

Joint Audit Committee Update for the Warwickshire Police and Crime Commissioner and the Chief Constable of Warwickshire Progress Report and Update Year ended 31 March 2016

20 June 2016

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Introduction

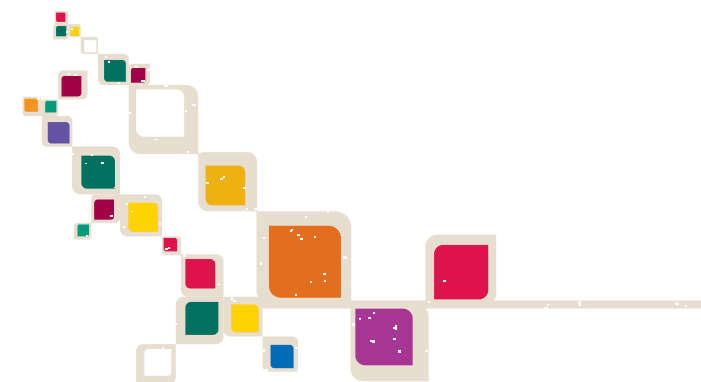
This paper provides the Joint Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

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

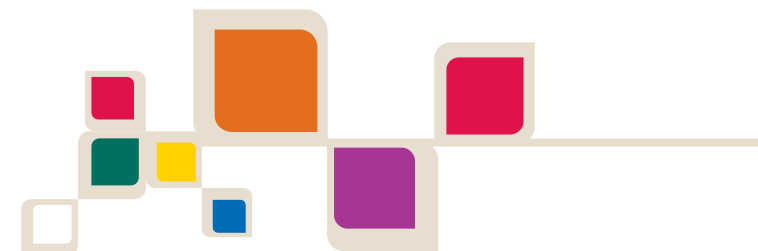
- Innovation in public financial management (December 2015); www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/
- Knowing the Ropes – Audit Committee; Effectiveness Review (October 2015); www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/
- Making devolution work: A practical guide for local leaders (October 2015) www.grantthornton.co.uk/en/insights/making-devolution-work/

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

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

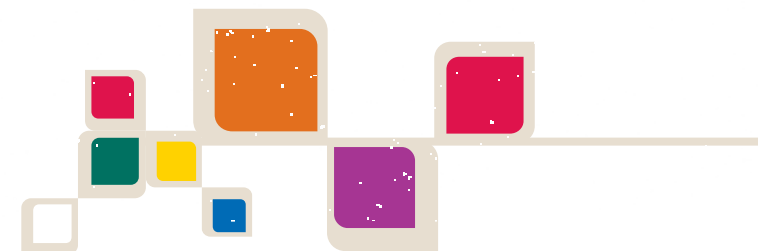


Progress to date



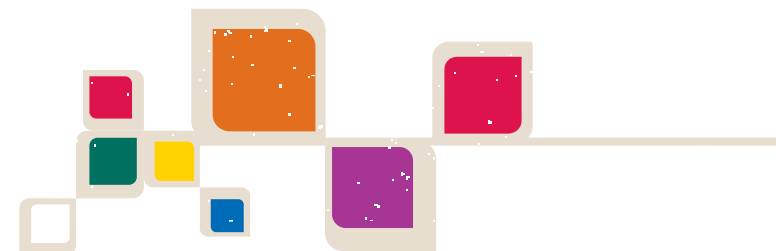
2015/16 work	Planned Date	Complete?	Comments
Fee Letter			
We are required to issue a 'Planned fee letter' for 2015/16 to both the Police and Crime Commissioner and the Chief Constable by the end of April 2015.	April 2015	Yes	The 2015/16 fee letters were issued in April 2015
Accounts Audit Plan			
We are required to issue a detailed accounts joint audit plan covering the audit for the Police and Crime Commissioner and the Chief Constable setting out our proposed approach in order to give an opinion on the Police and Crime Commissioner's group financial statements, including the statements of the Chief Constable in 2015/16.	March 2016	Yes	<p>We continue to assess the risks facing you and meet with Senior Officers to ensure that these risks are fully understood and our audit work is appropriate.</p> <p>If there are any changes to our plan between our initial risk assessment and the delivery of our opinion we will discuss this with the appropriate Senior Officers and agree with the Police and Crime Commissioner and Chief Constable.</p>
Interim accounts audit			
<p>Our interim fieldwork visits covers work on both the Police and Crime Commissioner and the Chief Constable arrangements, including:</p> <ul style="list-style-type: none"> •updating our review of the control environments •updating our understanding of financial systems •review of Internal Audit reports on core financial systems •early work on emerging accounting issues •early substantive testing •proposed Value for Money conclusion work. 	January – March 2016	Yes	<p>We have:</p> <ul style="list-style-type: none"> •engaged with the Alliance finance team to streamline and improve the audit approach for 2015/16 where possible •Discussed any technical issues early, including the impact from the pension commutation guidance and accounting for PPL transactions including disclosure of Warwickshire's share of pension liabilities •Undertaken as much early testing as possible.
Final accounts audit			
<p>Covering the Police and Crime Commissioner's group financial statements, including the statements of the Chief Constable, we will :</p> <ul style="list-style-type: none"> •audit the 2015/16 financial statements •issue opinions on the 2015/16 financial statements 	<p>July to September 2016</p> <p>(on site fieldwork 11 July to 13 August 16)</p>	In progress	We will undertake work on your draft financial statements to provide an opinion by the statutory deadline. We are planning to complete our audit by 31 st August, as part of the transition to the earlier closedown and audit cycle from 2018.

Progress to date



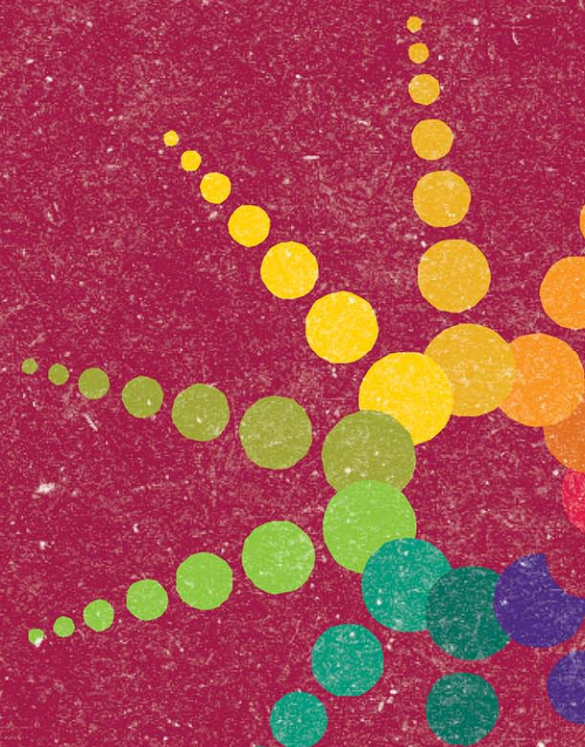
2015/16 work	Planned Date	Complete?	Comments
Value for Money (VfM) conclusion			
<p>The scope of our work to inform the 2015/16 VfM Conclusion requires conclusions on whether:</p> <p><i>"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</i></p> <p>This change of guidance was issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> •Informed decision making •Sustainable resource deployment •Working with partners and other third parties 	February – August 2016	In progress	<p>We have considered the potential significant risks for our VfM conclusion and initially identified the following issues as detailed in the Joint Audit Plan.</p> <ul style="list-style-type: none"> •Corporate Governance and Devolution •Impact of Place Partnership Ltd on Estates Management •Financial Strategy •People and Partnerships <p>At the time of completing our VFM planning and writing the Joint Audit Plan HMIC had not yet published its State of Policing Report. When issued, Warwickshire was rated as "requiring improvement" in the areas of effectiveness and legitimacy. We have identified this as a new significant risk as we are required to consider the findings of HMIC. This will form part of our consideration of the VFM sub criteria Informed Decision Making, and Resource deployment. The Alliance has already put an action place to address HMIC's findings. We will review the actions the Alliance continues to take in response to these judgements including a consideration of the impact of actions taken to date.</p> <p>Our work on the VfM Conclusion will include attending meeting with key Senior Officers and key document reviews. We are aiming to deliver this work ahead of the national timescales as a move towards the faster close from 2018.</p>
Annual Audit Letter			
We will summarise all the work completed as part of our 2015/16 audit within one letter which will be issued after the opinion.	October 2016	Not started	

Progress to date



2015/16 work	Planned Date	Complete?	Comments
Engagement with you since the last Joint Audit Committee meeting	On-going	On-going	<ul style="list-style-type: none"> •Meetings with key Senior Officers to discuss the audit planning and significant risks facing the Police and Crime Commissioner and the Chief Constable •The Chair of the Joint Audit Committee attended our Police Audit Committee Conference in April 2016 •Discussion of emerging accounting issues, and early indications of revenue and capital outturn with the Alliance Financial Accountant •A private meeting has been set up with Lynne Duffy (Joint Audit Committee member) on 15 June 2016 – this is to deliver best practice of holding private meetings with the external auditor

Police Sector Accounting and other issues



Machinery of Government Change – Legislation to allow Police and Crime Commissioners to take responsibility for their local fire service

The Government is committed to closer collaboration between the police and fire and rescue services. Following a public consultation, the Government will take forward legislation to enable PCCs to hold their local fire and rescue services to account. This is part of a raft of changes to bring about closer working between the police, fire and rescue and NHS ambulance services and improve the way they serve communities, protect the public and provide value for money for taxpayers. Having carefully considered all the consultation responses, the Government will legislate to:

- Introduce a statutory duty to collaborate on all three emergency services, to improve their efficiency or effectiveness;
- Enable PCCs to take on the functions and duties of fire and rescue authorities, where a local case is made;
- Further enable PCCs to create a single employer for police and fire personnel where they take on the responsibilities of their local fire and rescue service, and where a local case is made;
- In areas where a PCC has not become responsible for fire and rescue, enabling them to have representation on their local fire and rescue authority with voting rights, where the fire and rescue authority agrees; and
- Abolish the London Fire and Emergency Planning Authority and give the Mayor of London direct responsibility for the fire and rescue service in London.

The intention is that these measures will ensure collaboration is widespread and ambitious across the country. Bringing police and fire together locally under the leadership of a PCC will provide greater direct accountability for the public and will accelerate local collaboration.

This Government is clear that greater joint working between the emergency services can deliver better local accountability, an improved service for communities and significant savings for taxpayers. Similarly the Government believes that central policy making, as well as local delivery, can benefit from a more joined up approach and that this can be best achieved by transferring responsibility for fire and rescue policy from the Department for Communities and Local Government to the Home Office. PCCs could potentially create a single employer for both police and fire personnel if they are able to demonstrate a clear business case for doing so. Blue light services will also have a new duty to work together to provide a more efficient and effective service to the public.

There are examples of greater collaboration working well at the following link <https://www.gov.uk/government/news/fire-and-rescue-policy-to-move-to-the-home-office>

Government introduces Policing and Crime Bill

The Home Office has introduced new legislation which will aim to finish the job of police reform. The purpose of the Policing and Crime Bill is to enhance the democratic accountability of police forces, and fire and rescue services, improve the efficiency and effectiveness of emergency services through closer collaboration and build public confidence in policing. It will strengthen the protections for persons under investigation by, or who come into contact with, the police; ensure that the police and other law enforcement agencies have the powers they need to prevent, detect and investigate crime; and further safeguard children and young people from sexual exploitation.

The main provisions of the Bill will:

- Place a duty on police, fire and ambulance services to collaborate and enable Police and Crime Commissioners (PCCs) to take on responsibility for fire and rescue services, where a local case is made.
- Reform the police disciplinary and complaints systems to ensure that the public have confidence in their ability to hold the police to account, and that police officers will uphold the highest standards of integrity.
- Better enable chief officers to make the most efficient and effective use of their workforce by giving them the flexibility to confer a wider range of powers on police staff and volunteers - whilst for the first time specifying a core list of powers that may only be exercised by warranted police officers - and conferring a power on the Home Secretary to specify police ranks in regulations, thereby affording the flexibility to introduce a flatter rank structure.
- Reform pre-charge bail to put a stop to people remaining on bail for lengthy periods with no independent judicial scrutiny of its continued necessity.
- Stop children and young people under 18 experiencing a mental health crisis being detained in police custody - and restricting the circumstances when adults can be taken to police stations - by reforming police powers under sections 135 and 136 of the Mental Health Act 1983.

Further details can be found at <https://www.gov.uk/government/news/government-introduces-policing-and-crime-bill>

Home Secretary announces reforms to IPCC

The Independent Police Complaints Commission (IPCC) will be reformed and renamed to improve efficiency, drive more effective governance and make it more responsive to the public, the Home Secretary. Home Secretary Theresa May has concluded that the IPCC's existing governance model is no longer suitable for the expanding organisation and in light of its enhanced role in the reformed police disciplinary and complaints systems, which will be overhauled as a result of measures in the Policing and Crime Bill. On 7 March the Home Secretary announced her intention to bring forward amendments to the Bill to create a new governance model for the police complaints body.

The reformed organisation will be headed by a director general instead of a large number of commissioners. The director general will be appointed by Her Majesty The Queen and be ultimately accountable for individual casework decisions, including in respect of the investigation of the most serious and sensitive allegations involving the police. Corporate governance will be provided by a board comprising a majority of non-executive directors appointed by the Home Secretary to challenge and have oversight of the overall running of the organisation.

These changes will deliver a more capable and resilient IPCC with clear lines of accountability and decision-making, which is of particular importance as it takes on all serious and sensitive cases. The organisation will also be renamed the "Office for Police Conduct" to reflect its expanded role investigating serious and sensitive matters and the fact there will be no commissioners under the new governance model.

The reforms in the Policing and Crime Bill increase the IPCC's powers, including initiating its own investigations and recommending remedies. The Government's response to the consultation sets out the plans to reform the governance arrangements of the IPCC to ensure they are fit for purpose now and in the future.

<https://www.gov.uk/government/consultations/reforming-the-independent-police-complaints-commission-structure-and-governance>

HMIC Report on Regional Organised Crime Units (ROCUs)

HMIC have published their first full inspection on the ten ROCUs that were set up across England and Wales to provide thirteen specialist policing capabilities, including undercover policing and cyber-crime investigation, to help police forces tackle serious and organised crime.

HMIC's inspection found that ROCUs have evolved in a piecemeal way and continue to develop inconsistently. The report found that they range from highly ambitious and effective cross-force collaborative units to smaller and less effective units. This inconsistency can compromise effectiveness or duplicate capabilities unnecessarily. It was notable however that the staff and detectives in ROCUs are capable and motivated and generally conduct high quality investigations.

There were eleven recommendations for ROCUs to consider in HMIC's report. These included that:

- By 1 April 2016 all ROCUs should ensure that all thirteen capabilities are provided
- By 31 March 2016 the Home Office is required to work with the ROCU executive Board and create a three to five year funding settlement in-line with their assessment of the viability and benefits of ROCUs.

A copy of the report can be obtained from the following link <http://www.justiceinspectorates.gov.uk/hmic/news/news-feed/regional-organised-crime-units-should-build-on-their-strongfoundations/>

Restricting the use of police cells for those experiencing a mental health crisis

The Home Office will take forward legislation to greatly restrict the circumstances when a police cell can be used. The Government has been clear that police cells are a poor environment for any person experiencing a mental health crisis. They can make service users feel criminalised and exacerbate levels of distress. This is especially true for those under the age of 18 - yet in 2014/15 more than 150 children and young people were detained in police cells.

Changes to the Mental Health Act will be made under the forthcoming Policing and Crime Bill. They include:

- Banning police cells as a “place of safety” for under-18s.
- Creating regulations to limit the circumstances in which police cells can be used a place of safety for adults.
- Reducing the maximum duration of detention for the purposes of an assessment under the Act from 72 to 24 hours.
- Widening the current definition of a place of safety to increase local capacity and flexibility.
- Extending police officers’ powers to act quickly to detain and remove people experiencing a mental health crisis from any place other than a private dwelling (for which a warrant would still be required).
- Requiring police officers to consult health professionals before detaining someone under the Act’s provisions.
- Clarifying that assessments under the Act can take place in a private dwelling.

A 2014 review of the sections 135 and 136 of the Mental Health Act found people were being detained in police cells because of a lack of available health-based places of safety, whether this was due to capacity issues, staffing levels or opening hours. In May 2015 Home Secretary Theresa May announced up to £15 million of funding to provide health-based alternatives to police cells. Additional provision will be focused on the areas of the country where use of police cells is highest.

The Government has already implemented a range of measures to improve the care people receive and to reduce the burden on police officers, including street triage, liaison and diversion, the Crisis Care Concordat and an alternative place of safety pilot in Sussex for people detained under Sections 135 and 136. These measures have contributed to an almost 50% reduction in the number of times police cells were used as a place of safety in England and Wales between 2011/12 and 2014/15, but progress is highly variable across the country with five police force areas accounting for more than half of all uses of police cells. This change in legislation will put an end once and for all to the practice of using police cells simply because there is no suitable alternative available and ensure that all suffers of mental health, no matter where they live, are cared for in the proper environment.

Supporting Public Service Transformation

Many Police forces are considering how to transform or redesign their services in a way that improves value for money for the taxpayer and makes best use of the limited resources available to them. There is an increase in initiatives which support and deliver against Police objectives, but also the objectives of other public service providers, such as local authorities, the fire and ambulance services and public and national health organisations, as well as range of voluntary and community based organisations.

Effective evaluation offers important insights into why some approaches are more successful than others and into how to deliver better services within constrained budgets. It provides decision makers – both in the policing sector and in their partner organisations – with the evidence they need to support new ways of service provision and to make the best possible case for securing the resources needed to deliver them.

The Public Transformation Network champions a 'whole place', multi-agency approach to public service reform. It helps local public sector partners remodel services so they are designed around the needs of people, not the needs of organisations. It has produced an introductory guide to evaluation which community safety practitioners and analysts in the Police sector may find helpful.

The guide is complemented by the Network's guidance on Cost Benefit Analysis for Local Partnerships which can be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/300214/cost_benefit_analysis_guidance_for_local_partnerships.pdf

The Network's evaluation guide sets out some guiding principles and key considerations to help local providers measure the impact of changes to services. It aims to help local providers to ensure the highest quality, credibility and accountability for services that have been redesigned and enable multi-agency partnerships delivering new services to demonstrate value for money and how redesigned services make a real difference to local communities. The guide can be found at: <http://publicservicetransformation.org/images/articles/learning-zone/evaluation-analysis/EvaluationGuideFinalv2.0.pdf>

The Network's website also hosts a number of webinars and useful resources on evaluation and other elements of public service reform, such as collaborative leadership and commissioning. Link to the website: www.publicservicetransformation.org

Grant Thornton Publications



Reforging local government: Summary findings of financial health checks and governance reviews

The recent autumn statement represents the biggest change in local government finance in 35 years. The Chancellor announced that in 2019/20 councils will spend the same in cash terms as they do today and that "better financial management and further efficiency" will be required to achieve the projected 29% savings. Based on our latest review of financial resilience at English local authorities, this presents a serious challenge to many councils that have already become lean.



Our report is available at <http://www.grantthornton.co.uk/en/insights/reforging-local-government/>, or in hard copy from your Engagement Lead or Engagement Manager.

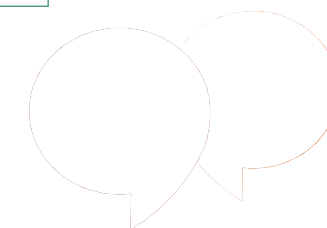
Our research suggests that:

- the majority of councils will continue to weather the financial storm, but to do so will now require difficult decisions to be made about services
- most councils project significant funding gaps over the next three to five years, but the lack of detailed plans to address these deficits in the medium-term represents a key risk
- Whitehall needs to go further and faster in allowing localities to drive growth and public service reform including proper fiscal devolution that supports businesses and communities
- local government needs a deeper understanding of their local partners to deliver the transformational changes that are needed and do more to break down silos
- elected members have an increasingly important role in ensuring good governance is not just about compliance with regulations, but also about effective management of change and risk
- councils need to improve the level of consultation with the public when prioritising services and make sure that their views help shape council development plans.

CFO Insights – driving performance improvement

CFO insights is an online analysis tool that gives those aspiring to improve the financial position of their local authority instant access to insight on the financial performance, socio- economy context and service outcomes of every council in England, Scotland and Wales.

The tool provides a three-dimensional lens through which to understand council income and spend by category, the outcomes for that spend and the socio-economic context within which a council operates. This enables comparison against others, not only nationally, but in the context of their geographical and statistical neighbours. CFO Insights is an invaluable tool providing focused insight to develop, and the evidence to support, financial decisions.



We are happy to organise a demonstration of the tool if you want to know more.

Innovation in public financial management

In December 2015 we issued a report, which drew on a survey of almost 300 practitioners worldwide, also includes insights from experts at the International Consortium on Governmental Financial Management (ICGFM) and the Massachusetts Institute of Technology's Centre for Finance and Policy.

The report is the latest in a decade-long series jointly published by Grant Thornton and the ICGFM and it covers four major topics that, globally, will impact on the future of public financial management:

Changing practices. Our research showed that the biggest issue ahead will be finding the political commitment to support more difficult innovations on the agenda – such as increasing public engagement.

The right PPP formula. 90% of respondents felt that substantial investment in infrastructure was required to drive economic growth. In this age of austerity, most governments are also seeking ways to attract outside investment – with the majority using some form of public-private partnership (PPP). Many countries remain inexperienced with such arrangements and the results of their application have been mixed. There has been little improvement since our 2011 survey,

which shows that it takes a long time to develop the requisite skills and experience to make PPPs work.

Transparency with technology. Public financial managers are convinced of the importance of enhancing transparency and most are trying to be innovative in this area. However, most are using outdated digital tools. Fewer than half use social media to enhance openness. Even among the best, most transparency efforts are focussed on releasing data sets than data insights.

The new normal. Public financial management remains weighed down by the effects of the global financial crisis, but respondents also focussed on important developments since 2008, such as the Eurozone problems and the collapse of commodity prices. This suggests that public financial management is having to come to terms with not just the lessons one major financial crisis, but with how governments can live with less over the long term.

Our report, Innovation in public financial management, can be downloaded from our website:

<http://www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/>

Grant Thornton reports



2016 Transparency Report

Grant Thornton's commitment to quality underpins all that we do and this is reflected in our 2016 Transparency Report.

We have more than 42,000 people in over 130 countries and this report is a public statement of our commitment to provide high-quality services to businesses and organisations operating throughout the world.

It is designed to help clients, audit committees, regulators and the public, who make up our many stakeholders, understand us better.

The report covers the three key aspects of our business, namely:

- Audit and assurance;
- Taxation; and
- Advisory services.

The report provides information on our audit methodology and sets out how we monitor the quality of our work and engage with external regulators.

It also covers our arrangements for governance and management and sets out our most recent financial information.

The report can be downloaded from our website:

www.grantthornton.global/globalassets/1.-member-firms/global/grant-thornton-global-transparency-report-2016.pdf

Alternatively, hard copies can be provided by your Engagement Lead or Audit Manager.

Grant Thornton reports



Partnership Working in Mental Health

Responding to issues related to an underlying mental illness does not solely sit within the remit of health professionals. Emergency services working together in street triage and similar schemes frequently ‘pick up the pieces’ after a crisis event. Collaboration around this issue is essential to provide high quality care and make savings to the wider public purse.

Mental ill health costs the economy over £100 billion each year and affects one in four people. However, responding to issues related to an underlying mental illness does not solely sit within the remit of health professionals. With many parts of the public sector needing to respond, and each facing significant financial pressures, collaboration around this issue is essential if savings are to be found and the best care provided.

This paper draws together examples of successful collaboration between public services and feedback from a Midlands round table discussion – where the West Midlands Combined Authority has set up a mental health commission – to look at how different services have overcome some of the traditional barriers and demarcation lines between organisations.

The report contains four key messages:

1. The unpredictable nature of mental health symptoms can mean that the first point of contact is via emergency services, with ambulance, fire and rescue or police officers being present. The cost of services not being available at the right place at the right time can be huge, in terms of the personal suffering of individuals and costs to the wider system.
2. Often relatively modest amounts of money targeted at specific initiatives such as street triage or community cafes can make a huge difference in improving the availability of important services.
3. An impact can be made without the need for expensive structural change. Most importantly, it requires a genuine approach to collaboration and a culture of putting the patient first.
4. Investing in collaborative initiatives that focus on the needs of mental health patients were undoubtedly resulting in savings elsewhere to the public purse.

The report can be downloaded from our website:

<http://www.grantthornton.co.uk/en/insights/partnership-working-in-mental-health/>

Alternatively, hard copies can be provided by your Engagement Lead or Audit Manager.

Grant Thornton reports





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