

Joint Audit Committee Progress Report and Sector Update

West Midlands Police and Crime Commissioner and West Midlands Chief Constable
Year ending 31 March 2018

June 2018



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Introduction



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

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

Members of the Joint Audit 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. Click on the Grant Thornton logo to be directed to the website.

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 the Senior Manager.



Progress to date

Financial Statements Audit

We have completed planning for the 2017/18 financial statements audit, covering both the Chief Constable's and the PCC's arrangements, including:

- updating the review of the control environment,
- updating our understanding of financial systems,
- reviewing Internal Audit reports on core financial systems (where complete and finalised).

Our interim visit is also completed and included:

- Discussions around ongoing work on historic member data issues,
- Consideration of large estimates in the financial statements including asset valuation,
- early substantive testing.

We experienced delays in completing our interim testing due to the change in ledger resulting in limited access to data populations. We summarised the findings of our interim work in our March update. The result of these delays has placed considerable pressure on both the Finance team and Audit Team to complete additional work at the final accounts visit. The finance team has continued to work with the ledger provider to improve access to data in the format required for audit.

The final accounts audit, covering the PCC's group financial statements including the financial statements of the Chief Constable commenced on 4th June 2018. We are working closely in partnership with Senior Officers to resolve outstanding queries and obtain access to appropriate data to enable us to test. We have jointly agreed to reschedule the final part of the onsite work.

The Joint Audit Findings Report will be agreed with management and Those Charged with Governance in July 2018. We plan to issue opinions on the 2017/18 financial statements in July 2018 but this is at risk if the information to support testing and assurance work is not provided in a timely way.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires us to consider whether the PCC 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 PCC and the Chief Constable.

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub-criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We undertook made our initial risk assessment to determine our approach in January and report this to you in our Joint Audit Plan.

Meetings are booked in June and July with Senior Management to progress our work, confirm the latest position and inform our conclusions.

We will report our work in the Joint Audit Findings Report and give our Value For Money Conclusions by the deadline in July 2018.

Other areas

Meetings

We hold regular meetings with Officers, the Chief Constable, the PCC, the Head of Internal Audit and the Chair of the Joint Audit Committee as part of our programme of liaison meetings. We continue to be in discussions with key finance staff regarding ongoing and emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Chief Constable and the PCC.

We are holding a Police Audit Committee Conference in July 2018 to which your Chair is invited.

Further details of the publications that may be of interest are set out in our Sector Update section of this report.

Ongoing issues

We have continued to meet with key members of staff to discuss progress made against previous audit issues and recommendations in order to ensure that the work that we perform is targeted and efficient.

A key aspect of our assurance will be the review and testing of the data migration from the change in financial system. To date we have still not been provided with the information to undertake this testing.

At the time of writing this report, we had some slippage in our final accounts programme which places your opinion meeting the deadline of 31 July 2018 at risk.

Audit deliverables

2017/18 Deliverables	Planned date	Status
Fee Letters Confirming audit fees for 2017/18 audits.	April 2017	Complete
Accounts Joint Audit Plan We are required to issue a detailed accounts joint audit plan to Those Charged with Governance setting out our proposed approach in order to give an opinion on the MOPAC and MPS 2017/18 financial statements.	February 2018	Complete
Interim Audit Findings Issues arising from our interim work will be set out in a progress report and presented to management and Those Charged with Governance.	March 2018	Complete but with some slippage which is being delivered as part of the final accounts visit
Joint Audit Findings Report The Audit Findings Report will be agreed with management and Those Charged with Governance in July 2018.	July 2018	Not yet due
Auditors Reports These are the opinions on the financial statements, annual governance statements and value for money conclusions.	July 2018	Not yet due but at risk of not meeting the deadline due to slippage
Joint Annual Audit Letter This letter communicates the key issues arising from our audit work.	August 2018	Not yet due

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 audit 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:

[Police](#)

[Public Sector](#)

Police force prices for goods and services: 2018



Home Office

Police forces save £273 million in three years on equipment cost

The Home Office has published the third 'basket of goods' data set allowing the public to compare what each police force spends on common items to ensure best value for money.

With Police and Crime Commissioners spending almost a quarter of their overall budgets on goods and services with third party suppliers, the exercise highlights the most recent prices paid for goods such as police helmets, shirts, and vehicles; as well as services like gas and face-to-face language interpretation, enabling more money to be spent on local priorities.

Most of the savings from this year's figures result from the Collaborative Law Enforcement Programme (CLEP), led by police forces, identifying opportunities for collaboration. For example, forces across Bedfordshire, Hertfordshire and Cambridgeshire bought uniforms together to halve the cost of their fleeces from £32.95 to £15.95.

Four forces in Yorkshire - South Yorkshire Police, North Yorkshire Police, West Yorkshire Police and Humberside Police – also worked together to reduce prices of vehicles by up to £10,000 per vehicle since 2016 to 2017.

Featuring previously unrecorded items, this year's 'basket of goods' identifies new areas of discrepancies in the spending on goods and services, including:

- police push bikes, with costs ranging from £279, to as high as £539 per bike; and
- police motor cycle helmets, with some forces paying £291 and others paying £656

The data collected on the new items will be used to highlight areas where police forces could work together to procure equipment in a more collaborative, cost-effective way, and the government will work with the sector to ensure that this is the case going forward.

These figures also reveal areas which have worsened year-on-year. These include:

- credit reports, with a 262 percent rise in median spend across forces
- median spend has also raised for goods such as belts (21 percent), baton (11 percent), handcuffs (6 percent)

Click [here](#) for the data.

Cost Assurance

Did you know....

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Number of Public Sector engagements to date

£125m

Annual spend analysed

£3.55m

Rebate opportunities identified

£1.1m

Fee income identified

2.84%

Error rate – rebates versus spend volume

55%

Of Public Sector engagements are Local Government

Our Cost Assurance service line provides Local Authorities with an independent and retrospective audit of their legacy telecommunications and utilities costs incurred during the past 6 years (as per the Statute of Limitation).

We find that there are repeat errors contained within a Suppliers' invoice arrangements – errors that aren't necessarily picked up by the end client. This is due to the fact that they tend to be contained in suppliers' billing systems 'at source' and are much further down the supply chain which the user won't necessarily have visibility of.

We are supported by a comprehensive library of legacy supplier pricing that has been collated since 2011. Our one aim is to ensure that the client has only paid for the services used during the period by:

- ensuring that bills presented by Suppliers' are in line with their contracts and relevant pricing mechanisms
- ensuring the client receives the Supplier refunds where errors have been identified by us
- ensuring consequential savings are identified and implemented immediately for the client

Our Cost Assurance work is based on a contingent-fee model and is supported by PSAA Ltd. Each of our Local Authority engagements include a fee cap to ensure governance and regulatory standards are maintained.

In summary, we are able to bring much needed financial benefit to the sector as well as providing insight into errors that may be prone to repeat offence by suppliers long after our work is concluded.

Grant Thornton Challenge question:

Has your Authority considered the potential for an independent review of telecommunications and utility costs?

The Vibrant Economy Index

a new way to measure success

Our Vibrant Economy Index uses data to provide a robust, independent framework to help everyone understand the challenges and opportunities in their local areas. We want to start a debate about what type of economy we want to build in the UK and spark collaboration between citizens, businesses and place-shapers to make their places thrive.

Places are complex and have an intrinsic impact on the people and businesses within them. Economic growth doesn't influence all of the elements that are important to people's lives – so we shouldn't use GDP to measure success. We set out to create another measure for understanding what makes a place successful.

In total, we look at 324 English local authority areas, taking into account not only economic prosperity but health and happiness, inclusion and equality, environmental resilience, community and dynamism and opportunity. Highlights of the index include:

- Traditional measures of success – gross value added (GVA), average workplace earning and employment do not correlate in any significant way with the other baskets. This is particularly apparent in cities, which despite significant economic strengths are often characterised by substantial deprivation and low aspiration, high numbers of long-term unemployment and high numbers of benefit claimants
- The importance of the relationships between different places and the subsequent role of infrastructure in connecting places and facilitating choice. The reality is that patterns of travel for work, study and leisure don't reflect administrative boundaries. Patterns emerge where prosperous and dynamic areas are surrounded by more inclusive and healthy and happy places, as people choose where they live and travel to work in prosperous areas.
- The challenges facing leaders across the public, private and third sector in how to support those places that perform less well. No one organisation can address this on their own. Collaboration is key.

Visit our website (www.granthornton.co.uk) to explore the interactive map, read case studies and opinion pieces, and download our report **Vibrant Economy Index: Building a better economy**.

Vibrant Economy app

To support local collaboration, we have also developed a Vibrant Economy app. It's been designed to help broaden understanding of the elements of a vibrant economy and encourage the sharing of new ideas for – and existing stories of – local vibrancy.

We've developed the app to help people and organisations:

- see how their place performs against the index and the views of others through an interactive quiz
- post ideas and share examples of local activities that make places more vibrant
- access insights from Grant Thornton on a vibrant economy.

We're inviting councils to share it with their employees and the wider community to download. We can provide supporting collateral for internal communications on launch and anonymised reporting of your employees' views to contribute to your thinking and response.

To download the app visit your app store and search 'Vibrant Economy'

- Fill in your details to sign up, and wait for the verification email (check your spam folder if you don't see it)
- Explore the app and take the quiz
- Go to the Vibrant Ideas section to share your picture and story or idea



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



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