and proactive fraud work along with fraud thematic reviews to identify and mitigate fraud risk.

Cases of alleged or proven incidents of fraud are investigated or tracked by internal audit and reported to the Police and Crime Panel. Relevant trends are also reported to Audit Committee as would any incidents of fraud detected through internal audit checking procedures.

The year end report stated that no significant issues relating to fraud or corruption were brought to internal audit's attention that would impact on the system of governance, risk management or control.

How the body approaches and carries out its annual budget setting process

Annual Budget Setting Process:

The revenue budget provides an estimate of the annual income and expenditure requirements for the police service and sets out the financial implications of the Commissioner's strategic policies.

The Commissioner should consult with the Chief Constable and other relevant partners and stakeholders in planning the overall annual budget which will include a separate force budget. This will take into consideration funding from government and from other sources, and balance the expenditure needs of the policing service against the level of local taxation. This should meet the statutory requirements to achieve a balanced budget (Local Government Act 2003) and be completed in accordance with the statutory timeframe. The main responsibilities for the key individuals throughout the CC and PCC are shown below.

Responsibilities of the Commissioner:

- To consult the Chief Constable on the planning timetable
- To obtain the views of the local community on the proposed expenditure (including capital expenditure) in the financial year ahead of the financial year to which the proposed expenditure relates
- To present the proposed council tax precept to the Police and Crime Panel to determine whether the Panel wishes to veto the proposal

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

Findings

How the body approaches and carries out its annual budget setting process (cont...)

Responsibilities of the Commissioner's CFO:

- To determine the format of the revenue budget to be presented to the Commissioner. The format is to comply with all legal requirements and with latest guidance issued by CIPFA.
- To obtain timely and accurate information from billing authorities on the council taxbase and the latest surplus/deficit position on collection funds to inform budget deliberations
- To advise the Commissioner on the appropriate level of general balances, earmarked reserves or provisions to be held

Responsibilities of the Chief Constable and Chief Constable's CFO:

- To prepare detailed budget estimates for the forthcoming financial year in accordance with the timetable agreed with the Commissioner's CFO.
- To submit estimates in the agreed format to the Commissioner for approval, including details of council tax implications and precept requirements

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

We note that within the Financial Regulations of the organisations there are processes and procedures in place to ensure the body have effective processes and systems in place to ensure budgetary control, to communicate relevant, accurate and timely management information; to support its statutory financial reporting requirements and to ensure the body is taking corrective action where needed.

Budget management ensures that once the Commissioner has approved the budget, resources allocated are used for their intended purpose and are properly accounted for. Budgetary control is a continuous process, enabling both the Chief Constable and Commissioner to review and adjust their budget targets during the financial year.

The key controls for managing and controlling the revenue budget are that:

- there is a nominated budget manager for each cost centre heading who is accountable for the budgets under his/her direct control
- the management of budgets must not be seen in isolation. It should be measured in conjunction with service outputs and performance measures.

The financial regulations also set out the key responsibilities of the key individuals:

Responsibilities of the Chief Constable and Chief Constable's CFO:

- To provide appropriate financial information to enable budgets to be monitored effectively
- To ensure that each element of income or expenditure has a nominated budget manager to take responsibility for that part of the budget
- To ensure that total spending for operational policing remains within the overall allocation of resources and takes corrective action where significant variations from the approved budget are forecast

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

Findings

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed (cont...)

- To submit a budget monitoring report to the Commissioner on a regular basis throughout the year, containing the most recently available financial information

Responsibility of the Commissioner's CFO:

- To coordinate a joint budget monitoring report for presentation to the Police and Crime Panel, as necessary, containing the most recently available financial information.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

The Organisations have a number of arrangements in place to ensure that appropriate decisions are made. The entity has created a decision policy to provide clarity of the role and expectations of all involved in the process to ensure that any decision reached by the Commissioner is done so in an open and transparent way.

During 2021/22 the previous 'decision window' approach was replaced by a more responsive approach whereby decisions can be requested from the PCC at any time. This process has allowed decisions to be made more quickly.

Hampshire Police and Crime Panel (Statutory Joint Committee)

The Hampshire Police and Crime Panel (PCP) is responsible for scrutinising and supporting the Police and Crime Commissioner (PCC) for Hampshire. The PCC, sets key policing priorities through his/her Police and Crime Plan, and determines the policing element of council tax, amongst other responsibilities.

Meeting formally around four times per year, the PCP examines and makes recommendations on various aspects of the PCC's activity. Powers include:

- Reviewing the draft Police and Crime Plan
- Reviewing the PCC's proposed Council Tax precept levels
- Reviewing and scrutinising decisions and actions by the PCC
- Scrutinising the PCC's Annual Report
- Confirming the Chief Constable's appointment
- Confirming senior office and political roles in the PCC's office
- Reviewing the PCC's conduct
- To appoint an acting PCC, if required

Joint Audit Committee

The Joint Audit Committee was established to support both the PCC and Chief Constable in ensuring effective governance and risk management arrangements are in place and functioning effectively.

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

Findings

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee (cont...)

The Committee also scrutinises the draft statement of accounts, and considers whether appropriate accounting policies have been followed, and makes recommendations for improvements to anti-fraud and corruption strategies.

The Joint Audit Committee (JAC) is supported by the Internal Audit function.

Our attendance at the JAC indicates that the process is carried out and that any reports brought to the attention of the JAC are appropriately challenged and scrutinised.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

We have inspected the website of the Hampshire Police and identified the various policies in place regarding the integrity, ethical values and behaviour of key executives. A code of conduct is in place to ensure that the intended outcomes for stakeholders are defined and achieved.

To ensure effective leadership throughout the entity, members and officers work together to deliver agreed plans with defined functions and roles. These roles and responsibilities are set out in the Constitution including those for the Police and Crime Panel and the rules under which they operate. In particular, it looks at how decisions are made and how procedures are to be followed to ensure that actions are efficient, legal, transparent and accountable to the community. Many of these processes are required by statute and regulations by Governmental and other bodies (e.g. CIPFA) while the Organisation has determined others locally.

The Organisations have a sound management philosophy, demonstrates clarity of purpose and focus, with emphasis on performance and risk management. Our experience and knowledge of senior management is that they act with integrity, have good standards of behaviour and performance and lead by example.

The Organisations have adopted a number of codes and protocols that govern the standards of behaviour expected of members and officers. These include codes of conduct for both officers and members of staff and cover conflicts of interest and gifts and hospitality and appropriate policies for partnership working.

There are appropriate policies and procedures for ethical and behavioural standards, declaration of and protocol for conflicts of interest, and security practices that are adequately communicated throughout the organisation.

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
<p>How financial and performance information has been used to assess performance to identify areas for improvement</p> <hr/> <p>How the body evaluates the services it provides to assess performance and identify areas for improvement</p>	<p>The Organisations are currently operating under the Police and Crime Plan. In November 2021 a new Plan was developed called “More Police and Safer Streets”. This plan sets the strategic direction and priorities for policing across Hampshire and the Isle of Wight for the next three years. It is the Organisation’s statutory responsibility to ensure that a Police and Crime Plan is fit for purpose. The plan gives strategic direction for the future and has been developed in consultation with their key stakeholders.</p> <p>Throughout this plan, the strategic objectives and priorities of the PCC and CC are stated showing the steps to be taken in order for these to succeed. This then links back to the budget and the financial information available i.e. MTFS to show how these strategic objectives and priorities can be achieved.</p> <p><u>HMICFRS Inspection</u> Her Majesty’s Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) independently assesses the effectiveness and efficiency of police forces in the public interest. The current inspection for Hampshire is the 2018/19 inspection (we note that the most recent assessment has been deferred due to the global pandemic) which was published in February 2020. This was the fifth PEEL (Police Effectiveness, Efficiency and Legitimacy) assessment for Hampshire Constabulary. The inspection focused on the following areas:</p> <ul style="list-style-type: none"> • the extent to which the force is effective at reducing crime and keeping people safe • the extent to which the force operates efficiently and sustainably • the extent to which the force treats the public and its workforce legitimately <p>We note that in each area mentioned above the rating was “good”. HMICFRS’s report provides a good level of assurance for us regarding Hampshire Police’s economy, efficiency and effectiveness.</p>
<p>How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve</p>	<p>The Commissioner and Chief Constable are party to a number of joint working arrangements, all detailed within Note 12 of the Accounts. These joint working arrangements provide a wide range of operational policing and business support services both within Hampshire and throughout the South East Region. The key collaborations are as follows:</p> <ul style="list-style-type: none"> • Joint working for support services - The Integrated Business Centre (IBC) is hosted by Hampshire County Council and was launched in 2014/15 for the provision of shared financial and HR services across a number of entities including Hampshire Police. • Joint ICT/Information Management Department - Shared ICT services hosted by Thames Valley Police (TVP) • South East Organised Regional Organised Crime Unit - The South East Regional Organised Crime Unit (SEROUCU) is a Police unit responsible for delivering specialist capabilities to Hampshire, Surrey, Sussex and Thames Valley police. It comprises of police officers and staff drawn from police forces across the country and it’s aim is to effectively target and disrupt serious organised crime. • Joint Operations Unit - This is a collaboration arrangement with TVP to provide joint operations units for protective services.

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve (cont...)	In all of these, Governance arrangements are in place which means that each party can influence the work and priorities of each activity and will have a role in budget setting and overall strategic direction.
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	<p>The Organisations have in place “Contract Standing Orders” which have been issued in accordance with section 135 of the 1972 Local Government Act. These are intended to promote good purchasing practice and public accountability and deter corruption. The Orders detail the minimum requirements and procedures appropriate for the acquisition and disposal of all goods, services and works undertaken on behalf of the Police and Crime Commissioner for Hampshire and the Chief Constable.</p> <p>The Organisations have also developed a Procurement Strategy which sets the framework in which the Organisations will work to ensure that procurement delivers value for money across all services and directly contributes to the achievement of their strategic goals.</p>

Appendix B – Summary of all recommendations

Recommendations

The table below sets out all the recommendations arising from the financial statements and value for money audits in 2021/22. All recommendations have been noted by management.

Issue	Recommendation
<p>Financial statements:</p> <p>Journals: We noted through our testing of Journals that there is no formal approval process in relation to journals being posted. There is a risk that journals are posted incorrectly, either fraudulently or by error, and not identified.</p>	<p>We recommend management implement a formal approval process in order to reduce this risk.</p>
<p>Related Parties: We identified a number of related party relationships that had not been disclosed by Senior Officers (where they were Directors for other entities). We identified transactions that had not been disclosed in the SOA – this was corrected by management. There is a risk that necessary disclosures are omitted and the Statement of Accounts are incomplete.</p>	<p>We recommend management review the processes around related parties and the returns obtained from management and design additional internal processes to get sufficient assurance over completeness.</p>
<p>Prior Period Adjustment: The exit packages note in prior years was incomplete as it did not include amounts relating to payments in lieu of notice or payments in lieu of holiday and other ex-gratia payments. This has resulted in an adjustment to the prior period of £87k which was corrected by management.</p>	<p>We recommend management review processes around disclosure preparation and that accounting policies are reviewed regularly to ensure they are still appropriate.</p>
<hr/> <p>Value for Money: None noted</p> <hr/>	

Appendix C – Fees

Fees

We carried out our audit of the PCC and CC's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in relation to inappropriate capitalisation of revenue expenditure, misstatements due to fraud or error, the valuation of property, plant and equipment and the pension liability valuation. As a result of this and other factors, we have discussed an associated additional fee with the Chief Finance Officer of both the PCC and CC, which remains subject to approval by PSAA Ltd.

Our fee for 2021/22 is in line with the audit fee agreed and reported in our 2021/22 Audit Plan.

Description	Final Fee	Final Fee	Total
	2021/22	2021/22	
	PCC	CC	
	£	£	
Total Audit Fee – Code work	31,751	14,438	46,198
Fee re-basing (Note 1)	19,465	10,026	29,491
Prior Period Adjustment (Note 2)		1,427	1,427
IAS19 protocol fees (Note 3)		1,017	1,017
New auditing standard and Value for Money requirements	4,308	4,308	8,616
Total Scale Fee Variation	23,773	16,778	40,551
Total Fee	55,524	31,216	86,749

Notes:

Note 1 - In our 2019/20 audit we set out the basis for a requested rebasing of the scale fees due to changes in regulatory requirements. These are ongoing impacts, therefore, we have continued to include this request based on the same level of inputs. These figures have been adjusted each year for the change in rates from PSAA.

Note 2 - This relates to a prior period adjustment that was made. This issue is specific to 2021/22.

Note 3 - Fees are payable by the Pension Fund for the IAS19 protocol. HPF will not pay the fees, therefore, this is charged to each individual body.

Note 4 - From 2020/21, there are additional procedures required to satisfy the revised ISAs that have come into effect which may have additional costs, predominantly ISA540. The NAO's Code of Audit Practice 2020 also set out new requirements for our work and reporting on Value for Money. We have continued to include the impact at the lower end of the PSAA's communicated range, submitted in our 2020/21 fee variation proposal.

For 2021/22 the scale fee has been re-assessed to take into account a number of risk factors which includes procedures performed to address the risk profile of the PCC and CC and additional work to address the increase in Regulatory standards.

We confirm we have not undertaken any non-audit work.

Appendix C – Fees Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the PCC and CC, its senior management and any affiliates, including all services provided by us and our network to the two organisations, their members, senior management and affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships during the financial year of audit and to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The previous page includes a summary of the fees requested for the year ended 31 March 2022.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

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