

The Joint Audit Findings for Warwickshire Police and Crime Commissioner and Warwickshire Chief Constable

Year ended 31 March 2016

19 September 2016

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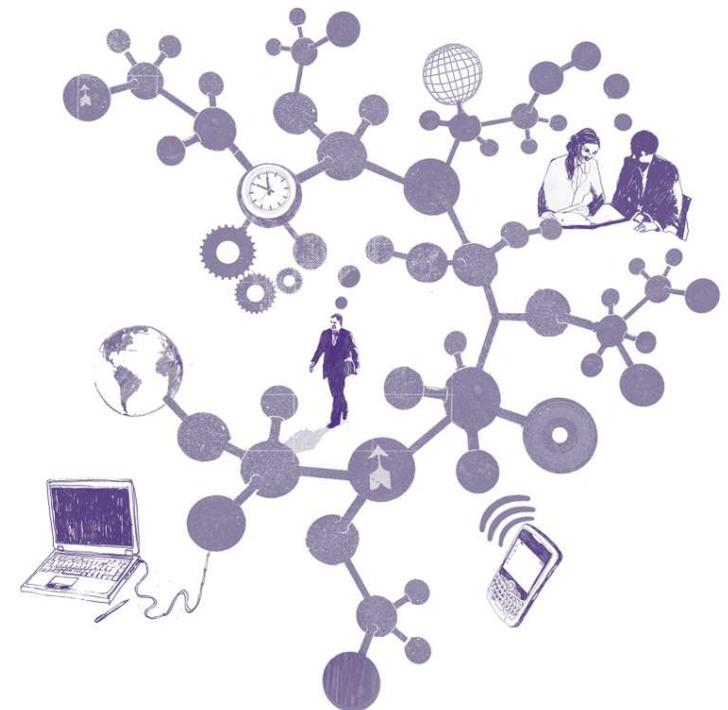
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19 September 2016

Dear Mr Seccombe and Mr Jelley

Audit Findings for the Police and Crime Commissioner of Warwickshire and Chief Constable of Warwickshire for the year ending 31 March 2016

This Audit Findings report highlights the key findings arising from the audits of the Police and Crime Commissioner and Chief Constable for the benefit of those charged with governance, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. For police bodies, those charged with governance are the Police and Crime Commissioner and the Chief Constable for the respective corporations sole. The contents of this report has been discussed with the Chief Financial Officer for each organisation, and it will subsequently be shared with the Joint Audit Committee for information.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

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

Yours sincerely

John Gregory

Engagement Lead

Chartered Accountants

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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

The accounts presented for audit were good quality. No amendments were required to the draft outturn or balances.

Purpose of this report

This report highlights the key issues affecting the results of Warwickshire Police and Crime Commissioner ('the PCC') and Warwickshire Chief Constable and the preparation of the financial statements of the group, the PCC and the Chief Constable for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the PCC's and the Chief Constable's financial statements give a true and fair view of the financial position of the respective bodies and their income and expenditure for the year and whether the financial statements have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required to consider whether other information published together with the audited financial statements is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the PCC and the Chief Constable have each made proper arrangements to secure economy, efficiency and effectiveness in their use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide conclusions whether in all significant respects, the PCC and the Chief Constable have each put in place proper arrangements to secure value for money through economic, efficient and effective use of their resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audits that in our opinion should be considered by the PCC or the Chief Constable or both, or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the PCC or the Chief Constable or both and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In carrying out our audits we have not had to alter or change our audit approach, which we communicated to you in our Joint Audit Plan dated 14 March 2016.

Our audits are substantially complete although we are finalising our procedures in the following areas:

- Obtaining and reviewing the management letters of representation for both audits
- Updating our post balance sheet events review, to the date of signing the opinion for both audits, and
- Final senior management and quality reviews.

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

Key audit and financial reporting issues

Financial statements opinion

We anticipate providing an unqualified opinion on the PCC's and Chief Constable's financial statements, including the group financial statements, which consolidate the financial activities of the Chief Constable.

Our audit has not identified any material errors or uncertainties in the PCC, Chief Constable and Group financial statements. The financial statements for the group for the year ended 31 March 2016 recorded net expenditure on the provision of services of £100.5m. The PCC's Treasurer has amended the PCC and Group accounts for the disclosure changes identified during the audit which are primarily to correct minor errors and improve the presentation of the accounts. The Chief Constable's Director of Finance has made similar amendments to the Chief Constable's accounts.

We identified an immaterial and insignificant uncertainty in relation to non pay expenditure and related creditors. We identified one error with a trivial value of £30k when performing cut off testing of creditors. The maximum potential uncertainty is £604k. Further details are set out in section two of this report.

In carrying out the audit, we noted that there were a number of deficiencies in the notice that you produced to inform the public of their rights in respect of the accounts and the audit. This has been a common occurrence in the first year of implementation of new regulations and, as with similar defects identified elsewhere, we have evaluated whether the defects had any significant impact in the particular circumstances of each body. We concluded that the defects in your notice did not have significant consequences.

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with each of the audited financial statements is consistent with the financial statements. This includes:

- if the Annual Governance Statements do not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or are misleading or inconsistent with the information of which we are aware from our audits.

We have nothing to report in this respect.

Controls

Roles and responsibilities

The PCC's and Chief Constable's management are responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the systems of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the PCC and Chief Constable.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the PCC and Chief Constable each had proper arrangements in place to secure economy, efficiency and effectiveness in their use of resources.

Further detail of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

The way forward

Matters arising from the financial statements audits and our review of the PCC's and Chief Constable's arrangements for securing economy, efficiency and effectiveness in their use of resources have been discussed with the Treasurer to the PCC and the Director of Finance to the Chief Constable, as well as with the PCC and Chief Constable as the two individuals charged with overall governance for the office of the PCC and the police Constabulary respectively.

We have made no new recommendations this year. All recommendations from last year have been actioned except for that relating to the need for Internal Audit to be subject to an external review of their self assessment to demonstrate compliance with the Public Sector Internal Audit Standards, which is due to take place in 2016/17.

This is set out in the action plan at Appendix A and has been discussed and agreed with management and those charged with governance, and their response is included.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by management, the finance team and other officers in both the office of the PCC and the police Constabulary during our audits. The fact that one team produced four sets of accounts for the Warwickshire and West Mercia PCCs and Chief Constables that were subject to minor amendments is commendable.

Grant Thornton UK LLP
September 2016

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Materiality

In performing our audits, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our joint audit plan, we determined overall materiality for the financial statements as a proportion of the smaller of gross revenue expenditure of the PCC and the gross revenue expenditure of the Chief Constable. This was £1,958k (being 2% of gross revenue expenditure of the Warwickshire Chief Constable. We have considered whether this level remained appropriate during the course of the audits and reviewed the value of gross revenue expenditure in the Group, PCC and Chief Constable accounts. This led us to revise our overall materiality to £2,045k (being 2% of gross revenue expenditure of the Warwickshire PCC, as this was the smaller gross revenue figure in the draft accounts).

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £102k. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	Any errors identified by testing in excess of £10,000 would be deemed to have implications on the users understanding of the financial statements
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	Any errors identified by testing would be deemed to have implications on the users understanding of the financial statements
Related party transactions	Related party transactions have to be disclosed if they are material to the PCC/Chief Constable or to the related party	Any errors identified by testing will be assessed individually, with due regard given to the nature of the error and its potential impact on users of the financial statements. We are unable to quantify a materiality level as the concept of related party transactions takes in to account what is material to both the PCC/Chief Constable and the related party.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Joint Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Relevant to PCC / Chief Constable / Both?	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	Both	<p>Both PCC and Chief Constable audits</p> <ul style="list-style-type: none"> this risk has been rebutted. 	<p>PCC audit</p> <p>We have rebutted this presumed risk for the PCC because:</p> <ul style="list-style-type: none"> revenue is principally grant allocations from central government; council tax payers, and business rates. <p>Chief Constable audit</p> <p>We have rebutted this presumed risk for the Chief Constable because:</p> <ul style="list-style-type: none"> revenue is an inter group transfer from the PCC revenue does not involve cash transactions <p>We therefore do not consider this to be a significant risk for either the PCC or the Chief Constable</p>

Audit findings against significant risks (continued)

This is the second presumed significant risk which is applicable to all audits under auditing standards

	Risks identified in our audit plan	Relevant to PCC / Chief Constable / Both?	Work completed	Assurance gained and issues arising
2.	<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<ul style="list-style-type: none"> Both 	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> assessed the journal control environment and tested journal entries reviewed accounting estimates, judgements and decisions made by management reviewed unusual significant transactions 	<p>PCC audit</p> <p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p> <p>Chief Constable audit</p> <p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against significant risks (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Relevant to PCC / Chief Constable / Both?	Work completed	Assurance gained and issues arising
3.	<p>Valuation of property, plant and equipment The PCC revalues his assets on a rolling basis over a five year period.</p> <p>The Code requires that the PCC ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements.</p> <p>Last year we identified that management had not undertaken a review of assets not valued by the external valuer to demonstrate they were not materially misstated.</p> <p>We also identified that the valuer had not provided a split of valuations between land and buildings.</p>	PCC	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> reviewed management's processes and assumptions for the calculation of the estimate reviewed the competence, expertise and objectivity of any management experts used. reviewed the instructions issued to valuation experts and the scope of their work reviewed management's discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding. tested revaluations made during the year to ensure they were input correctly into the PCC's asset register evaluated the assumptions made by management in their review of those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value ensured the valuer provided a split of valuations between land and buildings. 	<p>We are satisfied from our testing that property, plant and equipment is materially stated.</p> <p>The Fixed Asset Register was amended to show the appropriate split of and buildings to agree to the valuers report. The property plant and equipment note also was amended to:</p> <ul style="list-style-type: none"> show corrections to depreciation charges on revalued assets; and split out additions to assets under construction between additions and donated assets.

Audit findings against significant risks (continued)

This is the second additional significant risk we identified.

	Risks identified in our audit plan	Relevant to PCC / Chief Constable / Both?	Work completed	Assurance gained and issues arising
4.	<p>Valuation of pension fund net liability</p> <p>The Chief Constable's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	Chief Constable	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement. reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation is carried out. undertook procedures to confirm the reasonableness of the actuarial assumptions made. reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. 	We were satisfied from our testing of the pension fund net liability that this was fairly stated. The details of our work are set out on page 22.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Joint Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Relevant to PCC / Chief Constable / Both?	Work completed	Assurance gained & issues arising
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	Both	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the employee remuneration transaction cycle Walked through the key controls to assess the whether those controls were in line with our documented understanding substantively tested a sample of staff and officer payroll payments, ensuring that payments are made in accordance with the individual's contract of employment tested the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces analysed trends to identify any anomalous areas for further investigation tested to confirm the completeness of payroll transactions and appropriate cut-off 	Our audit work has not identified any significant issues in relation to the risk identified.
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	Both	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the operating expenses transaction cycle Walked through the key controls to assess whether those controls were in line with our documented understanding 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>We did identify an immaterial uncertainty of maximum value £604k in relation to manual accruals (part of creditor balances).</p> <p>A cut off error was identified with manual accruals value £30k. A prior year creditor accrual relating to Warwickshire Commissioner's Grant - National Probation Service was not reversed in 2015/16. Creditors were thus overstated by £30k.</p> <p>Continued overleaf...</p>

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Relevant to PCC / Chief Constable / Both?	Work completed	Assurance gained & issues arising
Operating expenses (continued)	Creditors understated or not recorded in the correct period (Operating expenses understated)	Both	<ul style="list-style-type: none"> • tested the reconciliation of operating expenditure recorded in the general ledger to the subsidiary systems and interfaces • tested payments made after the year-end to identify potential unrecorded liabilities and gain assurance over the completeness of the payables balance in the accounts • substantively tested operating expenses including sample testing of expenditure, year end accruals and creditor balances 	<p>We performed additional testing of manual creditors and identified no further errors. The total manual creditors population is valued at £1,667k. As we test on a sample basis, there is an untested balance of £574k. Adding this to the value of the error identified of £30k identified results in a maximum uncertainty of £604k. This is the maximum potential uncertainty over the cut off of manual accruals. This is not material or significant.</p> <p>We have requested management representation that they are satisfied that manual accruals are materially fairly stated despite this error.</p>
Police Pensions Benefits Payable	Benefits improperly computed / Claims liability understated	Chief Constable	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the pensions benefits payments transaction cycle • Walked through the key controls to assess the whether those controls were in line with our documented understanding • tested the reconciliation of pension benefit payments recorded in the general ledger to the subsidiary systems and interfaces • analysed trends and relationships to identify any anomalous areas for further investigation • substantively tested monthly pension benefit payments made in the year • substantively tested lump sum pension benefit payments made in the year • reviewed data migration to Kier Pension Services. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Group audit scope and risk assessment

ISA (UK&I) 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Work completed	Assurance gained & issues raised
Police and Crime Commissioner (parent)	Yes	Comprehensive	Full scope UK statutory audit performed by Grant Thornton	Our audit work has not identified any issues
Chief Constable (subsidiary)	Yes	Comprehensive	Full scope UK statutory audit performed by Grant Thornton	Our audit work has not identified any issues

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the PCC's and Chief Constable's financial statements.

Accounting area	Relevant to PCC / Chief Constable / Both?	Summary of policy	Comments	Assessment
Revenue recognition	Both	<p>PCC</p> <p>The PCC has two principal revenue streams:</p> <ul style="list-style-type: none"> grant income is recognised in accordance with the terms of the grant, whether specific or non-specific; and income from fees/charges in the provision of services, which is recognised when the service has been provided or when title to goods has passed. <p>All income is accounted for by the PCC and paid into the Police Fund.</p> <p>Chief Constable</p> <ul style="list-style-type: none"> Police fund income is not recognised as it is under the control of the Commissioner. The Commissioner reimburses the Chief Constable the cost of day to day operational policing but there is no other revenue income relating to the cost services. 	<p>PCC audit</p> <ul style="list-style-type: none"> We have reviewed the policy against the requirements of the Code and are satisfied that the policy is appropriate and adequate disclosures have been made in the financial statements. <p>Chief Constable</p> <ul style="list-style-type: none"> We are satisfied that this policy is appropriate for the Chief Constable and that adequate disclosures have been made in the financial statements. 	 Green
Cost recognition	Both	<p>PCC</p> <ul style="list-style-type: none"> Expenditure is recognised on an accruals basis. PCC expenditure includes the cost of policing provided by the Chief Constable, this cost is recognised as intra-group funding. The cost of support services are apportioned to services in full in line with the CIPFA Service Reporting Code of Practice (SeRCoP) 2015/16. These costs are charged to relevant policing services in the CIES. Treasury management costs and other elements of property related costs, market value impairments and revaluations are not apportioned to the Chief Constable as they have no bearing on the cost of policing 	<p>PCC audit</p> <ul style="list-style-type: none"> We are satisfied that expenditure recognition policies are appropriate and result in materially accurate recognition of costs in PCC's financial statements and those of the Group. We are also satisfied that the policy reflects the arrangements for the PCC to fund the Chief Constable's operations and that this does form the basis of the intra-group adjustment. <p>Continued overleaf...</p>	 Green

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements (continued)

Accounting area	Relevant to PCC / Chief Constable / Both?	Summary of policy	Comments	Assessment
Cost recognition (continued)	Both	Chief Constable <ul style="list-style-type: none"> Expenditure is recognised on an accruals basis in the financial statements. As noted above, this includes the cost of PCC support services, including finance, property, IT and legal services, which are apportioned to services in line with the CIPFA Service Reporting Code of Practice (SeRCoP). 	Chief Constable audit <ul style="list-style-type: none"> We are satisfied that expenditure recognition policies are appropriate and result in materially accurate recognition of costs in the Chief Constables financial statements. We have sought representations from Management to confirm that the total value of covert expenditure is not material. 	 Green
Intra-group funding arrangements and cost recognition	Both	PCC <ul style="list-style-type: none"> The PCC accounts include an appropriate policy on intra-group funding arrangements and cost recognition Chief Constable <ul style="list-style-type: none"> The Chief Constable's accounts include an appropriate policy on intra-group funding arrangements and cost recognition 	PCC audit We have reviewed the policy against the requirements of the Code and are satisfied the policy is appropriate to the PCC's circumstances and that adequate disclosures have been made in the financial statements. We are also satisfied that the policy reflects the arrangements for the PCC to fund the Chief Constable's operations and that this does form the basis of the intra-group adjustment. Chief Constable audit We have the same comment as per the PCC audit, and are satisfied it is appropriate to the Chief Constable's circumstances	 Green

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements (continued)

Accounting area	Relevant to PCC / Chief Constable / Both?	Summary of policy	Comments	Assessment
Going concern	Both	<p>PCC and Chief Constable</p> <p>The Police and Crime Commissioner and the Chief Constable both have a reasonable expectation that the services they provided will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.</p>	<p>The PCC and the Chief Constable face significant financial challenges due to cuts in the grant they receive from the Home Office. To their credit, both organisations share a good understanding of the scale of this financial challenge over the medium-term.</p> <p>The PCC has approved a balanced budget for 2016/17 and a medium term financial plan to 2019/20. This currently includes required further savings and efficiencies of £2.7 million over the MTFS period to achieve financial balance. The PCC and Constabulary plan to address future savings requirements as part of the Vision 2020 transformational change.</p> <p>We have examined the reasonableness of the assumptions underlying the MTFP, and the sensitivity of the forecasts to changes in those assumptions. We do not consider there to be a material uncertainty which could cast doubt either entity's ability to continue as a going concern.</p> <p>The PCC group has police fund balances of £6m million and earmarked reserves of £25.2 million as at 31 March 2016. Based on this, we are satisfied that it remains appropriate for the PCC and Chief Constable to prepare accounts on a going concern basis as at 31 March 2016.</p>	

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements(continued)

Accounting area	Relevant to PCC / Chief Constable / Both?	Summary of policy	Comments	Assessment
Accounting arrangements for the Alliance	Both	<ul style="list-style-type: none"> Strategic alliance costs are allocated based on the cost sharing model set out in the Section 23 Agreement. This includes a fundamental judgement that the costs and benefits relating to the alliance are apportioned 69% to West Mercia and 31% to Warwickshire. The split has been arrived at by looking at various indicators and will be reviewed at an appropriate interval. 	We did not raise concerns over the cost sharing model. Given the materiality of the alliance expenditure we would expect management to consider annually whether the cost sharing model remains valid. We have requested management representation to support this critical judgement.	 Green
Other accounting policies	Both	<p>PCC and Chief Constable</p> <ul style="list-style-type: none"> We have reviewed the Police and Crime Commissioner's and the Chief Constable's policies against the requirements of the CIPFA Code and accounting standards. 	<p>PCC and CC audit</p> <ul style="list-style-type: none"> Our review of accounting policies has not highlighted any issues which we wish to bring to your attention 	 Green

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements (continued)

Accounting area	Relevant to PCC / Chief Constable / Both?	Summary of policy	Comments	Assessment
<p>Estimates and judgements – pension fund liability</p>	<p>Both</p>	<p>Local Government Pension Scheme (LGPS) for PCC staff and CC staff</p> <p>The LGPS is the pension scheme for PCC and police staff. This is a funded defined benefit scheme. The scheme is administered by Warwickshire County Pension Fund. The liability showing the underlying long term commitment to fund future retirement benefits is shown on the relevant PCC and CC balance sheet with a corresponding Pension Reserve.</p> <p>Police Officers</p> <p>The Chief Constable operates three pension schemes for police officers. The Police Pension Scheme 1987 (OPPS), the New Police Pension Scheme 2006 (NPPS), and the Police Pension Scheme 2015 (PPS) all of which are unfunded, defined benefit schemes.</p> <p>The financial liability for these schemes appears on the Chief Constable's Balance Sheet with a corresponding Pension Reserve. Changes in actuarial assumptions led to a £121m decrease in the size of the liability, which stood at £993.1 m at 31 March 2015.</p>	<p>For LGPS and the two police officer pension schemes we undertook a review of the relevant actuary's (Hymans Robertson for LGPS and GAD for police schemes) work to satisfy ourselves that the pension liabilities are fairly stated in the financial statements. In doing so we engaged our own independent actuary to assess the methodology and assumptions used by the schemes actuary.</p> <p>For LGPS we have confirmed with the LGPS external auditor that the controls over membership data were operating as intended. For the three police schemes we have reviewed the information sent to the actuary ourselves and confirmed it was consistent with our expectations.</p> <p>The pension fund liabilities are most sensitive to changes in the following key assumptions:</p> <ul style="list-style-type: none"> • discount rate; • mortality; • inflation; and • future salary increases. <p>For both LGPS and the police officer pension schemes we have reviewed the assumptions used for each of these variables. Our own independent actuary has also confirmed that they are comfortable that the assumptions used by both Hymans Robertson and GAD are reasonable for the purpose of valuing the pension fund liabilities as at 31 March 2016.</p>	<p style="text-align: center;">  Green </p>

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements (continued)

Accounting area	Relevant to PCC / Chief Constable / Both?	Summary of policy	Comments	Assessment
Estimates and judgments – land and building valuations	PCC	<ul style="list-style-type: none"> The CIPFA Code requires that authorities revalue their land and building assets on a regular basis. The PCC engages an independent chartered surveyor via PPL Ltd to provide land and building valuations for financial reporting purposes. The accounting policy states "Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years" The PCC has had 96% of their assets valued as at 31st March 2016. Management has reviewed the carrying value for assets which the valuer had not provided a valuation The land and buildings valuations were split on the valuation provided by the valuer. 	<p>We undertook a detailed review of the work performed by the PCC's Valuer to provide land and building valuations for financial reporting purposes.</p> <p>We were satisfied from our review of the valuation report, that the methods and assumptions used by the Valuer in valuing the PCC's land and property assets are considered to be reasonable and in accordance with the requirements of IFRS and the Code.</p>	 Green

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Other communication requirements

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

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Joint Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been disclosed
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	Written representations	<p>A letter of representation has been requested from the PCC and the Chief Constable. Representations will be requested from management in respect of:</p> <ul style="list-style-type: none"> The alliance finance model sharing costs (Warwickshire 31% and West Mercia 69%); Manual accruals being materially fairly stated; and Expenditure on covert operations in the Chief Constable's accounts is not material
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from the following third-party organisations to support balances reported in the financial statements: Lloyds Bank (in respect of cash held at bank) The Public Works Loan Board (in respect of long-term borrowings) Various counter parties (in respect of cash equivalent balances)
6.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements. In common with other organisations, a post balance sheet note was added in respect of Brexit. IFRS 13 was introduced this year. It relates to fair value disclosures of borrowings. Note 3 Critical Judgements in Applying Accounting Policies now includes disclosure of the judgement taken in assessing that PWLB fair values have classed as Level 2 of the fair value hierarchy. Note 29 Financial Instruments has been updated to show the discount rates used by Arlingclose in its Fair value calculation of the PWLB loans along with the fair value.

Other communication requirements continued

	Issue	Commentary
7.	Matters on which we report by exception	<p>We have not identified any issues we would be required to report by exception in the following areas</p> <ul style="list-style-type: none"> • If the Annual Governance Statements do not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audits • The information in the Narrative Reports is materially inconsistent with the information in the audited financial statements or our knowledge of the PCC and Chief Constable acquired in the course of performing our audit, or otherwise misleading.
8.	Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> • Note that work is not required as the PCC Group does not exceed the threshold.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration, Operating Expenses, and Police Pension Benefits Payable as set out on pages 14 and 15 above.

The controls were found to be operating effectively and we have no matters to report to those charged with governance.

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<p>Lack of movers' access administration for Active Directory</p> <p>Management should introduce a formal user change management process which should be used consistently to manage user access rights and folder permissions. This should include consideration of segregation of duties and role based access control across the organisation.</p> <p>User amendments should:</p> <ul style="list-style-type: none"> • be documented (on-line form) • be approved and authorised – by system and/or line management • include folder access permissions • be role based 	<ul style="list-style-type: none"> • Resolution of this issue is linked to the appointment of Information Asset Owners (IAO) which has now occurred • IAOs are expected to routinely review user access to the systems they are responsible for.
2.	✓	<p>Weak logical access control</p> <p>Management should implement the following improved logical access controls:</p> <ul style="list-style-type: none"> • enable lock out settings on Active Directory to a maximum of 5 attempts before requiring with administrator reset • enable lock out settings on financial applications (ie a non-emergency service) at 3 attempts with administrator reset • monitor activity (see issue 4) over a period of time (1 month) and assess the impact – adjust lockout policy if necessary • monitor how many resets are required by returning staff which could have been avoided with a better HR/ICT process in place • Alternatively, investigate a self-service password reset application to provide staff with on-line access to password re-set without intervention of the service desk. 	<ul style="list-style-type: none"> • Users are locked out of eFinancials systems after 3 unsuccessful attempts. They have to approach the Systems Team for their account to be unlocked. If the user is unable to remember their password, there is a facility for them to have a new password emailed to themselves, which can then be changed by them to a new, secure password. • Domain passwords are a minimum of 8 chars and complex in nature making them difficult to guess. This Risk is already identified on the ICT risk register (#68) with the following "existing controls statement" - Complex passcode policy in operation. Annual ITHCs to confirm appropriate safeguards in perimeter defences. Existing security controls make it difficult for unauthorised software to mount such an attack. Furthermore, a small number of Warwickshire applications, including E-Financials, do utilise this facility and will lock users out of the application after a number of failed attempts. The risk was reviewed by ICT Management team in July 15 and it was agreed to Tolerate this risk.

Assessment
 ✓ Action completed
 X Not yet addressed

Internal controls – review of issues raised in prior year (continued)

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
3.	✓	<p>Absence of logical access review for Active Directory and EFinancials</p> <ul style="list-style-type: none"> Regular reviews of ABS EFinancials user accounts should take place at least annually with sufficient evidence to enable a third-party to confirm when the reviews were performed, who was involved, and what access changed as a result. 	<ul style="list-style-type: none"> A user database has been created listing the access given for each user of the eFinancials systems. Reports have been sent out to the Strategic Business Managers for review to ensure this data is correct & to identify any users that have moved department without the Systems Team being notified. This exercise will be repeated every 6 months. IAOs are expected to routinely review user access to the systems they are responsible for. Review of e-Fin user privileges is the responsibility of the IAO for that system.
4.	✓	<p>Lack of security log reviews</p> <ul style="list-style-type: none"> Management should identify the more critical audit logs and review them on a periodic basis for any anomalies. 	<ul style="list-style-type: none"> Security logs for the eFinancials systems are reviewed each period end for any unusual activity, including access attempts for users that have been marked for deletion. As part of its PSN obligations, the Constabulary is in the process of upgrading its Data Network as well as procuring a Protective Monitoring system. Once these systems are commissioned it will be possible to review how best to further address this issue. (Network)
5.	✓	<p>Split of land and buildings</p> <ul style="list-style-type: none"> Management should consider requesting the valuer to provide the split between land and buildings to ensure that buildings are carried at the correct value in the accounts. 	<ul style="list-style-type: none"> The valuer did provide the split this year
6.	✓	<p>Title deeds for buildings</p> <p>We are satisfied of the PCCs right to the buildings, but we recommend an exercise is undertaken to ensure that all title deeds are in the name of the PCC</p>	<ul style="list-style-type: none"> This is no longer an issue. The PCC has de facto rights to the buildings.
7.	X	<p>Internal Audit</p> <p>Internal Audit have confirmed compliance with the Public Sector Internal Audit Standards but this is not currently supported by an external assessment .</p>	<ul style="list-style-type: none"> We understand the external assessment is to take place in 2016/17.

Assessment
 ✓ Action completed
 X Not yet addressed

Adjusted and Unadjusted misstatements – Police and Crime Commissioner financial statements and Chief Constable financial statements

There were no adjusted or unadjusted misstatement within the Group, PCC or Chief Constable's accounts

Misclassifications and disclosure changes – Police and Crime Commissioner and Group

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	n/a	Narrative Report	The Value for Money section was updated to reflect the outcome of the HMIC PEEL assessment which rated the extent to which the Constabulary is effective and legitimate at keeping people safe and reducing crime as "requires improvement".
2 Disclosure		Note 3 Critical Judgements in Applying Accounting Policies	This has been updated to disclose the critical judgement in assessing that the fair value of PWLB loans have been calculated by Arlingclose using observed market data and have been classed by the Group as Level 2 of the fair value
3 Disclosure		Note 6 Events After the Reporting Period	In common with other bodies in the sector, a note concerning the UK referendum vote to leave the European Union has been added.
4 Disclosure		Note 22 Property Plant and Equipment	There is no change to the net book value reported. Lines within the note have been amended to: <ul style="list-style-type: none"> • show minor corrections to depreciation charges on revalued assets; and • split out additions to assets under construction between additions and donated assets.
5 Disclosure		Note 29 Financial Instruments	The note has been updated to disclose the fair value of PWLB borrowings as calculated by Arlingclose; and the discount rates applied by Arlingclose in the calculation
6 Disclosure		Various	A small number of changes have been made to correct minor errors or to improve the presentation of the accounts.

Misclassifications and disclosure changes – Chief Constable

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	n/a	Narrative Report	The Value for Money section was updated to reflect the outcome of the HMIC PEEL assessment which rated the extent to which the Constabulary is effective and legitimate at keeping people safe and reducing crime as "requires improvement".
2 Disclosure		Note 6 Events After the Reporting Period	In common with other bodies in the sector, a note concerning the UK referendum vote to leave the European Union has been added.
3 Disclosure		Various	A small number of changes have been made to correct minor errors or to improve the presentation of the accounts.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 (the Act) and the NAO Code of Audit Practice (the Code) to satisfy ourselves that the PCC and Chief Constable have each put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources. This is known as the Value for Money (VfM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at both the Office of the PCC and the Constabulary. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the PCC and Chief Constable have put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in February 2016 based on the NAO's guidance. In our initial risk assessment, we considered:

- our cumulative knowledge of both the PCC and the Chief Constable, including work performed in previous years in respect of the VfM conclusions and the opinions on the financial statements.
- the findings of other inspectorates and review agencies, including Her Majesty's Inspectorate of Constabulary (HMIC).

- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we considered necessary to conclude on the PCC and Chief Constable's arrangements.

HMIC's findings were published after our initial risk assessment and we duly updated our risk assessment as a result.

We identified the following significant risks, which we communicated to you in our Joint Audit Plan dated 14 March 2016; and in our Joint Audit Committee update dated 20 June 2016.

- Estates Strategy and ICT
- Financial Strategy
- People and Partnerships
- HMIC rating the Constabulary as "requiring improvement" in the areas of effectiveness and legitimacy in its State of Policing Report.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and on-going risk assessment.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the PCC's and Chief Constable's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the PCC's and Chief Constable's arrangements. In arriving at our conclusion, our main considerations were:

- the development of the estates strategy, and the use of adaptable ICT. We assessed the governance arrangements in place, and explored early outcomes to assess whether efficiencies are indicated.
- the PCC's medium term financial plan and future savings requirements in assessing the financial strategy
- assessing partnership working arrangements; and how change, culture and wellbeing issues are being managed, measured and reported internally
- assessing the response to the HMIC ratings of requires improvement in the areas of efficiency and legitimacy

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work later in this section. We were provided with numerous sources of evidence to support our work. We have referred to a small sample of the evidence we have seen that has enabled us to mitigate the significant risks.

Overall conclusion – Police and Crime Commissioner

Based on the work we performed to address the significant risks, we concluded that:

- the PCC has proper arrangements in all significant respects to ensure they delivered value for money in their use of resources. The text of our reports, which confirm this, can be found at Appendices B and C.

Overall conclusion – Chief Constable

Based on the work we performed to address the significant risks, we concluded that:

- the Chief Constable has proper arrangements in all significant respects to ensure they delivered value for money in their use of resources. The text of our reports, which confirm this, can be found at Appendices B and C.

Recommendations for improvement

We did not identify any recommendations for improvement.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our on-going review of documents.

Significant risk	Work to address	Findings and conclusions
<p>Estates Strategy and ICT The Alliance has an estates strategy programme in place. This includes rationalisation of estate across the two Constabulary areas, and consideration of the use of adaptable ICT. This also includes some elements of partnership working. Developments in Estates and ICT include:</p> <ul style="list-style-type: none"> • The proposal to develop a new shared Operational Command and Control (OCC) building with Hereford and Worcester Fire and Rescue Service at Hindlip Park West Mercia. • Purchase of Neville House in Warwick and conversion works– new OCC for Warwickshire • The incorporation of a Joint Property Vehicle, Place Partnership Ltd on 11 March 2015 which essentially began trading on 1 September 2015. The aim of the Partnership is to maximise value and achieve significant operational efficiencies from land and property assets. • The implementation of the ICT modernisation; and Athena projects across the Alliance. <p><i>Risk – Governance arrangements may not yet be fully embedded. Efficiencies may not be achieved as anticipated.</i></p>	<p>We reviewed the progress being made in the developments indicated. We ensured governance arrangements were in place to ensure the projects' progress was being monitored and challenged where necessary. We evaluated efficiencies to date.</p>	<p>A Principles Document has been signed with Hereford and Worcester Fire and Rescue Service (H&W) which considers joint opportunities to work together including the establishment of a joint command and control facility at Hindlip. Options appraisals are being carried out to consider the movement of the H&W Headquarters function to Hindlip. Richard Elkin as the Alliance Director of Enabling Services is overseeing the development of this proposal and ensuring governance arrangements are maintained.</p> <p>Progress of the Neville House development works is monitored on a regular basis with overall oversight of this project provided by DCC Manners; and the PCC is also reviewing progress of this programme. Progress is considered at the Alliance Property Board meetings.</p> <p>Warwickshire Police are one of the six shareholders of Place Partnership Ltd. Each shareholder has two shares and have voting rights. The PCC is represented on the PPL Board by Andrew Champness, the Chief Executive of West Mercia Office of the PCC; and the Chief Constable by Richard Elkin, Alliance Director of Enabling Services. The Board has developed a business plan that has been signed off by the shareholders. The incorporation of PPL has delivered economies of scale, such as having one Head of Estates across the shareholder bodies. The expertise employed at PPL has started exploring savings opportunities, for example, pursuing business rates rebates at the Warwickshire Justice Centres.</p> <p>ICT modernisation continues to develop across the Alliance. This interlinks with the Estates Strategy which identifies that mobile ICT facilitates flexible working and thus enables workplace flexibility. All projects have a Project Board which considers risks to delivery and monitors progress. The Project Board report to the Programme Board on a regular basis. Business benefits on implementation are tracked. The Athena Project is a multi-Constabulary project which was due to go live at the Alliance in March 2016. The roll out has been delayed due to delays in development of the operating platform stability. This is subject to an action plan being monitored by the Athena Consortium. Roll out is expected in 2017.</p> <p>Overall we are satisfied that governance arrangements are embedded across these projects. Efficiencies are starting to be achieved, though the full impact cannot be assessed as projects are either in their early days or have not yet commenced.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the PCC and Chief Constable each has proper arrangements.</p>

Key findings (continued)

Significant risk	Work to address	Findings and conclusions
<p>Financial Strategy The Medium Term Financial Plan (MTFP) forecast a substantial savings challenge for 2015/16 which has been alleviated to some extent by the settlement in the autumn statement. Further financial challenges are anticipated in the future. The 'Looking to 2020' programme sets out where the Alliance wants to be in the future and how it will get there. This will impact on the financial strategy going forward.</p>	<p>We:</p> <ul style="list-style-type: none"> examined the MTFP and supporting plans to understand the budget, investment and benefits profile. ensured that other strategies support the delivery of the financial strategy. considered how management information supports financial decisions made, particularly reflecting aspects such as VFM, level of risk or core service deliverability. examined financial management information to ensure it is sufficient and able to support and drive change appropriately. focussed on whether the process for approving individual projects against business cases is robust and consistently applied. 	<p>The MTFP runs to 2019/20 and identifies that Warwickshire needs to achieve savings of £2.7m over that period. It acknowledges that the achievement of the plan will need to be supported by strategies including working with a Strategic Partner (part of 2020 Vision), Project Athena, investment in Estate, making use of expertise at PPL.</p> <p>Management information such as tracking of business benefits post project implementation reflect on whether the anticipated benefits are being delivered. The 'Money Matters' reports presented to the Executive Board and Alliance Governance Group provide assurance that the overall Alliance budget is on track. Other financial management information is sufficiently detailed to support and drive change as the behaviour of costs is understood. This enables different scenarios to be modelled.</p> <p>Business cases are prepared for individual projects. These are subject to challenge before being submitted for approval. The Business cases need to demonstrate delivery, value for money, and that they are in line with the future strategy.</p> <p>Overall we are satisfied that there are adequate arrangements in place to ensure the financial strategy is fit for purpose.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the PCC and Chief Constable each has proper arrangements</p>

Key findings (continued)

Significant risk	Work to address	Findings and conclusions
<p>People and Partnerships</p> <p>The PCC and the Constabulary have developed and continue to develop working partnerships within the justice, health sectors and others. We are keen to update our understanding of how these partnerships are developing and whether they are delivering benefits</p>	<p>We:</p> <ul style="list-style-type: none"> • Gained an understanding of the strategy for collaboration and the overall ambition and limitations in this area. • Understood how the Constabulary and OPCC are measuring VFM for new opportunities and feeding this into the decision making process. • Examined specific examples • Assessed how change, culture and wellbeing issues are being managed, measured and reported internally 	<p>The Alliance 'Looking to 2020' document published in August 2016 acknowledges that it will be working in partnership to provide the best service it can. This document sets out the opportunities for collaboration providing examples of how it may work in collaboration to tackle domestic abuse and rural crime which are priority areas for the Alliance. Limitations of partnership working is also understood – such as the sharing of confidential information. It is acknowledged that actions will need to be developed to address these.</p> <p>The PCC decided to allocate £2.5m for five years (£0.5m per year) to address rural, business, and cyber crime as this impacts on quality of life and prosperity – VFM will be achieved if these types of crime reduce. An example of the use of this funding is provided in the following paragraph.</p> <p>The PCC uses intelligence gathered from the four Community Safety Partnerships in Warwickshire to help identify areas of priority for funding. For example, nuisance off-road motorcycles were an issue in North Warwickshire. Funding from the PCC's rural grants scheme funded the Constabulary's purchase of two off-road motorcycles to proactively target the nuisance vehicles causing anti-social behaviour. This resulted in an increase in Section 59 orders (power to seize vehicle from the owner should the vehicle be found causing a similar disturbance) reducing anti-social behaviour. The PCC's funding of projects is subject to on-going monitoring to ensure the funding has been spent appropriately and outcomes are being achieved.</p> <p>The importance of people in achieving the Alliance's transformational change is acknowledged in The People Strategy for 2015-18 which identifies six priority people areas. One of these is Health and Well-Being (HWB). The Chief Constables chair the HWB Board. Feedback from the staff survey highlighted areas to work on and an action plan developed. Progress is monitored at the Board. Another staff survey will be launched on 5 September 2016 to expand on key issues identified along with a section in respect of the Vision 2020 programme. This will enable a check on impact and actions required going forward.</p> <p>Mental health well-being has been acknowledged as crucial for the Constabulary. The Alliance is one of the signatories to the mental health charity MIND's Blue Light Time to Change Pledge. As a result of this, within the Alliance, Bluelight Champions have been appointed to raise awareness of mental health and breakdown the stigma. And, to help support people suffering mental health issues, a Peer Support Network has been set up.</p> <p>Sickness levels for both police officers and staff had been an issue for Warwickshire previously. HWB initiatives are having a positive impact, with attendance levels improving as at 31 March 2016, and Warwickshire now being 23/43 Constabularies for police officer sickness hours lost compared to 42/43 as at 31 March 2015.</p> <p>Overall we are satisfied that there are adequate arrangements in place to ensure the benefits of partnership working are realised, and that people issues are being managed appropriately.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the PCC and Chief Constable each has proper arrangements</p>

Key findings (continued)

Significant risk	Work to address	Findings and conclusions
<p>HMIC Inspection findings HMIC's State of Policing rated Warwickshire as "requiring improvement" in the areas of effectiveness and legitimacy. We are required to consider the findings of HMIC as part of our VFM work.</p> <p>This forms part of our consideration of the VFM sub criteria Informed Decision Making, and Resource deployment.</p>	<p>The Alliance had already put an action place to address HMIC's findings. We reviewed how the Constabulary is implementing and monitoring delivery of plans to address the findings of Her Majesty's Inspectorate of Constabulary (HMIC) reviews.</p>	<p>The Alliance has a clear process in place to respond to the outcome of HMIC inspections.</p> <p>At the start of a HMIC inspection a Core Group is established for the inspection to manage the process. The Core Group is responsible for the management of the inspection for the Constabulary with the assistance of Strategic Service Improvement (SSI).</p> <p>Following the completion of the inspection and the publication of the final report the Core group will reconvene to consider the inspection report and prepare an action plan to address any recommendations arising from the inspection report.</p> <p>HMIC reports are considered in detail in terms of recommendations, Areas for Improvement (AFIs) and the observations in the reports. This results in the detailed Action Plan for a report having more individual actions in it than the number of recommendations and AFIs in the HMIC report but is seen as being more comprehensive and used to facilitate better management and accurate progression of actions.</p> <p>The actions on each HMIC action plan are owned by the Chief Officer Lead and the business area that is the subject of the HMIC inspection. The business area is responsible for maintaining and periodically updating the action plan. The Action Plans are continually updated. Progress is monitored by the Service Improvement Board.</p> <p>Feedback from the Service Improvement Board is a standing item on the meetings of the Alliance Executive Board and progress is monitored there. Progress is also reported to the meetings of the Joint Audit Committee with communication directly with the Chair of the Joint Audit Committee as appropriate.</p> <p>We have reviewed the current version of the action plan and can confirm that satisfactory progress is being made on implementing recommendations.</p> <p>Where deemed appropriate, a separate action plan is developed to address specific areas, such as Stop and Search. The Constabulary commissioned a peer review of its processes by Northamptonshire Police to identify further opportunities for improvement. This demonstrates a desire to improve beyond HMIC inspection findings.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the PCC and Chief Constable each has proper arrangements.</p>

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

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

Fees

	Budget £	Actual £
Police and Crime Commissioner audit	31,035	31,035
Chief Constable audit	15,000	15,000
Total audit fees (excluding VAT)	46,035	46,035

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.a.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the PCC's and Chief Constable's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the PCC's and Chief Constable's key risks when reaching our conclusions under the Code.

It is the responsibility of the PCC and Chief Constable to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the PCC and Chief Constable are fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓
Significant matters in relation to the Group audit including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud.	✓	✓

Appendices

Appendix A: Joint action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1.	The PCC and Chief Constable request Internal Audit to confirm they will undertake an external review of their self assessment to demonstrate compliance with the Public Sector Internal Audit Standards during 2016/17.	Medium	The Head of Internal Audit has stated that this review will now take place during 2017.	Head of Internal Audit 2017.

Appendix B: Audit opinion – Police and Crime Commissioner

We anticipate we will provide the PCC and the group with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR WARWICKSHIRE

We have audited the financial statements of the Police and Crime Commissioner for Warwickshire (the "Police and Crime Commissioner") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Group and Police and Crime Commissioner Movement in Reserves Statements, the Group and Police and Crime Commissioner Comprehensive Income and Expenditure Statements, the Group and Police and Crime Commissioner Balance Sheets, the Group and Police and Crime Commissioner Cash Flow Statements and the related notes and include the police pension fund financial statements of Warwickshire Police comprising the Fund Account, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Police and Crime Commissioner and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer ; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report, the Group Narrative Report, the Annual Governance Statement and the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements: present a true and fair view of the financial position of the Police and Crime Commissioner and Group as at 31 March 2016 and of the Police and Crime Commissioner's and Group's expenditure and income for the year then ended; and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report, the Annual Governance Statement and the Annual Report is consistent with the Group audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Police and Crime Commissioner under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Police and Crime Commissioner's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Police and Crime Commissioner and auditor

The Police and Crime Commissioner is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

Scope of the review of the Police and Crime Commissioner's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Police and Crime Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Police and Crime Commissioner has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Police and Crime Commissioner has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Police and Crime Commissioner in accordance with the requirements of the Act and the Code.

[Signature]

John Gregory
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building,
20 Colmore Circus
Birmingham
B4 6AT

xx September 2016

Appendix C: Audit opinion – Chief Constable

We anticipate we will provide the Chief Constable with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR WARWICKSHIRE POLICE

We have audited the financial statements of the Chief Constable for Warwickshire (the "Chief Constable") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the police pension fund financial statements of Warwickshire comprising the Fund Account and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the Chief Constable, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Chief Constable those matters we are required to state to the Chief Constable in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Chief Constable's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements: present a true and fair view of the financial position of the Chief Constable as at 31 March 2016 and of its expenditure and income for the year then ended; and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if: in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or we issue a report in the public interest under section 24 of the Act; or we make a written recommendation to the Chief Constable under section 24 of the Act; or we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Chief Constable's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Chief Constable and auditor

The Chief Constable is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

Scope of the review of the Chief Constable's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Chief Constable put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Chief Constable has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects *the Chief Constable* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Chief Constable in accordance with the requirements of the Act and the Code.

[Signature]

John Gregory
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building,
20 Colmore Circus
Birmingham
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xx September 2016



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