

Joint Audit Committee Update for the Warwickshire Police and Crime Commissioner and Chief Constable; and the West Mercia Police and Crime Commissioner and Chief Constable

Progress Report and Update Year ending 31 March 2017

19 June 2017

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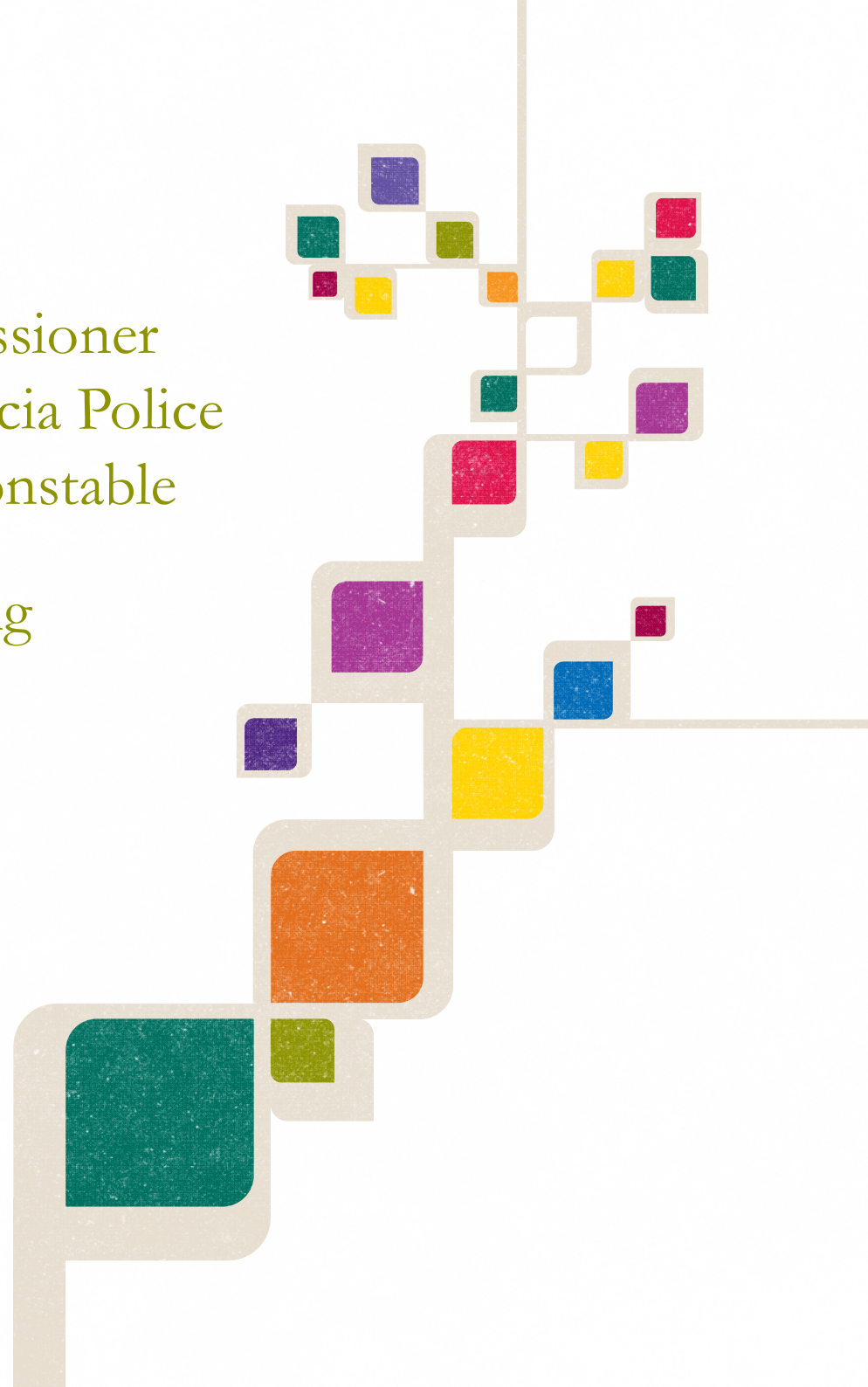
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Introduction

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

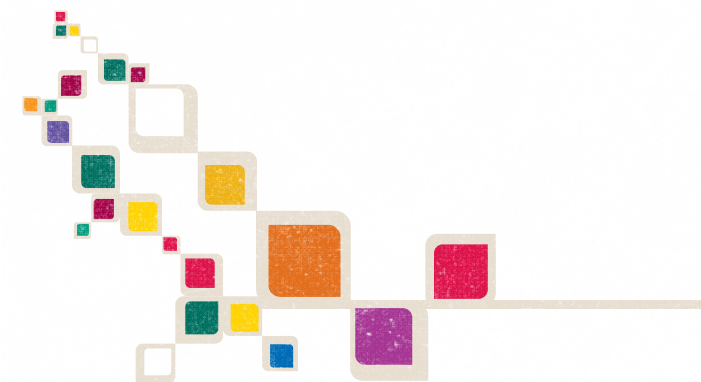
We have provided details of the outcome of our early (interim) audit work on pages 6 and 7 for Warwickshire; and pages 9 and 10 for West Mercia.

Members of the Joint Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

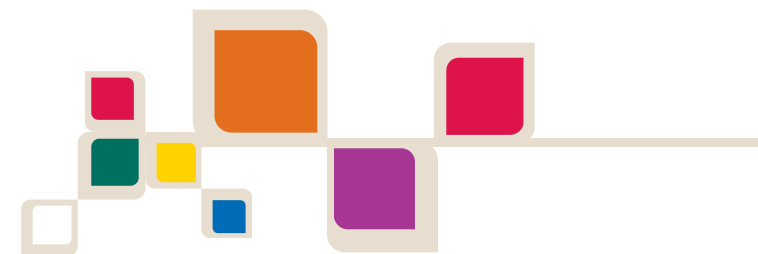
- Addressing challenges in policing and governance (24 March 2017);
<http://www.grantthornton.co.uk/en/insights/addressing-challenges-in-policing-and-governance/>

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

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 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 your business or any 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.



Progress to date



2016/17 work	Planned Date	Complete?	Comments
Fee Letter We are required to issue a 'Planned fee letter' for 2016/17 to both the Police and Crime Commissioners and the Chief Constables.	June 2016	Yes	The 2016/17 fee letters were presented to the June 2016 Joint Audit Committee.
Accounts Audit Plan We are required to issue a detailed accounts joint audit plan covering the audit for the Police and Crime Commissioners and the Chief Constables setting out our proposed approach in order to give an opinion on the Police and Crime Commissioners' group financial statements, including the statements of the Chief Constables in 2016/17.	March 2017	Yes	Our audit plans were presented to the Joint Audit Committee on 20 March 2017.
Interim accounts audit Our interim fieldwork visits covers work on both the Police and Crime Commissioners and the Chief Constables arrangements, including: <ul style="list-style-type: none"> • updating our review of the control environments • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion work. 	The three weeks from 13 February 2017	Yes	We: <ul style="list-style-type: none"> • engaged with the finance team to streamline and improve the audit approach for 2016/17 where possible • Discussed any technical issues early • Undertook as much early testing as possible. Further details on the work completed are provided as part of this report today.
Final accounts audit Covering the Police and Crime Commissioners' group financial statements, including the statements of the Chief Constables, we will : <ul style="list-style-type: none"> • audit the 2016/17 financial statements • issue opinions on the 2016/17 financial statements 	19 June to 21 July 2017	Not yet commenced	We will undertake work on your draft financial statements to provide an opinion by the statutory deadline. We are planning to issue our opinions following the Joint Audit Committee meeting to be held on 31 July 2017, as part of the transition to the earlier closedown and audit cycle from 2017/18.

Progress to date

2016/17 work	Planned Date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The Code requires us to consider whether the Police and Crime Commissioners and the Chief Constables have each put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources. These are known as the Value for Money (VfM) conclusions. We issue separate conclusions for the Police and Crime Commissioners and for the Chief Constables.</p> <p>The National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. It identifies one single criterion for auditors to evaluate:</p> <p>In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.</p> <p>This is supported by three sub-criteria as set out below:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	December 2016 to July 2017	In progress	<p>We have completed our initial risk assessment which has identified three significant risks. Details are provided in the Audit Plans being presented today.</p> <p>Our work on the VfM Conclusion will include attending meeting with key Senior Officers and key document reviews. We are aiming to deliver this work ahead of the national timescales as a move towards the faster close from 2017/18.</p>
<p>Annual Audit Letter</p> <p>We will summarise all the work completed as part of our 2016/17 audit within one letter for Warwickshire and for West Mercia which will be issued after the opinion.</p>	December 2017	Not yet commenced	
<p>Other activities</p> <p>We provide a range of workshops, along with network events for members and publications to support the PCCs and Chief Constables.</p>	Ongoing through the year	Ongoing through the year	We met with your Financial Accountant on 30 March 2017 to discuss proposed entries in the accounts, and also to review the accounts to identify opportunities to declutter them.

Interim Audit Work
performed for the
Warwickshire PCC and
Chief Constable



Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
Internal audit	We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.	Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the PCC and the Chief Constable and that internal audit work contributes to an effective internal control environment. Our review of internal audit work has not identified any weaknesses which impact on our accounts audit approach.
Entity level controls	We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including: <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	Our work has identified no material weaknesses which are likely to adversely impact on the PCC's and the Chief Constable's financial statements
Review of information technology (IT) controls	We performed a high level review of the general IT control environment, as part of the overall review of the internal controls system. IT controls were observed to have been implemented in accordance with our documented understanding.	Our work has identified no material weaknesses which are likely to adversely impact on the PCC's and the Chief Constable's financial statements

	Work performed	Conclusion
Walkthrough testing	<p>We have completed walkthrough tests of the controls operating in the following areas where we consider that there is a risk of material misstatement, to the financial statements:</p> <ul style="list-style-type: none"> Employee remuneration Operating expenses Police Officers' pension scheme benefits payments 	<p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Police and Crime Commissioner and the Chief Constable in accordance with our documented understanding.</p> <p>We have not identified any weaknesses which impact on our audit approach.</p>
Journal entry controls	<p>We have reviewed the journal entry policies and procedures as part of determining our journal entry testing strategy..</p>	<p>We have not identified any material weaknesses which are likely to adversely impact on the Police and Crime Commissioner's and the Chief Constable's control environment or financial statements.</p>
Early substantive (detailed) testing	<p>We have performed the following early testing:</p> <p>Employee remuneration (tested months 1 to 10)</p> <ul style="list-style-type: none"> Trend analysis Detailed testing from 20 employee's payslips. <p>Operating expenses (tested months 1 to 10)</p> <ul style="list-style-type: none"> Detailed testing of 21 invoices and 8 credit notes <p>Property, Plant and Equipment</p> <ul style="list-style-type: none"> We have completed testing of a sample of additions to confirm these have been appropriately accounted for We have tested a sample of assets to confirm their existence, and to confirm the PCC's rights (deeds testing) to the assets;. <p>Opening balances – we have confirmed that prior year balances have correctly rolled forward as opening balances this year.</p> <p>Grant and Precept Revenues (tested months 1 to 10)</p> <ul style="list-style-type: none"> Detailed testing of a sample of receipts <p>Sundry income (tested months 1 to 10)</p> <ul style="list-style-type: none"> Detailed testing of a sample of transactions covering the period . 	<p>Our early testing has not identified any issues that we wish to bring to your attention.</p>

Interim Audit Work
performed for the West
Mercia PCC and Chief
Constable



Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

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