



# Joint Audit Plan for Police and Crime Commissioner for West Mercia and Chief Constable for West Mercia

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

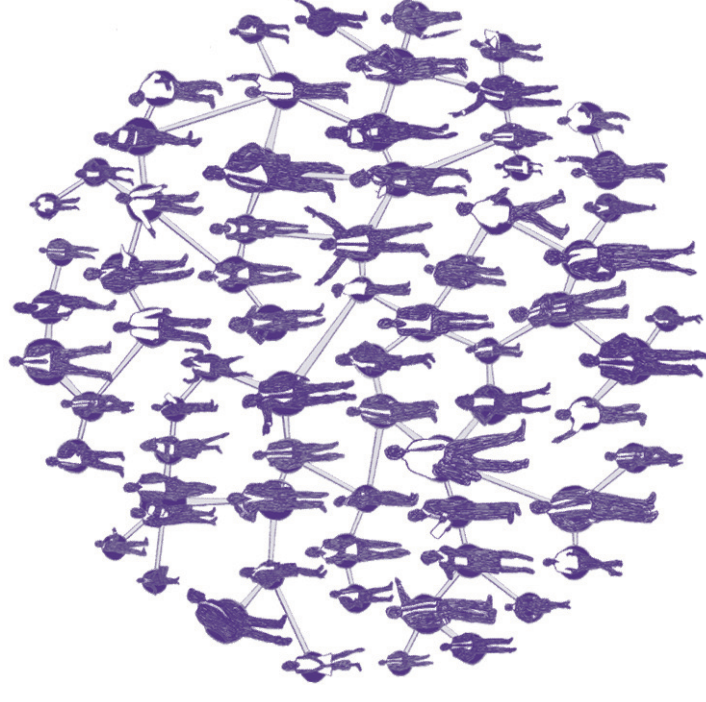
**Year ended 31 March 2017**

20 March 2017

**Alex Walling**  
Engagement Lead  
T 0117 305 7804  
E [alex.j.walling@uk.gt.com](mailto:alex.j.walling@uk.gt.com)

**Joan Barnett**  
Manager  
T 0121 232 5399  
E [joan.m.barnett@uk.gt.com](mailto:joan.m.barnett@uk.gt.com)

**Martin Stevens**  
In Charge Auditor  
T 0121 232 5313  
E [martin.p.stevens@uk.gt.com](mailto:martin.p.stevens@uk.gt.com)



Mr John Campion  
West Mercia Police and Crime Commissioner  
OPCC  
West Mercia Police  
Hindlip Hall  
Worcester  
WR3 8SP  
20 March 2017

Mr Anthony Bangham  
Chief Constable  
West Mercia Police  
Hindlip Hall  
Hindlip  
Worcester,  
WR3 8SP

Dear Mr Campion and Mr Bangham

**Joint Audit Plan for Police and Crime Commissioner for West Mercia and Chief Constable for West Mercia for the year ending 31 March 2017**

This Joint Audit Plan sets out for the benefit of those charged with governance (the Police and Crime Commissioner (PCC) for the Office of the PCC (OPCC), and the Chief Constable for West Mercia) an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the OPCC, the West Mercia Constabulary and your environment. The contents of this Joint Audit Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to:

- give an opinion on the financial statements of the Chief Constable, the PCC and the Group
- satisfy ourselves the PCC and the Chief Constable have each made proper arrangements for securing economy, efficiency and effectiveness in their use of resources.

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 which give a true and fair view.

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 the OPCC or the West Mercia Constabulary or all weaknesses in your internal controls. This report has been prepared solely for your benefit. 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 look forward to working with you during the course of the audit.

Yours sincerely

Alex Walling  
Engagement Lead

Grant Thornton UK LLP  
The Colmore Building  
20 Colmore Circus  
Birmingham  
B4 6AT  
T +44 (0) 121 232 4000  
www.grant-thornton.co.uk

**Chartered Accountants**

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.  
A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.  
Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see grant-thornton.co.uk for further details.

# Contents

<b>Section</b>	<b>Page</b>
Understanding your business and key developments	4
Materiality	5
Significant risks identified	6
Other risks identified	9
Group audit scope and risk assessment	11
Value for Money	12
Other audit responsibilities	15
Interim audit work in progress at time of writing this plan	16
The audit cycle	18
Audit fees	19
Independence and non-audit fees	20
Communication of audit matters with those charged with governance	21

# Understanding your business and key developments

Developments		Key challenges	Financial reporting changes
<p><b>Blue light collaboration</b></p> <p>Provisions are in place to enable the transfer of Fire and Rescue and Police and Crime Commissioner functions to the elected mayor of a combined authority area.</p> <p>The Policing and Crime Bill is expected to come into effect in April 2017, and will:</p> <ul style="list-style-type: none"><li>introduce a high level duty on all three emergency services to collaborate; and</li><li>enable Police and Crime Commissioners to take on the functions of Fire and Rescue Authorities, and create a single employer for Police and Fire personnel.</li></ul>	<p><b>Police and Crime Plan</b></p> <p>The first Police and Crime Plans created by PCCs covered the four years between 2013 and 2017.</p> <p>Each PCC is required to have created a new Police and Crime Plan, to cover the four years 2017 to 2021, by 31 March 2017. The PCC has published his plan, following scrutiny by the Police and Crime Panel.</p>	<p><b>Police Funding Formula</b></p> <p>At the beginning of 2016, the implementation of the revised police funding formula in England and Wales was delayed.</p> <p>These revisions are still expected to be implemented, perhaps as soon as the 2018/19 financial year.</p> <p>For some forces this may represent a significant reduction in annual funding, and will have an impact on forward planning.</p>	<p><b>CIPFA Code of Practice 2016/17 (the Code)</b></p> <p>Changes to the Code in 2016/17 reflect aims of the 'Telling the Story' project, to streamline the financial statements to be more in line with internal organisational reporting and improve accessibility to the reader of the financial statements.</p> <p>The changes affect the presentation of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statements, segmental reporting disclosures and a new Expenditure and Funding Analysis note has been introduced. The Code also requires these amendments to be reflected in the 2015/16 comparatives by way of a prior period adjustment.</p>
<p><b>Transformation funding</b></p> <p>The transformation fund is designed to continue to reform and shape policing for the future by investing in new capabilities to respond to changing crimes and threats.</p> <p>On 30 November 2016, the Home Secretary awarded over £26m to 28 successful bids for transformation projects. West Mercia will be able to tap into certain funds awarded to lead forces</p>	<p><b>HMIC PEEL</b></p> <p>West Mercia is graded as "good" for efficiency and legitimacy as part of its PEEL assessment. HMIC is due to grade the force for effectiveness during the Spring of 2017. An action plan is being progressed to respond to HMIC inspection findings. This plan is subject to review and challenge.</p>	<p><b>Local Issues</b></p> <p>The Alliance is in the early stages of progressing an ambitious programme of transformational change. - Vision 2020. The Alliance recognises that transformational change may impact on the health and wellbeing of police officers and staff and is taking action to mitigate the impact of this.</p> <p>Project Athena's go-live date cannot yet be confirmed due to delays with Back Record Conversion. Action is being taken to monitor the impact of this.</p>	<p><b>Earlier closedown</b></p> <p>The Accounts and Audit Regulations 2015 require authorities to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year.</p> <p>You have a Joint Audit Committee on 31 July 2017 and we plan to issue our opinion following that meeting. Early close will thus be achieved a year ahead of the mandated deadline.</p>
<p><b>Our response</b></p> <ul style="list-style-type: none"><li>We aim to complete all our substantive audit work of your financial statements by 21 July 2017. We plan to issue our audit opinion and VFM conclusion on 31 July 2017.</li><li>As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the financial reporting changes in the 2016/17 Code.</li><li>We will review both the Police and Crime Commissioner's and the Chief Constable's progress in managing their responsibilities and how they are working with partners, as part of our work in reaching our VFM conclusions. We will also review progress with Vision 2020, progress with Project Athena and management of Health and Well-being initiatives as part of this work.</li><li>We will consider the outcome of HMIC's overall assessment of West Mercia Police's performance as part of our VFM work.</li><li>We will review the arrangements in place for the delivery of the new Police and Crime Plan, and the PCC's holding the Chief Constable to account for its delivery, as part of our work in reaching our VFM conclusions and our consideration of your governance arrangements, including content of the Annual Governance Statements, during our audit.</li><li>We will keep you informed of changes to the financial reporting requirements for 2016/17 through on-going discussions and invitations to our technical update workshops which finance staff are attending on 3 March 2017.</li></ul>			<p><b>Transfer of Youth Offending Services to the PCC</b></p> <p>The PCC's accounts will now include disclosures in relation to the YOS. We shall review these disclosures to ensure compliance with the Code; and that they are materially fairly stated.</p>

© 2017 Grant Thornton UK LLP | The Joint Audit Plan for West Mercia Police and Crime Commissioner and West Mercia Chief Constable | 2016/17

# Materiality

In performing our audit, 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 concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based on professional judgment in the context of our knowledge of the PCC and the Chief Constable. In line with previous years, we have calculated materiality for the statements as a whole as a proportion of the smaller of gross revenue expenditure of the Police and Crime Commissioner and gross revenue expenditure of the Chief Constable. For the purposes of planning the audit we have determined overall materiality to be £4,377k (being 2% of the gross revenue expenditure of the Police and Crime Commissioner). In the previous year, we determined materiality to be £4,377k (being 2% of gross revenue expenditure). Our assessment of materiality is kept under review throughout the audit process and will advise you if we revise this during the audit.

Under ISA 450, auditors 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 accumulation of such amounts would have a material effect on the financial statements. 'Trivial' matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £219k.

ISA 320 also requires auditors to determine separate, lower, materiality levels if there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified the following items where separate materiality levels are appropriate:

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20,000
Related Party Transactions	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20,000 (individual mis-statements will also be evaluated with reference to how material they are to the other party)

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; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)



# Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Relevant to PCC, Chief Constable or both?	Description	Audit procedures
The revenue cycle includes fraudulent transactions	Both	<p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at West Mercia PCC, we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> <li>there is little incentive to manipulate revenue recognition</li> <li>opportunities to manipulate revenue recognition are very limited</li> <li>The culture and ethical frameworks of local authorities, including West Mercia PCC, mean that all forms of fraud are seen as unacceptable</li> </ul> <p><b>Therefore we do not consider this to be a significant risk for West Mercia PCC.</b></p> <p>For the Chief Constable, revenue is recognised to fund costs and liabilities relating to resources consumed in the direction and control of day-to-day policing. This is shown in the Chief Constable’s financial statements as a transfer of resources from the PCC to the Chief Constable for the cost of policing services. Income for the Chief Constable is received entirely from the PCC.</p> <p><b>Therefore we have determined that the risk of fraud arising from revenue recognition is not a significant risk for West Mercia Chief Constable.</b></p>

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either 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 and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

## Significant risks identified (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 date and the work we plan to address these risks.

Significant risk	Relevant to PCC, Chief Constable or both?	Description	Audit procedures
<b>Management over-ride of controls</b>	Both	Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	<p><b>Work in progress:</b></p> <ul style="list-style-type: none"> <li>Review of accounting estimates, judgments and decisions made by management</li> <li>Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation</li> <li>Review of unusual significant transactions</li> </ul>
<b>Valuation of pension fund net liability</b>	Both	<p>The Local Government Pension Scheme (LGPS) pension net liability as reflected in the balance sheet, and asset and liability information disclosed in the notes to the accounts, represent significant estimates in the financial statements.</p> <p>The Police Officer Pension schemes pension fund liability as reflected in its balance sheet and notes to the accounts represent significant estimates in the financial statements.</p> <p>These estimates by their nature are subject to significant estimation uncertainty, being very sensitive to small adjustments in the assumptions used.</p>	<p><b>Work in progress:</b></p> <ul style="list-style-type: none"> <li>We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement.</li> <li>We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>We will undertake procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul>

## Significant risks identified (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 date and the work we plan to address these risks.

Significant risk	Relevant to PCC, Chief Constable or both?	Description	Audit procedures
Valuation of property, plant and equipment	PCC	The PCC revalues his assets on a rolling basis over a five year period. The Code requires that the PCC ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.	<p><b>Work in progress:</b></p> <ul style="list-style-type: none"> <li>Review of management's processes and assumptions for the calculation of the estimate.</li> <li>Review of the competence, expertise and objectivity of any management experts used.</li> <li>Review of the instructions issued to valuation experts and the scope of their work</li> <li>Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions.</li> <li>Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Testing of revaluations made during the year to ensure they are input correctly into the PCC's asset register</li> <li>Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul>



# Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Relevant to PCC, Chief Constable or both?	Description of risk	Audit procedures
Operating expenses	Both	Year end creditors and accruals are understated or not recorded in the correct period.	<p><b>Work in progress:</b></p> <ul style="list-style-type: none"> <li>System documentation, identification and walkthrough of controls relevant to the operating expenses cycle</li> <li>Substantive testing of a sample of operating expense transactions to period 10</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Substantive testing of a sample of operating expense transactions to year-end</li> <li>Substantive testing over creditors and perform year end cut-off testing</li> </ul>
Employee remuneration	Both	Employee remuneration accruals are understated	<p><b>Work in progress:</b></p> <ul style="list-style-type: none"> <li>System documentation, identification and walkthrough of controls relevant to the employee remuneration cycle</li> <li>Substantive testing of a sample of payroll expenditure transactions to period 10</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Substantive testing of a sample of payroll expenditure transactions to year-end</li> <li>Testing the completeness of payroll expenditure by reconciling the payroll system to the general ledger and the accounts</li> </ul>

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

## Other risks identified (continued)

Other risks	Relevant to PCC, Chief Constable or both?	Description	Audit procedures
<b>Police Pensions Benefits Payable</b>	Chief Constable	Benefits improperly computed / Claims liability understated	<p><b>Work in progress:</b></p> <ul style="list-style-type: none"> <li>System documentation, identification and walkthrough of controls relevant to the pensions benefits payments cycle</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Testing the reconciliation of pension benefit payments recorded in the general ledger to the subsidiary systems and interfaces</li> <li>Substantive testing of pension benefit payments made in the year, both monthly payments, and lump sums</li> </ul>

### Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK and Ireland) 570). We will review the management’s assessment of the going concern assumption and the disclosures in the financial statements.

### Other material balances and transactions

Under International Standards on Auditing, “irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure”. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous sections but will include:

- Intangible assets
- Cash and cash equivalents
- Trade and other receivables
- Borrowings and other liabilities (long and short term)
- Useable and unusable reserves
- Movement in Reserves Statement and associated notes
- Segmental reporting note
- Expenditure and Funding Analysis note
- Statement of cash flows and associated notes
- Taxation and non-specific grants
- Officers’ remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Pooled budgets and joint operations
- Police Pension Fund Account and related notes

# Group audit scope and risk assessment

In accordance with ISA (UK and Ireland) 600, as group auditor we are required to obtain sufficient 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	Planned audit approach
Police and Crime Commissioner (parent)	Yes	Comprehensive	Full scope UK statutory audit performed by Grant Thornton UK LLP
Chief Constable (subsidiary)	Yes	Comprehensive	Full scope UK statutory audit performed by Grant Thornton UK LLP

**Audit scope:**  
**Comprehensive** – the component is of such significance to the group as a whole that an audit of the components financial statements is required  
**Targeted** – the component is significant to the Group, audit evidence will be obtained by performing targeted audit procedures rather than a full audit  
**Analytical** – the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level

# Value for Money

## Background

The Code requires us to consider whether the Police and Crime Commissioner and the Chief Constable have each put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources. These are known as the Value for Money (VfM) conclusions. We issue separate conclusions for the Police and Crime Commissioner and for the Chief Constable.

The National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Police and Crime Commissioner and Chief Constable have each put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

This is supported by three sub-criteria as set out to the right:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"><li>• Acting in the public interest, through demonstrating and applying the principles and values of sound governance</li><li>• Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management</li><li>• Reliable and timely financial reporting that supports the delivery of strategic priorities</li><li>• Managing risks effectively and maintaining a sound system of internal control</li></ul>
Sustainable resource deployment	<ul style="list-style-type: none"><li>• Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions</li><li>• Managing and utilising assets effectively to support the delivery of strategic priorities</li><li>• Planning, organising and developing the workforce effectively to deliver strategic priorities.</li></ul>
Working with partners and other third parties	<ul style="list-style-type: none"><li>• Working with third parties effectively to deliver strategic priorities</li><li>• Commissioning services effectively to support the delivery of strategic priorities</li><li>• Procuring supplies and services effectively to support the delivery of strategic priorities.</li></ul>

# Value for Money (continued)

## **Risk assessment**

We completed an initial risk assessment based on the NAO's auditor's guidance note (AGN03). In our initial risk assessment, we considered:

- our cumulative knowledge of both the PCC and Chief Constable and their organisations, 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 HMIC.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified significant risks which we are required to communicate to you. These are set out overleaf.

## **Reporting**

The results of our VfM audit work and the key messages arising will be reported in our Joint Audit Findings Report and in the Annual Audit Letter.

We will include our conclusion in our auditor's report on your financial statements which we will give by 31 July 2017.



# Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
<p><b>Implementation of Project Athena</b></p> <p>A go live date for Athena cannot currently be provided due to uncertainty with Back Record Conversion and ongoing review of delivery activity across the Athena Management Organisation (AMO).</p> <p>The Alliance is reliant on the system supplier and AMO for the joint delivery of BRC outcomes.</p> <p>Phase one training for Athena implementation has taken place.</p> <p>Phase two training will not take place until there is confidence in the completion date for BRC activity.</p> <p>Continued delays with the project may impact the cost of maintaining the support team; result in further delays of phase two training and further delay the realisation of the benefits of the project which is a key part of delivering the Vision 2020 programme.</p>	<p>This links to the PCC's and Chief Constable's arrangements for working effectively with third parties to deliver strategic priorities; managing risks effectively and maintaining a sound system of internal control; and managing and using assets effectively to support the delivery of strategic priorities.</p>	<p>We will review the project management and risk assurance frameworks established by the PCC and the Chief Constable to establish how they are identifying, managing and monitoring these risks and also consider the effectiveness of actions being taken to mitigate the impact of ongoing delays with this project.</p>
<p><b>Health and Well-being</b></p> <p>Health and well-being of the workforce continues to be a priority for the Chief Constable as it is recognised that this key to achieving transformational change. Many actions are being taken to ensure health and well-being of the workforce and this is one of the risks within the Alliance risk map.</p> <p>Improvements have been seen in attendance, although sickness absence increased in the period October to December 2016.</p> <p>It is recognised that Alliance Leadership and the HR function are instrumental in mitigating stress amongst officers and staff during transformational change which may impact on people's locations and working patterns.</p>	<p>This links to the PCC's and Chief Constable's arrangements for planning, organising and developing the workforce effectively to deliver strategic priorities.</p>	<p>We will assess how change, culture and wellbeing issues continues to be managed, measured and reported internally</p>
<p><b>HMIC Inspection findings</b></p> <p>HMIC's State of Policing rated West Mercia as "requiring improvement" in the area of effectiveness. HMIC is due to grade the force in this area in Spring 2017. Work is ongoing to address the findings of the previous HMIC inspection and progress in delivering improvements is regularly reported to Alliance Governance Group, the Executive Board and the Joint Audit Committee.</p> <p>We are required to consider the findings of HMIC as part of our VFM work.</p>	<p>This links to the PCC's and Chief Constable's arrangements for the VFM sub criteria Informed Decision Making, and Resource deployment.</p>	<p>We will review how the Force continues to implement and monitor delivery of plans to address the findings of Her Majesty's Inspectorate of Constabulary. We will also consider HMIC's overall grading of the force due in Spring 2017.</p>

---

# Other audit responsibilities

In addition to our responsibilities under the Code of Practice in relation to your financial statements and arrangements for economy, efficiency and effectiveness we have a number of other audit responsibilities, as follows:

- We will undertake work to satisfy ourselves that the disclosures made in the PCC's and Chief Constable's Annual Governance Statements are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the OPCC and the West Mercia Constabulary.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We consider our other duties under the Act and the Code, as and when required, including:
  - We will give electors the opportunity to raise questions about your financial statements and consider and decide upon any objections received in relation to the financial statements;
  - issue of a report in the public interest; and
  - making a written recommendation to the PCC and the Chief Constable, copied to the Secretary of State
- We certify completion of our audit.

# Interim Work Programme in Progress at the time of writing the plan

We set out below the work being performed during our interim work programme. Our interim audit visit runs until 24 February 2017. As this date is the calling date for Joint Audit Committee papers we will report the outcome of this work at the June 2017 committee meeting.

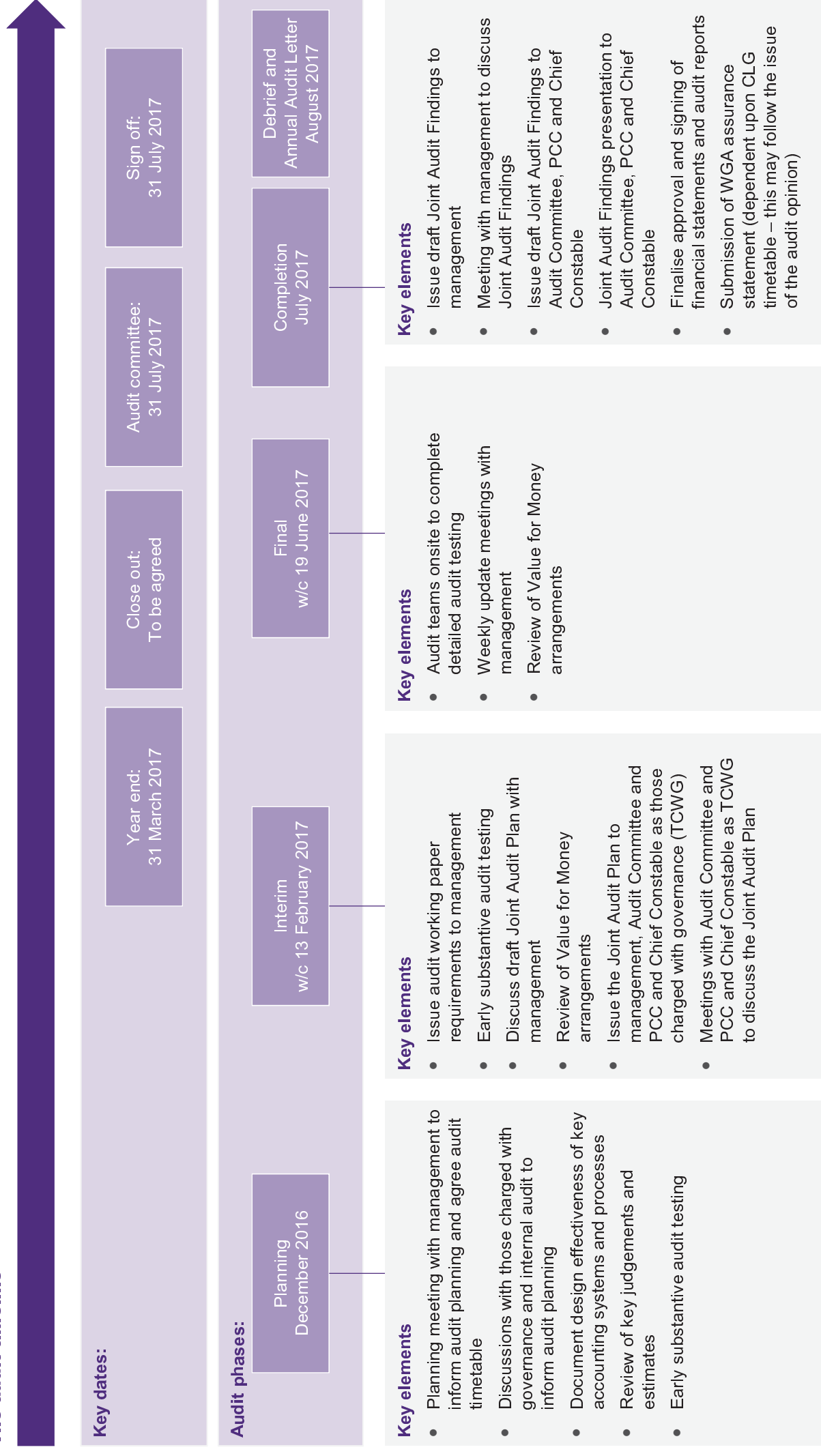
Work being performed	
Internal audit	<p>We are completing a high level review of internal audit's overall arrangements.</p> <p>We are also reviewing internal audit's work on the Police and Crime Commissioner's and Chief Constable's key financial systems to date. This is to identify whether there are any significant weaknesses identified by Internal Audit which impact on our responsibilities.</p>
Entity level controls	<p>We are obtaining an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>
Review of information technology controls	<p>We are performing a high level review of the general IT (information technology) control environment, as part of the overall review of the internal controls system.</p>
Walkthrough testing	<p>We are completing walkthrough tests of the Police and Crime Commissioner's and the Chief Constable's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p>

# Interim work programme in progress (continued)

	Work performed
<b>Journal entry controls</b>	<p>We are reviewing the Police and Crime Commissioner's and the Chief Constable's journal entry policies and procedures as part of determining our journal entry testing strategy. This will identify whether there are any material weaknesses which are likely to adversely impact on the Police and Crime Commissioner's or the Chief Constable's control environment or financial statements.</p> <p>Also, we are undertaking detailed testing on journal transactions recorded for the first ten months of the financial year, by extracting 'unusual' entries for further review.</p>
<b>Early substantive testing</b>	<p><b>Employee Remuneration</b></p> <ul style="list-style-type: none"> <li>• Substantive testing of a sample of payroll expenditure transactions to period 10</li> <li>• Payroll costs trend analysis to period 10 to highlight significant variances against expectations.</li> <li>• Payroll reconciliation to the general ledger to period 10</li> </ul> <p><b>Operating Expenses</b></p> <ul style="list-style-type: none"> <li>• Substantive testing of a sample of non-payroll expenditure transactions to period 10</li> <li>• Update our understanding of the accruals process</li> </ul> <p><b>Grant Income</b></p> <ul style="list-style-type: none"> <li>• Agreement of significant grants to third party notifications</li> <li>• Review of compliance with grant conditions where applicable</li> <li>• Confirmation of receipt of grant instalments to period 10</li> </ul> <p><b>Other Income</b></p> <ul style="list-style-type: none"> <li>• Substantive testing of a sample of income transactions to period 10</li> </ul> <p><b>Property, Plant and Equipment</b></p> <ul style="list-style-type: none"> <li>• Substantive testing of a sample of additions</li> <li>• Confirmation of ownership of material assets</li> <li>• Confirmation of existence of material assets</li> </ul>

# The audit cycle

## The audit timeline





# Audit Fees

## Fees

	£
Police and Crime Commissioner audit	34,260
Chief Constable audit	18,750
<b>Total audit fees (excluding VAT)</b>	<b>53,010</b>

## Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Police and Crime Commissioner and Chief Constable and their activities, have not changed significantly
- The Police and Crime Commissioner and the Chief Constable will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

## Fees for other services

Fees for other services detailed on the following page, reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Joint Audit Findings Report and Annual Audit Letter.

## What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Feed back on your systems and processes, and identifying potential risks, opportunities and savings
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Regular sector updates
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- Regular contact to discuss strategy and other important areas
- A review of accounting policies for appropriateness and consistency
- Annual technical updates for members of your finance team, they are attending the update taking place on 3 March 2017.

# Independence and non-audit services

Ethical Standards and ISA (UK and Ireland) 260 require us to give you timely disclosure of matters relating to our independence.

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 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.

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the West Mercia Police and Crime Commissioner and West Mercia Chief Constable. The following audit related and non-audit services were identified:

**Fees for other services**

Service	Fees £	Planned outputs
Audit related	Nil	None
Non-audit related	Nil	None

The amounts detailed are fees agreed to-date for audit related and non-audit services (to be) undertaken by Grant Thornton UK LLP (and Grant Thornton International Limited network member Firms) in the current financial year. Full details of all fees charged for audit and non-audit services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Joint Audit Findings report at the conclusion of the audit.

# Communication of audit matters with those charged with governance

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

This document, The Joint Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Joint Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Police and Crime Commissioner and the Chief Constable.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and 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.

This plan 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.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Police and Crime Commissioner'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 and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Force's key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

It is the responsibility of the Police and Crime Commissioner and the Chief Constable to ensure that proper arrangements are in place for the conduct of their business, and that public money is safeguarded and properly accounted for. We have considered how the Police and Crime Commissioner and the 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 the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓
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	✓	✓



© 2017 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

**[grant-thornton.co.uk](http://grant-thornton.co.uk)**