

West Mercia Police and Crime Commissioner and Chief Constable Audit Progress Report and Sector Update

Year ending 31 March 2022

September 2022



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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 planning 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 entity or all 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.

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Introduction & headlines

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

The paper also includes a summary of emerging national issues and developments that may be relevant to you.

Members of the Joint Audit and Standards Committee can find further useful material on our website where we have a section dedicated to our work in the public sector. Here you can download copies of our publications.

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.

We continue to bring specialists to our update conversations where appropriate to share any learning from our position as a leading audit supplier to the police sector.

You will also have access to our annual Chief Accountant Workshops and any other networking opportunities we create for the various stakeholders.



The auditor's statutory responsibilities

Opinion on the audited body's financial statements

Our work enables us to give an opinion as to whether the financial statements:

- give a true and fair view of the financial position of the audited body and its expenditure and income; and
- have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards and other directions.

2020/21

We have completed the Whole of Government Accounts data collection tool and submission. We are now in a position to be able to issue our audit certificate as the final Whole of Government Accounts audit guidance has now been issued.

2021/22

We have completed our audit planning and have now begun our final accounts testing. Draft financial statements were published by the deadline stated in the Accounts and Audit (Amendment) Regulations 2021 of 31 July 2022.

Since we last reported we have:

- continued to have regular discussions with management discussing issues identified in the audit, and emerging themes which are expected to impact on the audit;
- begun audit testing on the draft financial statements; and
- considered any reports from regulators regarding your operational effectiveness.

We have not identified any significant findings at this stage of the audit.

We expect to issue our joint Audit Findings Report and Auditors' Annual Report summarising our findings on the audit in November 2022.

Work on value-for-money arrangements

Under the 2020 Audit Code of Practice, we are required to undertake sufficient work to satisfy ourselves that the Police and Crime Commissioner and Chief Constable "has made proper arrangements for securing economy, efficiency and effectiveness in their use of resources."

Our initial risk assessment built on our understanding of your arrangements, taking into account any findings from previous work on value for money. We reported our risk assessment to you at your July 2022 Joint Audit and Standards Committee via our joint audit plan, against the following reporting criteria:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

We will keep our risk assessment under continuous review. Where appropriate, we will update our risk assessment to reflect emerging risks or findings and report this to you. Our final commentary in the Auditors' Annual Report will include:

- a summary of our findings on any risks identified during our work;
- our judgements on the adequacy of the Police and Crime Commissioner and Chief Constable's arrangements for each of the three reporting criteria, as set out above;
- any recommendations made to management as a result of our work; and
- a follow up of progress against any recommendations raised in previous audits.

The auditor's statutory responsibilities

Other responsibilities

We are required to give an opinion on whether:

- other information published together with the financial statements is consistent with the financial statements.

We are also required to:

- consider whether the Annual Governance Statement complies with relevant disclosure requirements and whether it is consistent with the information we are aware of from our audit; and
- examine and report on the consistency of 'Whole of Government Accounts' consolidation schedules with the financial statements.

We will complete this work as part of our financial statements visit.

Other statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audits.

Our work to date has not required us to report any such matters to you.

Added value

Grant Thornton has a large Public Sector practice and is a key supplier to the market. As a valued audit client, you will receive:

- the opportunity to access support from experienced technical colleagues. This means you will be at the forefront of accounting developments. Through this relationship we also ensure that communication works both ways and feed issues back from our clients.;
- insight from our regular meetings within the sector where we discuss emerging developments. We will also raise any areas of concern that you have over policy, procedure, or regulation with your regulators; and
- technical and sector updates for the Joint Audit and Standards Committee.



2021/22 deliverables

2021/22 Deliverables

	Planned Date	Status
Accounts Joint Audit Plan We are required to issue a detailed accounts joint audit plan to the Joint Audit and Standards Committee setting out our proposed approach in order to give our opinions on the 2021-22 financial statements.	July 2022	Provided
Interim Audit Findings We will report to you the findings from our interim audit within our Progress Report.	September 2022	Provided
Joint Audit Findings (ISA260) Report The Joint Audit Findings Report will be reported to the November 2022 Joint Audit and Standards Committee.	November 2022	On track
Auditors Reports These are the opinions on your financial statements and annual governance statement.	November 2022	On track
Auditor's Annual Report The key output from local audit work on arrangements to secure VFM is an annual commentary on arrangements, which will be published as part of the Auditor's Annual Report (AAR). The AAR will be taken to the November 2022 Joint Audit and Standards Committee.	November 2022	On track

Sector Update

Policing services are rapidly changing. Increased demand from the public and more complex crimes require a continuing drive to achieve greater efficiency in the delivery of police services. Public expectations of the service continue to rise in the wake of recent high-profile incidents, and there is an increased drive for greater collaboration between Forces and wider blue-light services.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider Police service and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with Joint Audit and Standards Committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from sector specialists**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and police sections on the Grant Thornton website by clicking on the logos below:

A teal rectangular button with the text "Public Sector" in white.

Public Sector

A purple rectangular button with the text "Police" in white.

Police

Home Office



'Whole-system' approach to tackling violent crime is working

Violence Reduction Units and 'hotspot policing' initiatives prevented 49,000 violent offences across England and Wales, the government revealed, as it sets out an ambitious funding programme to build on efforts tackling serious violence.

Set up in 2019, Violence Reduction Units are a pioneering initiative established in 18 areas across England and Wales, bringing together local partners in policing, education, health, and local government, to share information in order to identify vulnerable children and adults at risk, helping steer them away from a life of crime and violence.

Figures published in an evaluation of these Violence Reduction Units' first 18 months of operation demonstrate the impacts they are having up and down the country, changing lives and reducing violent crime. Areas that have rolled out Violence Reduction Units and intensive police patrols in violence hotspots saw 8,000 fewer incidents of violence leading to injury and 41,000 fewer incidents without injury, compared with areas that didn't. This has resulted in an estimated £385 million avoided in associated costs for victims and society.

The government will inject £130 million in 2022/23 to further drive down the most devastating types of crime – including knife crime, gun crime and homicide. The funding package includes:

- an additional £64 million for Violence Reduction Units, supporting the existing 18 and enabling two new units to be established
- an additional £30 million into the 'Grip' police enforcement programme
- supporting the implementation of the new Serious Violence Duty and Serious Violence Reduction Orders, being brought into law via the Police, Crime, Sentencing and Courts Bill

The government has also confirmed that the now 20 Violence Reduction Units across England and Wales will have a guarantee of funding for the next three years. This will ensure they are given the time and resource to see their central mission of reducing the most serious types of violence come to fruition.

The full article can be found [here](#).

HMICFRS

State of Policing: The Annual Assessment of Policing in England and Wales 2021

Her Majesty's Chief Inspector of Constabulary's report to the Secretary of State under section 54(4A) of the Police Act 1996 was published in March 2022.

It contains the assessment of the effectiveness and efficiency of policing in England and Wales based on the inspections carried out between April and November 2021.

This report draws on findings from inspections of police forces in England and Wales, to provide an overall view of the state of policing.

Get the report [here](#).



HMICFRS

HMICFRS inspections: evaluation of remote inspection methods

Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services independently assesses and reports on the effectiveness and efficiency of police forces and fire and rescue services with the aim of encouraging improvement.

The pandemic required HMICFRS to move to remote inspections, rather than on-site and face-to-face. They have evaluated how the move to remote methods went, to:

- identify where improvements were required;
- understand what happens when the way in which the inspection take place changes; and
- consider whether inspecting remotely is something to continue to do in the future.

This report can be found [here](#).



HMICFRS

Observations on the third generation of force management statements

A force management statement (FMS) is a self-assessment that chief constables (and London equivalents) prepare and submit to Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) each year.

These are the observations of the FMS steering group on the third round of FMSs. Police forces sent in their statements by the end of May 2021.

The steering group is made up of HMICFRS, the National Police Chiefs Council, the College of Policing, the Association of Police and Crime Commissioners, the Home Office, and other parties interested in the development of FMSs.

Get the report [here](#).



Association of Police and Crime Commissioners

Fraud A Priority in all Police And Crime Plans

Fraud is now a priority in all PCCs Police and Crime plans confirms APCC Lead at an evidence session in the House of Lords on Thursday, 16 June.

National Lead for Economic and Cyber Crime and PCC for Avon and Somerset Mark Shelford gave oral evidence to the Digital Fraud Committee and Fraud Act 2006 alongside Rob Jones, Director General from the National Economic Crime Centre and Pete O'Doherty, Assistant Commissioner and NPCC Coordinator for Cyber and Economic Crime.

During the session he expressed the vital role PCCs play in responding to economic and cybercrime, including fraud.

In a statement he said: "I am encouraged to see that all of my colleagues have included fraud in their Police and Crime Plans which sets the direction for their police area and to which they will hold their Chief Constable accountable.

"But more does need to be done. We encourage the government to include fraud in the Strategic Policing Requirement, which would bolster the prioritisation of fraud at the national level and within the National Policing Board performance measures alongside crimes such as burglary.

"Recognising fraud as a priority is a necessary step in continuing the work to build the capabilities and capacity in the whole system to effectively investigate and prosecute fraud. We welcome the inclusion of fraud as a priority crime in the Online Safety Bill. Measures in the Bill will go some way towards mitigating the vulnerability of the public as they shop and socialise online."

See the full article [here](#).



Emergency consultation on 2021/22 reporting requirements – CIPFA

On 4 February CIPFA released an emergency four week consultation on time limited changes to the Code to help alleviate delays to the publication of audited financial statements. This explores two possible changes that might be made as an update to the 2021/22 code and to the agreed position in the 2022/23 code.

The decision to launch the consultation came after the Department for Levelling up, Housing and Communities (DLUHC) asked CIPFA to consider amendments to the Code of Practice on Local Authority Accounting, after just 9% of local audits for 2020-21 were published on time.

After considering a wide range of options CIPFA LASAAC decided to explore two approaches:

- 1) An adaptation to the code to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years (though the initial proposal is for the 2021/22 financial year); this approach also explores the use of an index to be used to increase or reduce that valuation
- 2) Deferring the implementation of IFRS 16 Leases for a further year and reversing the planned changes to the 2022/23 code to implement that standard.

CIPFA Chief Executive Rob Whiteman said: “DLUHC is understandably concerned about this growing crisis – and CIPFA shares this concern. We are committed to supporting CIPFA LASAAC in its exploration of the options that may improve timeliness issues, without significantly impacting accountability. But this is a difficult issue, and we need feedback from stakeholders on whether and how this might work.”

CIPFA said that the changes do not represent the best form of financial reporting for local authorities, but are a “temporary expedient to help improve an unacceptable situation”.

The consultation closed on Thursday 3 March. Any updates to the Code are subject to oversight by the Financial Reporting Advisory Board before implementation.

The consultation can be found here:

<https://www.cipfa.org/policy-and-guidance/consultations/emergency-proposals-for-update-of-202122-and-202223-codes>

Summary of the Grant Thornton response

Property, Plant & Equipment Valuations

In principle we are very supportive of changes to the measurement basis for operational property, plant and equipment. However our view is that it is too late to effect change for the 2021/22 reporting cycle. Our response highlighted a number of difficulties with this approach, including the risk that some assets then fall outside of the requirement to be revalued every five years as a minimum, and the challenge of consistent application of indexation. The proposed amendments to the Code do not appear to override the requirement that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period, which stems from IAS 16:31. If the financial reporting requirements are not sufficiently tightly defined and auditors therefore cannot obtain sufficient and appropriate audit evidence to support this requirement, there is a risk that audit opinions could be modified as a result.

Deferral of IFRS 16 - Leases

The removal of the requirement for disclosure (based upon IAS 8) in 2021/22 is not likely to have a significant impact in terms of freeing up auditor time and audit work covering the disclosures in 2022/23 would then be required in the 2022/23 audit. Savings to preparer time and effort would depend on what progress has already been made in preparing for the imminent implementation of IFRS 16.

Prudential Code and Treasury Management Code – CIPFA

On 20 December CIPFA published the new Prudential Code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code).

CIPFA commented “These two statutory and professional codes are important regulatory elements of the capital finance framework in which local authorities operate. Local authorities are required by regulation to ‘have regard to’ their provisions. These two codes have been published a principles-based consultation from February to April, which was followed by a second consultation on the detailed changes to the code from September to mid-November.

The updated Prudential Code includes some substantive changes. Most notably, the provisions in Code which present the approach to borrowing in advance of need in order to profit from additional sums borrowed have been strengthened. Additionally, the relevant parts of Code have augmented to be clear that borrowing for debt-for-yield investment is not permissible under the Prudential Code. This recognises that commercial activity is part of regeneration but underlines that such transactions do not include debt-for-yield as the primary purpose of the investment or represent an unnecessary risk to public funds.”

The updated Prudential Code removes the "advance of need" terminology and emphasises the legislative basis for borrowing, namely that a local authority can borrow and invest for any legislative function and/or for the prudent management of their financial affairs.

The examples listed in the Code of legitimate prudential borrowing are:

- Financing capital expenditure primarily related to the delivery of a local authority’s functions;
- Temporary management of cash flow within the context of a balanced budget;
- Securing affordability by removing exposure to future interest rate rises; or
- Refinancing current borrowing, including replacing internal borrowing, to manage risk or reflect changing cash flow circumstances.



Good practice in annual reporting – NAO

The National Audit Office (NAO) has published this guide which sets out good practice principles for annual reporting with examples from public sector organisations

The NAO comment that the guide sets out “good-practice principles that we believe underpin good annual reporting. These principles are: Supporting Accountability; Transparency; Accessibility; and the need for the report to be Understandable.”

The NAO further comment “The best annual reports we have seen use these principles to tell the “story” of the organisation. It is important that stakeholders, including the public and Parliament, are able to hold an organisation to account. To do this effectively, stakeholders need to properly understand the organisation’s strategy, key risks that might get in the way of delivering this strategy and the effectiveness of their management, and the amount of taxpayers’ money that has been spent to deliver the outcomes the organisation seeks to achieve.”

The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance
- External factors

Although the guide does not include any local authority examples, those included, and the underlying principles, are equally relevant to all public facing organisations.



The guide can be found here:

[Good practice in annual reporting - National Audit Office \(NAO\) Report](#)

The Value of Internal Audit

One of the key elements of good governance is an independent and objective internal audit service. Some organisations engage fully and reap significant benefits from the assurance, insight and expertise they bring whilst others pay lip-service to them and see their work as an administrative burden.

CIPFA's recent report, [Internal Audit: Untapped Potential](#), lifts the lid on internal audit in public services. For some chief financial officers and chief executives, this report confirms the value and contribution of internal audit teams with 87% of respondents recognising the contribution internal audit makes to their organisation. However, some leadership teams saw internal audit as providing a basic service at minimal cost.

Getting the most out of the function requires honest conversations and long-term planning. Maintaining appropriate skills and knowledge within the function is necessary to ensure high quality internal audit in public services are retained.

Culture and governance

The Joint Audit and Standards Committee should monitor the delivery of internal audit and their output will be a key part of the annual work-plan. However, internal audit is not a substitute for risk management and should enhance the overall assurances received by management. Executives and Officers should engage with internal audit recommendations to ensure the organisation gains maximum value from reviews.

Capacity

Reducing internal audit days can lead to a lack of 'corporate grip' not identifying issues at an early stage. This report raises concerns over the capacity of internal audit across the public sector. The profession needs to be valued and invested in to make it more attractive to new blood and for bodies to be able to attract the best candidates to their service.

Expectations

To maximise the impact of internal audit, a clear and aligned strategic audit plan and annual audit plan should be in place. This should be agreed with all stakeholders.

Future plans

Internal audit needs to adapt to the changing landscape, including risks such as climate change, digital and technological developments, cyber-security and ongoing financial and service pressures within their planning processes. For financial resilience and medium- and long-term financial strategies internal audit can provide vital independent assurance to decision makers to allow them to take on more risk and be more ambitious. Leadership teams need to be clear on what assurances they will require going forward.

Challenge

- Does your organisation demonstrate it values internal audit by providing sufficient resource, sufficient voice and sufficient engagement with them?
- Does management direct internal audit to areas of known risk to seek their insights and experience?
- Is internal audit independent, retaining a direct reporting line to Executives or Officers and having sufficient representation at the Joint Audit and Standards Committee?
- Is your internal audit service keeping up with the changing landscape and providing assurance in emerging risk areas?

For more information, [Rob Whiteman](#) share his views on this report.



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