

The Joint Audit Plan for West Midlands Police and Crime Commissioner and West Midlands Chief Constable

Year ended 31 March 2017

March 2017

Paul Grady
Engagement Lead
T 0207 728 2301
E paul.d.grady@uk.gt.com

Emily Mayne
Manager
T 0121 232 5309
E emily.j.mayne@uk.gt.com

Laurelin Griffiths
Assistant Manager
T 0121 232 5409
E laurelin.h.griffiths@uk.gt.com



David Jamieson
West Midlands Police and Crime Commissioner
Aqua House
20 Lionel Street
Birmingham
B3 1AQ
March 2017

David Thompson
West Midlands Police Chief Constable
Aqua House
20 Lionel Street
Birmingham
B3 1AQ

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

T +44 (0) 121 232 4000

www.grant-thornton.co.uk

Dear Mr Jamieson and Mr Thompson

Joint Audit Plan for West Midlands Police and Crime Commissioner and West Midlands Chief Constable 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 the Force) 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 Force 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 Force 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

Paul Grady

Engagement Lead

Chartered Accountants

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Understanding your business and key developments

Developments

Blue light collaboration

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.

The Policing and Crime Bill gained Royal Assent on 31st January 2017. This Act:

- introduces a high level duty on all three emergency services to collaborate; and
- enables Police and Crime Commissioners to take on the functions of Fire and Rescue Authorities, and create a single employer for Police and Fire personnel.

Transformation funding

The Home Secretary awards transformation funding to continue to reform and shape policing for the future by investing in new capabilities to respond to changing crimes and threats. On 30 November, further awards of £26 million to 28 successful bids for transformation projects were made. West Midlands Police is the lead for an allocation of c£2 million to deliver the Big Data and Analytics Solution for the UK Law Enforcement in partnership with other forces.

Police and Crime Plans

The first Police and Crime Plans created by PCCs covered 2013 and 2017. 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.

Key challenges

Police Funding Formula

At the beginning of 2016, the implementation of the revised police funding formula in England and Wales was delayed.

These revisions are still expected to be implemented, perhaps as soon as the 2018/19 financial year.

For some forces this may represent a significant reduction in annual funding, and will have an impact on forward planning.

Financial Position

West Midlands Police and Crime Commissioner and Chief Constable are planning to achieve a balanced budget for 2016/17. The mid year financial review showed a small £2,921k underspend, mainly due to lower staff retention, and additional savings in WMP2020 costs.

Future budgets remain challenging with further austerity reductions and increasing demand and costs.

Key performance indicators – 30 Sept 2016

Measure	Budget	Forecast
Force revenue outturn	£536,494k	£533,573k
PCC revenue outturn	£8,436k	£8,436k
Capital outturn	£43,690k	£35,504k

Financial reporting changes

CIPFA Code of Practice 2016/17 (the Code)

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.

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.

Earlier closedown

The Accounts and Audit Regulations 2015 require local government bodies to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year.

West Midlands PCC's and Chief Constable's financial statements were approved in September 2016. Plans are in place to have draft accounts produced by 31 May 2017, with a view to achieving early close this year. The finance team preparing the group financial statements has a strong track record of providing good working papers which support an early on-site visit. This should stand us in good stead to meet next year's deadline of 31 July 2018.

Our response

- We aim to complete all our substantive audit work of your financial statements by mid July 2017.
- 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
- 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 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 during our audit.
- 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.

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 £11,372k (being 2% of the gross revenue expenditure of the Chief Constable). 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 £568k.

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 not identified any areas where separate materiality levels are required.

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 Midlands PCC, we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including West Midlands PCC, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for West Midlands PCC.</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>Therefore we have determined that the risk of fraud arising from revenue recognition is not a significant risk for West Midlands Chief Constable.</p>
Management over-ride of controls	Both	<p>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>	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • Review of unusual significant transactions

"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)

Significant risk	Relevant to PCC, Chief Constable or both?	Description	Audit procedures
<p>Valuation of pension fund net liability</p>	<p>Both</p>	<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>Work planned:</p> <ul style="list-style-type: none"> • Identification of the controls put in place by management to ensure that the pension fund liability is not materially misstated. Assessment of whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • Review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. Gain an understanding of the basis on which the valuation is carried out. • Procedures to confirm the reasonableness of the actuarial assumptions made. • Review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.
<p>Valuation of property, plant and equipment</p>	<p>PCC</p>	<p>The PCC revalues its 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>	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions. • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. • Review of the instructions issued to valuation experts and the scope of their work • Testing of revaluations made during the year to ensure they are input correctly into the PCC's asset register • 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.

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.

Other risk	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>Work completed to date:</p> <ul style="list-style-type: none"> System documentation, identification and walkthrough of controls relevant to the operating expenses cycle <p>Further work planned:</p> <ul style="list-style-type: none"> Substantive testing of a sample of operating expense transactions for the year Substantive testing over creditors and perform year end cut-off testing
Employee remuneration	Both	Employee remuneration accruals are understated	<p>Work completed to date:</p> <ul style="list-style-type: none"> System documentation, identification and walkthrough of controls relevant to the employee remuneration cycle <p>Further work planned:</p> <ul style="list-style-type: none"> Substantive testing of a sample of payroll expenditure transactions for the year Testing the completeness of payroll expenditure by reconciling the payroll system to the general ledger and the accounts Trend analysis and risk identification for monthly payroll costs Substantive testing of officer overtime

"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 risk	Relevant to PCC, Chief Constable or both?	Description of risk	Audit procedures
Police Pensions Benefits Payable	Chief Constable	Benefits improperly computed / Claims liability understated	<p>Work completed to date:</p> <ul style="list-style-type: none"> System documentation, identification and walkthrough of controls relevant to the pensions benefits payments cycle <p>Further work planned:</p> <ul style="list-style-type: none"> Testing the reconciliation of pension benefit payments recorded in the general ledger to the subsidiary systems and interfaces Substantive testing of pension benefit payments made in the year, both monthly payments and lump sums
Police Pensions Member Data	Chief Constable	Member data not correct	<p>Work completed to date:</p> <ul style="list-style-type: none"> System documentation, identification and walkthrough of controls relevant to the member data cycle <p>Further work planned:</p> <ul style="list-style-type: none"> Testing the reconciliation of changes in member data in the year Substantive testing of a sample of changes to member data (joiners, leavers and other amendments that will impact on the actuary's calculations)
Changes to the presentation of local authority financial statements	Both	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> We will document and evaluate the process for recording the required financial reporting changes to the 2016/17 financial statements We will review the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure they are in line with internal reporting structures We will review the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS) We will test the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES We will test the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger We will test the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. We will review the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.

Other risks identified (continued)

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:

- Movement in Reserves Statement and associated notes
- Useable reserves
- Intangible assets
- Financial instruments note
- Long term borrowing
- Investments (long and short term)
- Short term debtors
- Cash and cash equivalents
- Short term creditors
- Unusable reserves
- Officers' remuneration note
- Grant income
- Related party transactions note
- Capital expenditure and capital financing note
- Defined Benefit Pension Schemes
- Police Pension Fund Account and related notes
- Statement of cash flows and associated notes

Group audit scope and risk assessment

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

Component	Significant?	Level of response required under ISA 600	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"> Acting in the public interest, through demonstrating and applying the principles and values of sound governance Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management Reliable and timely financial reporting that supports the delivery of strategic priorities Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	<ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions Managing and utilising assets effectively to support the delivery of strategic priorities Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities Commissioning services effectively to support the delivery of strategic priorities Procuring supplies and services effectively to support the delivery of strategic priorities.

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	Relevant to PCC, Chief Constable or both?	Work proposed to address
<p>1. Police and Crime Plan</p> <p>The new Police and Crime Plan to cover the four years 2016 to 2020 was published in 2016/17 following a major consultation with the public and scores of meetings with partner agencies and third sector organisations, to make sure it reflects the ambitions of local people.</p> <p>The headline messages include a new focus on young people, reducing re-offending, tackling mental ill-health and supporting the economy, whilst also continuing to deal with complex threats like cyber crime and terrorism and tackling traditionally 'hidden crimes' such as domestic abuse, hate crime and child sexual exploitation. The recruitment of 200 specialist staff to deal with these particular fields will help to achieve that. Neighbourhood policing remains a top priority and the Commissioner's plan supported by the recruitment of 800 new police officers and 150 PCSOs.</p> <p>Key to the delivery of the plan will be how well aligned the force's delivery arrangements are to the requirements of the plan and the effectiveness of the processes and arrangements in place to monitor, measure and report progress within both WMPCC and the Force.</p>	<p>Informed decision making</p> <p>Sustainable resource deployment</p> <p>Working with partners and other third parties</p>	<p>Both</p>	<ul style="list-style-type: none"> Review the arrangements in place for the implementation and delivery of the new Police and Crime Plan. Review the processes and arrangements in place between WMPCC and the Force to ensure alignment with the Plan priorities. Review the understanding of the cost of implementation of the Police and Crime Plan and the effectiveness of the measures in place to identify progress and achievement of delivery. Assess governance and oversight arrangements for effectiveness.
<p>2. WMP 2020</p> <p>The WMP 2020 Programme vision is to prevent crime, protect the public and to help those in need. From the way in which the public contact the force to how they respond, investigate and prevent re-offending, the programme is designed to radically overhaul all aspects of West Midlands policing with people and technology at its heart. Transition State 1 (TS1) occurred on 28 November 2016 and was the first step towards achieving the WMP 2020 vision, seeing a significant reorganisation of WMP core policing functions.</p> <p>WMPCC and the Force will evaluate progress and if necessary, adapt plans. The effectiveness of this evaluation and actions taken in response to this will be key to strengthening the Force's resilience and capability to prevent harm. The partnership with Accenture UK is a fundamental part of the delivery of this vision.</p>	<p>Informed decision making</p> <p>Sustainable resource deployment</p> <p>Working with partners and other third parties</p>	<p>Both</p>	<ul style="list-style-type: none"> Assess progress and delivery of TS1. Review the Force's evaluation of progress and any actions which are taken as a result of this. Examine the extent to which WMP 2020 is aligned to the vision and objectives of the Police and Crime Plan.

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	Relevant to PCC, Chief Constable or both?	Work proposed to address
<p>3. Portfolio management arrangements</p> <p>WMP 2020 includes a rigorous approach to tracking and monitoring benefits. Benefits are both financial and non-financial. Any changes to the original business case are managed through a formal change control process.</p> <p>Our review last year identified that business cases were not always robust and therefore potential financial benefits had eroded substantially. We also identified that SROs did not have the training and support to undertake early review of expected benefits to inform their individual performance targets and an agreed delivery profile.</p> <p>Strengthening PMO arrangements is key to driving the benefits from WMP 2020 and maximising the value, both financial and non-financial.</p>	<p>Informed decision making</p> <p>Sustainable resource deployment</p>	<p>Both</p>	<ul style="list-style-type: none"> Assess progress and development from the position in Summer 2016. Assess understanding of global cost and benefit of the transformation programme and ownership of benefits within the portfolio. Examine dependencies and links from the Target Operating Model to the current portfolio of programmes and projects and examine any gaps. Assess whether clear, achievable benefits have been outlined in new business cases and whether adequate ownership has been assigned to those responsible for planning and managing the achievement of these programmes.
<p>4. Benefits realisation of major change programmes</p> <p>WMP 2020 and the Target Operating Model are predicated on major transformation programmes delivering radical changes to the way in which services are delivered. This includes a number of key projects, which are significant both in scale and financial terms.</p> <p>Delivery of financial benefits is as key as the operational transformation benefits. We will assess the extent to which benefits are being articulated and delivered against plans.</p>	<p>Informed decision making</p> <p>Sustainable resource deployment</p>	<p>Both</p>	<ul style="list-style-type: none"> Review the project management and risk assurance frameworks established by the PCC and the Force to establish how they are identifying, managing and monitoring key risks. Update our understanding of the benefits of current major change programmes. Understand reasons where benefits have eroded or not been realised in line with plan.

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	Relevant to PCC, Chief Constable or both?	Work proposed to address
<p>5. Medium term financial strategy</p> <p>The current government has stated that future police funding is protected. Despite this, West Midlands Police still faces real-term reductions in its budgets and will be required to make further savings in future years. The total funding allocated for 2017/18 is 1.3% lower than in 2016/17 for West Midlands. The PCC has taken a decision to increase the precept by £5 in line with the Council Tax referendum limit principles together with the prudent use of reserves to balance the budget.</p> <p>It is forecast that £20.7 million of reserves will be needed to balance the revenue budget in 2017/18. Therefore, the Budget Reserve which is estimated to have a balance of £17 million will be used to balance the revenue budget in 2017/18 with any remaining unfunded balance being funded from the Budget Resilience Reserve which has a balance of £25.5 million.</p> <p>It is anticipated that the total resources for police and crime commissioners nationally, including government grant and council tax income will remain roughly at the 2015/16 levels throughout the period up until 2019/20. With insufficient reserves to continue to support the financial gap, the PCC and the Force need to ensure they have clarity about the income, costs and benefits associated with various 'business as usual' services as well as on-going major change programmes.</p> <p>The robustness of the medium term financial strategy and the assumptions made within this is a crucial part of delivering sustainable policing services which meet the needs of the local population. Identification of budget shortfalls and the associated actions to address these is fundamental.</p>	<p>Informed decision making</p> <p>Sustainable resource deployment</p>	<p>Both</p>	<ul style="list-style-type: none"> • Examine the MTFS and plans to understand the budget, investment and benefits profile. • Review progress and delivery of planned savings in 2016/17. • Look at financial management information to assess whether this is supporting and driving change appropriately. • Assess alignment of WMP 2020 priorities with the communication of outcomes and achievability of savings.

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 Force.
- 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.

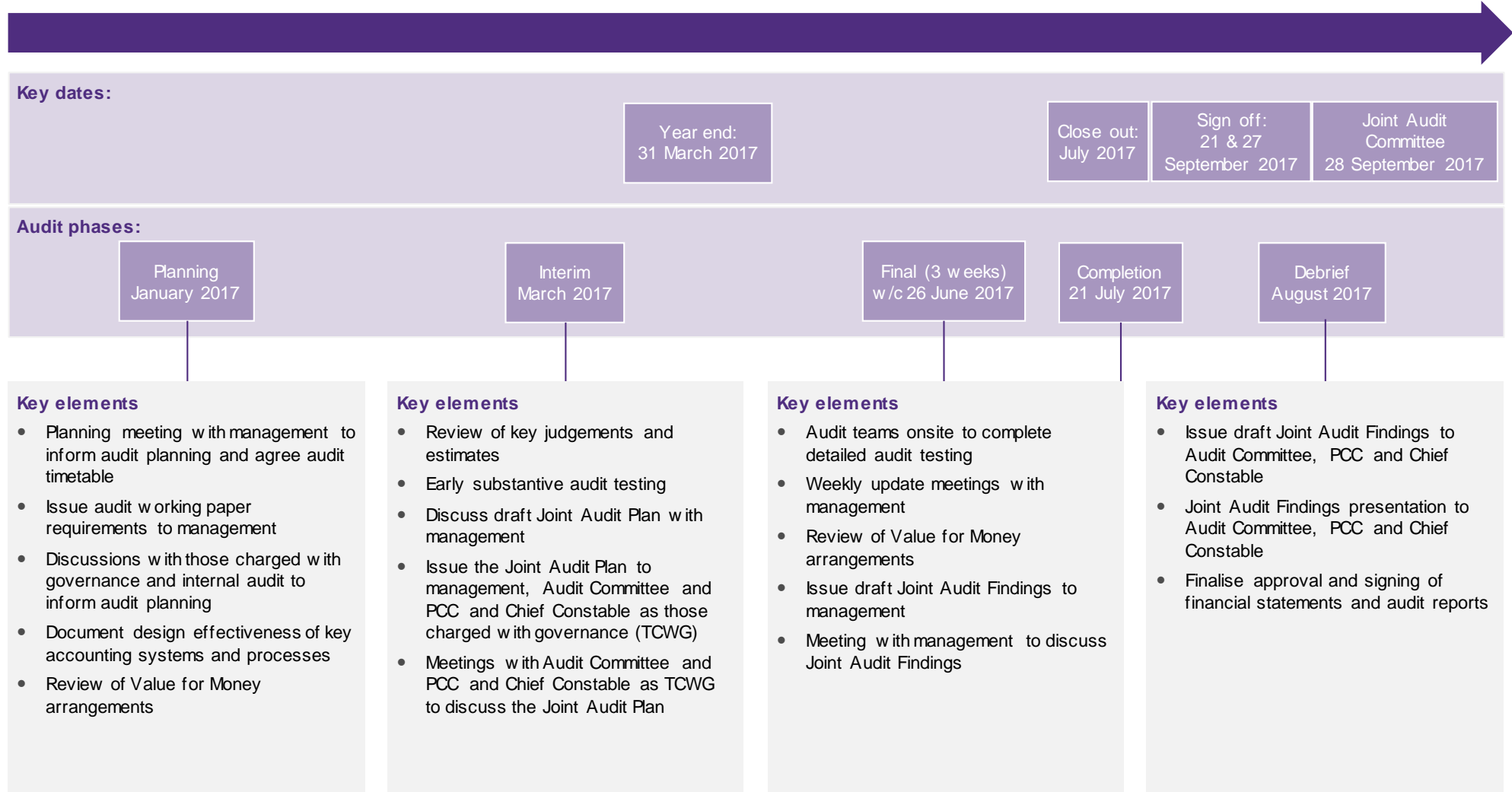
Results of interim audit work

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

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

The audit cycle

The audit timeline



Audit Fees

Fees

	£
Police and Crime Commissioner audit	42,368
Chief Constable audit	22,500
Total audit fees (excluding VAT)	64,868

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
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- A review of accounting policies for appropriateness and consistency
- Annual technical updates for members of your finance team

Independence and non-audit services

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 West Midlands PCC and West Midlands Chief Constable. The following audit related and non-audit services were identified:

Fees for other services

Service	Fees £
Audit related	
none	-
Non-audit related	
Tax Advisory Services – tax helpline annual subscription	2,000
Advice relating to VAT treatment on vehicle disposals	11,000

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.

The above services are consistent with the Police and Crime Commissioner's and Chief Constable's policy on the allotment of non-audit work to your auditors.

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 CCG'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	✓	✓



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