

Joint Audit Findings

Year ending 31 March 2018

Police and Crime Commissioner for the West Midlands
and Chief Constable for the West Midlands

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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. This draft has been created from the template dated DD MMM YYYY



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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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Headlines

This table summarises the key issues arising from the statutory audits of the West Midlands Police and Crime Commissioner ('the PCC') and the West Midlands Chief Constable and the preparation of the PCC and Chief Constable's financial statements for the year ended 31 March 2018 for those charged with governance.

<p>Financial Statements</p>	<p>Under International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> the group, PCC's and Chief Constable's financial statements give a true and fair view of the group's, PCC's and Chief Constable's financial position and of the group, PCC's and Chief Constable's expenditure and income for the year, and have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Statements of Accounts, Annual Governance Statements (AGS) and Narrative Reports), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June and July 2018. Our findings are summarised on the following pages 5. The audit to date has identified 3 adjustments to the financial statements that have resulted in a £2,267k adjustment to the Statement of Comprehensive Income and Expenditure of the group. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audits are detailed in Appendix B.</p> <p>Subject to outstanding queries being resolved, we anticipate providing unqualified audit opinions in respect of the PCC's financial statements, including the group financial statements, which consolidate the financial activities of the Chief Constable (Appendix E). We also anticipate providing an unqualified opinion in respect of the Chief Constable's financial statements (Appendix F).</p> <p>Outstanding matters</p> <p>The issuing of an opinion by the statutory deadline is dependent upon prompt provision of evidence to enable speedy resolution of the below matters. Should any significant findings arise from the items below we will report these to you before issuing the opinion. These outstanding items include:</p> <ul style="list-style-type: none"> - A valuation report from the external valuer, together with updated management judgements, which will then allow us to undertake our review of management's estimation for PPE. Delivery of your opinion by the deadline of 31 July 2018 is based upon the assumption that this work will not identify significant issues. - Receipt and review of bank confirmation letters or performance of alternative procedures if not received. - Receipt of management representation letters. - Receipt and review of the final set of financial statements. - Completion of the consolidation process for Whole of Government Accounts (WGA) which is undertaken following the completion of all opinion work on the financial statements. - Final senior management quality reviews, including reviews of sections not mentioned above but only recently completed following recent provision of evidence from client. <p>We have concluded that the other information published with the financial statements, which includes the Annual Governance Statements and Narrative Reports are now consistent with our knowledge of your organisation and with the financial statements we have audited. We requested management added additional in the Annual Governance Statements in respect of limited assurance opinions provided by internal audit over certain areas of the Force and PCC activity. The Annual Governance Statements have now been updated accordingly.</p>
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Headlines

This table summarises the key issues arising from the statutory audits of the West Midlands Police and Crime Commissioner ('the PCC') and the West Midlands Chief Constable and the preparation of the PCC and Chief Constable's financial statements for the year ended 31 March 2018 for those charged with governance.

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: <ul style="list-style-type: none"> the PCC and Chief Constable have each made proper arrangements to secure economy, efficiency and effectiveness in their use of resources ('the value for money (VFM) conclusion') 	We have completed our risk based review of the PCC and Chief Constable's value for money arrangements. We have concluded that the West Midlands PCC and Chief Constable each have proper arrangements to secure economy, efficiency and effectiveness in their use of resources We therefore anticipate issuing an unqualified value for money conclusion to both entities, as detailed in Appendices E and F. Our findings are summarised later in this report.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: <ul style="list-style-type: none"> report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and certify the closure of the audits 	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audits when we give our audit opinions, subject to the completion of the Whole of Government Consolidation work.

Significant difficulties encountered

With the change of the ledger system, upgrading from Oracle 11i to Oracle Fusion in July 2018, the finance team has experienced significant challenges providing audit trails, responding to audit queries and providing supporting evidence for our sample testing throughout the 2017/18 audit. Delays and difficulties were identified early in the process and have also been recognised by the finance team and senior management, as well as being reflected in the work of Internal Audit. We accept that a significant change of this nature will create an element of disruption, but this has continued over a period of months and has placed a considerable pressure on the day to day work of finance staff who have worked incredibly hard in challenging circumstances. The challenges faced resulted in significant delays to the audit process. During both our interim and final accounts visits, planned audits had to be suspended and removed off-site to enable the finance team to deal with issues preventing the audit from continuing. We returned on site at a later date, for both the interim and final accounts visits.

We have identified two key factors for the difficulties experienced, both of which have been discussed with Senior Management and will be reflected on at the wash-up to ensure they are fully addressed for 2018/19.

- 1) Delays to delivery of work at the interim audit, primarily due to system difficulties, created an increased volume of work to deliver at the year end audit for both WMP staff and the audit team. This has been compounded by the shorter timescale set by DCLG in which to deliver the opinion.
- 2) Oracle Fusion does not process and generate information in the same way as Oracle 11i and finance closedown processes have not been re-engineered to take account of the new system deliverables and outputs. WMP has also moved to receipts based accounting. These differences have resulted in the financial team not being able to extract the same information as in previous years so there has been an element of having to create ways to extract information which satisfies our purpose and enables us to undertake testing to gain the appropriate assurance, all of which has taken additional time. The finance team have requested additional support by the ledger provider throughout the financial year to enable better reporting to be extracted from the system.

These issues have resulted in significant delays to the audit process compared with previous years and impacted heavily on turnaround times for providing information and sample evidence which has been a frustration for all involved. We have agreed to a detailed workshop in the Autumn to refresh our approach to the whole audit and identify any efficiencies and improvements to the way both sides can support the overall process. This will consider communication, timings and information exchanged.

Acknowledgements

We would like to take this opportunity to record our sincere appreciation for the assistance provided by the finance team, management and other staff during our audits.

Summary

Overview of the scope of our audit

This Joint Audit Findings presents the observations arising from the audits that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with Senior Management and those charged with governance.

As auditor we are responsible for performing the audits, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on both sets of financial statements that have been prepared by management with the oversight of those charged with governance. The audits of the financial statements do not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the PCC's and Chief Constable's business and is risk based, and in particular included:

- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of total group assets and revenues to assess the significance of the component and to determine the planned audit response.

- Full scope audits of both the PCC and Chief Constable financial statements
- An evaluation of the PCC's and Chief Constable's internal controls environment including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have completed most of our audits of your financial statements and subject to outstanding queries being resolved (as set out on page 3), we anticipate issuing an unqualified audit opinion in respect of the PCC's financial statements, including the group financial statements, which consolidate the financial activities of the Chief Constable (Appendix E). We also anticipate providing a unqualified opinions in respect of the Chief Constable's financial statements (Appendix F).



Our approach to materiality

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.

Materiality calculations as reported in our audit plan have adjusted slightly to reflect the increase in revenue expenditure. We detail in the table below our assessment of materiality for each of the PCC and Chief Constable at final accounts.

	Group Amount (£)	PCC and Chief Constable Amount (£)
Materiality for the financial statements	£14,632,000.00	£12,875,000.00
Performance materiality	£10,242,000.00	£9,012,000.00

Significant audit risks

Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?	Commentary
<p>1 Improper revenue recognition</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	Both	<p>Auditor commentary</p> <p>As detailed in our Joint Audit Plan, we do not consider this to be a significant risk for the PCC or the Chief Constable 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 the West Midlands PCC, mean that all forms of fraud are seen as unacceptable <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>2 Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The PCC and Chief Constable face external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	Both	<p>Auditor commentary</p> <p>We have performed:</p> <ul style="list-style-type: none"> – review of the journal entries and testing of unusual journal entries back to supporting documentation – review of accounting estimates, judgements and decisions made by management – review of significant related party transactions outside the normal course of business – Review of the completeness of ledger data transfer and testing of a sample of journals to gain assurance over the accuracy and that the process was free of management manipulation <p>Subject to the satisfactory resolution of outstanding matters as set out on page 3, our audit work, in particular journals testing and ledger transfer work, has not to date identified any significant issues in respect of management override of controls.</p>

Significant audit risks (continued)

Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?	Commentary
<p>3 Valuation of property, plant and equipment</p> <p>The PCC revalues its land and buildings on a quinquennial basis to ensure that carrying value is not materially different from fair value. Interim valuations are performed annually. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	PCC	<p>Auditor commentary</p> <p>As at the time of issuing the Audit Findings Report, with six working days before the reporting deadline, West Midlands Police has only just provided a valuations report and we are still awaiting a working paper from management, including updating management judgements, to demonstrate that the Property, Plant and Equipment (PPE) valuation is reasonable and free from material misstatement. This is a critical piece of evidence to inform a significant estimation made by Management in the draft financial statements.</p> <p>As at the date of writing this report, therefore, we have been unable to gain assurance that the valuation of PPE is not materially different from fair value.</p> <p>Following the provision of the valuation report and updated management judgements, the following work is proposed as per the audit plan:</p> <ul style="list-style-type: none"> • evaluate 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: • review management's processes and assumptions for the ascertaining that the carrying value remains appropriate: and • consider the competence, expertise and objectivity of any management experts used. <p>Given the lateness of the provision of this evidence, it may not be possible to conclude our work in this significant area before the reporting deadline of 31 July 2018. Should additional issues arise from our work we will report them to you in an updated report or addendum.</p>

Significant audit risks (continued)

Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?	Commentary
<p>4 Valuation of pension fund net liability</p> <p>The Local Government Pension Scheme (LGPS) pension net liability, the Police Officer Pension schemes fund liability and associated disclosure notes in the financial statements, 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>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	Both	<p>Auditor commentary</p> <p>We have:</p> <ul style="list-style-type: none"> identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. evaluated the competence, expertise and objectivity of the actuaries who carried out the pension fund valuations. We gained an understanding of the basis on which the valuations are carried out. undertaken procedures to confirm the reasonableness of the actuarial assumptions made. checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial reports from your actuaries. We have reconciled the police member data submission in order that this data may be relied on in future years. <p>Subject to the satisfactory resolution of outstanding matters as set out on page 3, our audit procedures to date have not identified any significant issues with the pension fund valuation. A minor amendment was made to the pension fund disclosure note relating to the prior year.</p>
<p>5 Completeness and accuracy of the data transferred to the new general ledger</p>	Both	<p>Auditor commentary</p> <p>We have:</p> <ul style="list-style-type: none"> gained an understanding of the process undertaken to transfer the data from one ledger to the other, and the checks performed by management to ensure that this was completed appropriately and successfully; reconciled the balances contained in the old general ledger at the date of the transfer to those imported into the new general ledger; performed detailed testing of a sample of transactions contained in the old general ledger by tracing these through to the new general ledger, and vice versa from the new ledger back to the source balance in the old ledger. <p>Subject to the satisfactory resolution of outstanding matters as set out on page 3, no significant issues are noted to date from the review work performed around the ledger transfer itself. However, as previously mentioned the transfer to the Oracle Fusion produced significant difficulties around information extraction across the audit as mentioned previously on page 4.</p>

Significant audit risks (continued)

Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?	Commentary
<p>5 Potential duplication of operating expenses recognised around date of ledger transfer</p>	Both	<p>Auditor commentary</p> <p>We have:</p> <ul style="list-style-type: none"> gained an understanding of the process undertaken by management to ensure that there were no transactions duplicated due to the transfer of the general ledger data, and the checks performed to ensure that this was followed; perform detailed testing of a sample of transactions contained in opening balances of the new general ledger by ensuring that these exist in the old general ledger. <p>Subject to the satisfactory resolution of outstanding matters as set out on page 3, no significant issues were noted in the review work performed around the ledger transfer.</p>
<p>6 Potential fraudulent manipulation of operating expenses recognised around date of ledger transfer</p>	Both	<p>Auditor commentary</p> <p>We have:</p> <ul style="list-style-type: none"> as above, gained an understanding of the process undertaken to transfer the data from one ledger to the other, and the checks performed by management to ensure that data was complete; as above, reconciled the balances contained in the old general ledger at the date of the transfer to those imported into the new general ledger; given particular consideration to transactions around the period of the ledger transfer when testing a sample of journals, tracing them from the old to the new ledger. All journals on the old ledger appeared to be reasonable and in the usual course of business and had been accurately transferred to the new ledger. We have assurance over the completeness of journals transferred to the new ledger and that there were no changes made to sampled journals during transfer. <p>Subject to the satisfactory resolution of outstanding matters as set out on page 3, no significant issues were noted in the review work performed around the ledger transfer.</p>

Reasonably possible audit risks

Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?	Commentary
<p>7 Employee remuneration Payroll expenditure represents a significant percentage (79%) of the Chief Constable's (and therefore the group's) operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and an interface with separate sub-systems there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention</p>	Both	<p>Auditor commentary</p> <p>We have:</p> <ul style="list-style-type: none"> evaluated the PCC's and Chief Constable's accounting policies for recognition of payroll expenditure for appropriateness; gained an understanding of the PCC's and Chief Constable's systems for accounting for payroll expenditure and evaluate the design of the associated controls; reviewed the reconciliation of the payroll system to the general ledger and to the financial statements to agree completeness of costs; performed detailed analytical procedures on monthly pay costs to ensure employee remuneration costs are materially complete. <p>Subject to the satisfactory resolution of outstanding matters as set out on page 3, our analytical procedures on monthly payroll costs have not to date identified any significant issues. However, we note differences to benefit in kind figures in the financial statements. This is due to the financial statements being assembled prior to the finalisation of P11D forms.</p> <p>Prior to audit testing, but post publication of the draft accounts, West Midlands Police identified that the apprenticeship levy had not been accounted for correctly, resulting in the understatement of payroll expenditure and the relating creditor by £1,884,592.01. This was amended prior to audit work beginning, and the calculation was subsequently performed correctly.</p>


Reasonably possible audit risks (continued)

Risks identified in our Audit Plan	Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?
<p>8 Operating expenses Non-pay expenses on other goods and services also represents a significant percentage (21%) of the Chief Constable's (and therefore the group's) operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention:</p>	Both	<p>Auditor commentary</p> <p>We have:</p> <ul style="list-style-type: none"> Documented the systems and internal controls around the operating expenses cycle and performed walkthroughs of said controls. Substantive testing of a sample of operating expenses transactions for the year and over creditors and year-end cut-off evaluated the PCC's and Chief Constable's accounting policy for recognition of non-pay expenditure for appropriateness; gained an understanding of the PCC's and Chief Constable's system for accounting for non-pay expenditure and evaluate the design of the associated controls; <p>Review of the creditors balance highlighted that £3.2m of seized cash was held as a creditor on the balances.</p> <p>We continue to recommend to management that consideration should be given to the appropriateness of categorising the entire balance as a creditor, rather than a provision or contingent liability, but note in our review of cabinet minutes that £800k has been declassified as a creditor since year end.</p> <p>A number of non-trivial findings were identified in the cycle:</p> <ul style="list-style-type: none"> A creditor accrual (£1338.40) had been recognised in expenditure twice in the transition from 11i to Fusion having not been corrected by the CTU team. The value of this maximum projected overstatement was greater than the trivial threshold (£1,351,040.28). A prepayment had been incorrectly recognised with the credit side being accounted within creditors rather than cash in year, resulting in the overstatement of both prepayments and creditors. The value of this was £140 but, when extrapolated, the maximum projected error breached the threshold for triviality (£699,548.24) <p>These are reported as uncorrected misstatements on page 43 onwards.</p> <p>We note that the additional fee for 2016/17 VFM work has not been separately disclosed within the financial statements.</p>




Reasonably possible audit risks (continued)

Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?	Commentary
<p>9 Police pension schemes benefits payable</p> <p>The Chief Constable administers three police pension schemes, with the Police Pension Fund Account being included in the Chief Constable's and therefore the group's financial statements.</p> <p>We identified completeness and accuracy of pension benefits payable as a risk requiring particular audit attention.</p>	<p>Chief Constable (and group)</p>	<p>Auditor commentary</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> gained an understanding of the Chief Constable's systems for calculating, accounting for and monitoring pension benefit payments and evaluated the design of the associated controls; performed detailed testing over a sample of both the lump sum and the recurrent benefits payable, examining the mathematical accuracy of the calculations and the supporting records documenting the choices made by individuals regarding lump sum payments and service length. <p>We identified one issue in lump sum benefits testing relating to a calculation made. When the error was projected over the lump sum and recurrent payments populations, the maximum understatements were £2,042,551.96 and £1,233,221.31 respectively.</p>

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>PCC</p> <p>The PCC has policies covering the recognition of revenues from the selling of goods and tendering of services, and from grants. The policies clarify when revenues:</p> <ul style="list-style-type: none"> are recognised as being due to the Group from interest and other non-exchange transactions will be recognised <p>Chief Constable</p> <ul style="list-style-type: none"> There is no policy for revenue recognition as the Chief Constable is entirely funded by the PCC. There is a policy for the treatment of grants. It clarified that specific revenue grants related to particular aspects of the Force's functions are shown as income in determining net expenditure. 	<ul style="list-style-type: none"> Our reviews of accounting policies for both the PCC and Chief Constable have not highlighted any issues which we wish to bring to your attention. Policies are in accordance with the requirements of the Code of Practice for Local Government. 	 Green
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements are documented at notes 3 & 4 and include: <ul style="list-style-type: none"> Useful life of PPE Valuation of pension fund net liability Collection Fund Bad Debt Provision 	<p>We have reviewed the PCC's and CC's judgements and estimates against the requirements of the Code of Practice on Local Authority Accounting.</p> <p>Where either entity has made judgements or estimates in the financial statements these have been supported with robust methodologies and clear explanation of the assumptions applied.</p> <p>We have not yet been provided with management's updated judgements in respect of the valuation report received on the evening of 23 July 2018. We will consider the appropriateness of management's judgements following receipt of them and consideration of the valuation report.</p>	TBC

Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Accounting policies (continued)

Judgements and estimates

- Valuation of pension fund net liability

We have undertaken a review of the LGPS and three Police Pension Schemes actuaries' work to satisfy ourselves that the pension scheme liabilities are fairly stated in the financial statements. In doing so, we engaged our own independent actuary to assess the methodology and assumptions used by the schemes' actuaries.

The pension fund liabilities are most sensitive to changes in the key assumptions of discount rate, mortality, inflation, and future salary increases. We have reviewed the assumptions for each of these variables across both the PPS and LGPS.

For the PPS, our independent actuary has confirmed that they are comfortable that the assumptions used by GAD are reasonable for the purposes of valuing liabilities as at 31 March 2018.

For the LGPS pension scheme we have compared the assumptions used by Barnett Waddingham against the benchmarks provided by our own independent actuary and found them to be acceptable. Our independent actuary has confirmed that they find Barnett Waddingham's assumptions to be the most prudent of all actuaries reviewed in their report and that they are comfortable with these being reasonable for the purpose of valuing liabilities as at 31 March 2018.

We have confirmed with the external auditor of the pension fund that the controls over membership data were operating as intended.

In line with the prior year, GAD confirm that membership data does not impact the valuation of the PPS for 2017/18 due to the approach taken for interim valuations. We have, however, performed a reconciliation of the data submitted to the GAD and detailed testing of individual member data in order to gain assurance over the data used in liability valuations going forward. No issues were noted.


Green

Other critical policies

We have reviewed the PCC's and Chief Constable's policies against the requirements of the CIPFA Code of Practice. The PCC's and Chief Constable's accounting policies are appropriate and consistent with previous years.


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Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
① Matters in relation to fraud	<p>We have previously discussed the risk of fraud with the Joint Audit Committee, the Chief Constable and the PCC.</p> <p>We have not been made aware of any material incidents in the period and no other material issues have been identified during the course of our audit procedures.</p>
② Matters in relation to related parties	<p>We have previously discussed the arrangements in place to capture and report any related parties with the Joint Audit Committee, the Chief Constable and the PCC.</p> <p>From the work we carried out, we have not identified any related party transactions which have not been disclosed.</p>
③ Matters in relation to laws and regulations	<p>We have previously discussed the arrangements in place to adhere to laws and regulations with the Joint Audit Committee, the Chief Constable and the PCC.</p> <p>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</p>
④ Written representations	<p>A standard letter of representation has been requested from each of the PCC and Chief Constable, including specific representations in respect of the Group.</p>
⑤ Confirmation requests from third parties	<p>We requested from management permission to send confirmation requests to bank and investment counter-parties. This permission was granted and the requests were sent. We have not received responses from these third parties and are considering undertaking alternative procedures.</p>
⑥ Disclosures	<p>Our review to date has found no material omissions in the financial statements.</p>


Other responsibilities under the Code

We set out below details of other matters which we, as auditors, are required by the Code to communicate to those charged with governance.



Issue	Commentary
<p>① Other information</p>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statements of Accounts, Annual Governance Statements (AGS) and Narrative Reports), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. Following the additional disclosures in the Annual Governance Statements being made, we plan to issue unqualified opinions in this respect – refer to appendices E and F</p>
<p>② Matters on which we report by exception</p>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statements do not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or are misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>In our opinion, additional detail regarding the specific issues giving rise to the limited assurance opinions by Internal Audit should have been included in both the PCC's and the Chief Constable's Annual Governance Statements in order to fully comply with disclosure requirements. Amendments have been made which allow us to conclude that the information now reported is consistent with the information of which we are aware from the audit.</p>
<p>③ Specified procedures for Whole of Government Accounts</p>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the PCC (on behalf of the group) exceeds the specified group reporting threshold of £500 million we examine and report on the consistency of the WGA consolidation pack with the PCC's and Chief Constable's audited financial statements.</p> <p>This work is currently in progress, and is planned to be completed by the later statutory deadline in August 2018.</p>
<p>④ Certification of the closure of the audit</p>	<p>We intend to delay the certification of the closure of the 2017/18 audits of the West Midlands PCC and the West Midlands Chief Constable in the audit opinions, as detailed in Appendices E and F, until the completion of our work on the Whole of Government Accounts consolidation procedures. This work will take place once all the opinion work has been completed.</p>

Internal controls

The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters we identified during the course of our audit are set out in the table below. These and other recommendations, together with management, are included in the action plan at Appendix A.

Assessment	Relevant to	Issue and risks	Recommendations
1 	Both	<p>Revenue recognition</p> <p>Our testing of Other revenues cycle, including debtors found a number of errors which were of a trivial value when extrapolated and so are not reported. We raise an internal control issue due to the nature of the error and potential future non-trivial impact. When testing sample items, there were several instances where the force were unable to provide appropriate support for transactions. This was primarily because of three issues:</p> <ul style="list-style-type: none"> Supporting documentation is not retained and therefore there is no audit trail. Supporting documentation does not contain sufficient detail for us to ascertain revenue has been recognised in the correct period. For certain types of revenue, e.g. income from the courts, there seems to be no evidence of income and revenue is recognised purely on receipt of cash. 	<p>Request appropriate third party evidence to support income with sufficient detail that the period it relates to may be recognised.</p> <p>Retain information relating to transactions until after the audit of the period has been completed.</p>

Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

Value for Money

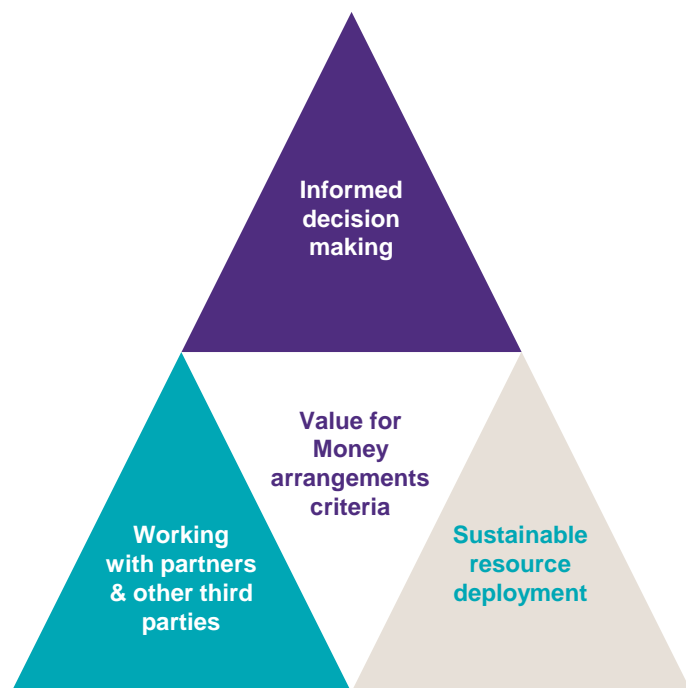
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for police bodies, auditors are required to give a conclusion on whether each of the PCC and Chief Constable has proper arrangements in place.

The 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 below:



Risk assessment

We carried out an initial risk assessment in March 2018 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated March 2018.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of each of the PCC and Chief Constable's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in each of the PCC and Chief Constable's arrangements. In arriving at our conclusion, our main considerations were:

- **Financial strategy and long term sustainability** – In general the Medium Term Financial Plan (MTFP) seeks alignment with the WMP2020 programme and the Director of Commercial services maintains close links to the programme reflecting the financials in the MTFS. More regular reporting of the use of reserves would be helpful to demonstrate reserves are being used solely to drive transformational benefits, and to articulate the return on investment. If WMP2020 benefits do not materialise as forecast, it is important that this is clearly documented and understood given the potential for benefits to slip or not be realised.
- **WMP2020 transformation programme and benefits realisation** – The arrangements in place for WMP2020 and benefits realisation in particular continue to mature and improve. There are many notable features of good practice in the arrangements which continue to evolve. Many of the areas of focus in our report, and recommendations made, are focusing on identified areas of enhanced and inherent risk, rather than a deficiency in the arrangements, and suggestions for improvement are to enhance arrangements which already contain many good features, rather than a suggestion of an absence of activity. Our report should be read in this context.

This past year has been a significant one in terms of embedding the second phase of the programme. This has consolidated the previous phase and introduced a 'business as usual' approach whilst also seeking to change the culture of the Force. Increased demand has put significant pressure on the delivery of policing services. Appropriate allocation of resources remains a

challenge to respond to the competing, concurrent challenges (e.g. other large projects) and there is a risk that the pace of the programme and the limited resource available may lead to reduction in anticipated benefits realised.

The Force has made improvements to the way it plans to define, articulate and measure benefits for each project. We have noted the ongoing work of the WMP2020 programme team who have developed a revised benefit realisation plan (BRP) and planned reporting/tracking of benefits through governance. These arrangements will 'go live' from September 2018. Focusing on outcomes rather than reduced inputs will drive the harder to achieve benefits from the projects.

- **Police and Crime Plan** – Not all objectives in the Plan will be delivered by the Force, although there is considerable overlap through the Force's Ambition Plan. The PCC will need to ensure that all objectives are delivered and so identify other external agencies to support this which may mean engaging with large and complex organisations and driving the process.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on the following pages.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that, individually, the PCC and Chief Constable each had proper arrangements in all significant respects to ensure they delivered value for money in their use of resources.

The text of our report, which confirms this can be found at Appendix E.

Value for Money

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendation for improvement as follows.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Looking ahead

The AccentureUK Ltd contract has been a significant partnership for the Force and has been key to delivering WMP2020. However, this contract is due to end in 2019/20. There is an opportunity to extend this contract but, before that is done, it will be important for the Force to have a clear understanding of:

- What is still to be achieved (focusing on outcomes rather than just the planned projects).
- Whether the delivery of WMP2020 is still providing value for money, both in relation to:
 - the financial assessment – could outcomes be delivered at a lower cost by the Force or by engaging other partners, and
 - tax-payer / user satisfaction and whether the public considers that services provided and outcomes delivered meet expectations and are addressing the pattern of crime and demand in the West Midlands.
- What are the objectives of the PCC and the Force in the medium to long term, whether an extension to the contract would support delivery in the most effective way.

Value for money – initial risk assessment

We set out below the significant risks we identified as a result of our initial risk assessment. This was reported to the March Joint Audit Committee following discussion with the Police and Crime Commissioner, and Chief Constable.

Significant risk	Link to sub-criteria
<p>1. Financial strategy and long term sustainability</p> <p>We will review updates to your medium term financial strategy, assess the gaps in savings requirements, and assess the extent to which your financial plans are aligned with realistic outcomes from the transformation programme and benefits realised, and the reasonableness of assumptions underpinning the strategy. We will also assess the extent to which WMP responsibilities in delivering the police and crime plan are costed and planned for.</p>	<p>Informed decision making</p> <p>Sustainable resource deployment</p>
<p>2. WMP2020 Transformation programme and benefits realisation</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. The programme is key to the long term financial sustainability of the Force. We will review progress in delivering the WMP Ambition Plan and its effectiveness at aligning WMP objectives with Police and Crime Plan ambitions. We will also assess how well WMP is measuring and identifying benefits realised, and how well WMP converts potential non-financial benefits into measurable organisational improvements.</p>	<p>Informed decision making</p> <p>Sustainable resource deployment</p> <p>Working with partners and other third parties</p>
<p>3. Police and Crime Plan</p> <p>The Police and Crime Plan headline messages include a 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. We will assess arrangements in place to deliver the plan across a complex partnership structure. We will also assess the arrangements in place to identify measures against which to assess progress and report effectively and transparently to stakeholders and the public.</p>	<p>Informed decision making</p> <p>Sustainable resource deployment</p> <p>Working with partners and other third parties</p>

Detailed findings

1. Financial strategy and long term sustainability

Medium Term Financial Plan

The Force produces a Medium Term Financial Plan (MTFP) annually. This is published each September, having been developed from funding announcements in the spring and modelled over the summer as other information is confirmed. Each MTFP covers the current financial year plus four years ahead. The MTFP then drives the budget setting the following February, agreed by the Strategic Police and Crime Board.

This is underpinned by the Force's financial plan. Whilst the MTFP remains in place for the year, the financial plan is refreshed monthly for any changes which are agreed by the Organisational Change Board (OCB), primarily from updates to the WMP2020 programme. There is a reconciliation and validation exercise completed at every decision point (this is shown in the change log tab within the model) to ensure integrity of the model but in essence it remains a live document and informs the financial reporting against the budget. The financial plan, or relevant elements of this, are shared widely amongst the Force Governance Boards and the PCC's office to drive accountability for financial delivery. There is formal quarterly reporting against the financial plan.

We have reported previously the need to strengthen the alignment between planned benefits realisation from WMP2020 and the MTFP. The Force has committed to refresh its financial model and the monthly updates to drive greater links between financial delivery and the benefits realised from transformation and WMP2020. Extensive work has been undertaken to develop a detailed model which captures benefits at the start of the project and then tracks progress against these. This will be supported by a suite of tools, including a Benefit Profile Template and Benefit Realisation Plan, which the Force hopes will ensure a strong link between operational decisions and finance.

Training sessions on the new tools have been rolled out and they are due to go live once the new MTFP is agreed from September 2018. Early indications are that the revised reporting will be easier to update and provide information at a greater depth. However, it will also need to demonstrate the delivery of benefits against plan, and this will only be possible where anticipated benefits are fully identified and articulated at the start of the project.

Assumptions within the 2017/18 MTFP are reasonable. Levels of inflation appear in line with expectations and provisions were made for additional pay awards which have been confirmed in year. Workforce remains the hardest figure to forecast. Early indications from the 2018/19 MTFP (which is still in draft at the point of finalising this report) show a forecast surplus which will provide flexibility for the Force to bring planned recruitment forward should they identify the requirement for an increase in establishment of officers to be in effect sooner. These plans are yet to be finalised.

The other element which is challenging to forecast is demand, which clearly drives workforce requirements. The Force has seen significant growth in the demand for policing services in recent months. This was initially considered to be an isolated spike, but demand has not subsided and so the assumption is now that this will continue to be the 'norm'. However, this is not currently evidenced within the 2018/19 draft MTFP.

There is an acceptance that staffing capacity has been an issue in recent years due to the time taken to develop the pipeline to recruit and train officers following several years of recruitment freeze. Critical events nationally have also drawn resources away from local policing. However, the

Detailed findings

1. Financial strategy and long term sustainability

Force has invested in HR services to ensure that capacity is sufficient to recruit and retain staff. The embedding of Force Support and the New Ways of Working agenda will be critical to maintaining response times and allowing local policing to remain focused on the prevention agenda. Whilst the Target Operating Model copes, there is a significant pressure on officers and staff which has been recognised by senior officers. Balancing the limited staffing resources against growth in demand and staffing capacity will be a key challenge.

The Force is embarking on a significant estates strategy which has many variables in relation to the outcome, timing and financial implications. This will have a further impact on the accuracy of the forecasting and will need to be reflected in the financial model and reserves strategy as better information is obtained.

Recommendation 1: The impact of sustained and further increases in demand on workforce requirements should be modelled and linked into the MTFP and the recruitment plans. This may include considering where benefits already realised, particularly 'productivity benefits', may need to be 'reinvested' to offset the costs of rising demand.

Reserves strategy

WMP2020 has a number of large projects underway designed to create efficiencies, either through direct cost-savings or increased capacity to enable the Force to deliver more for less. Delivery of these projects requires a planned use of reserves to support spending which has continued into 2017/18. Further use of reserves is planned until 2019/20. Beyond this, the Reserves Strategy published in March 2018 indicates that the Force will be in balance. This strategy is available on the Force's website and will be updated annually. Further use of reserves will be informed by further modelling of workforce requirements. It is therefore critical that transformation progress is aligned with both the MTFP and Reserves Strategy to identify any unexpected budgetary gaps. Any delays to the transformation programme, delays in the realisation of benefits, or reduction in the value of benefits realised could have an impact on the long term financial sustainability of the organisation.

General Fund reserves as at 31 March 2018 were £12.042 million, held at the same level as at 31 March 2017 and in line with the Reserves Strategy. This represents a General Fund of approximately 1.7% of gross expenditure. Reserves usage is intended to support organisational transformation rather than supporting 'business as usual' in the long term. Delays or reductions in the realisation of benefits, if these arise over the next two years, will therefore need to be considered in revised reserves strategies. It is important that the reserves strategy and MTFP align with the future vision of the organisation as set out through wider business planning.

Recommendation 2: As the Reserves Strategy's stated aim is to support the transformation programme, the timescales for anticipated delivery of transformation and benefits should be included within the strategy, aligned with the timescales for the use of reserves. Any slippage, or reduction, in benefits realisation should be factored into the planned use of reserves in the annual updates to the Reserves Strategy, along with mitigating actions. The strategy should be clear that reserves will not be used to support 'business as usual' on a long term basis.

Detailed findings

1. Financial strategy and long term sustainability

Reporting realised benefits

Each of the projects within the WMP2020 programme is designed to deliver financial and/or non-financial savings. Those savings are currently monitored separately through each Project Board with the SROs being accountable to the Organisational Change Board (OCB). The financial model and therefore the MTFP only reflects savings when they are cash-backed and there is a certainty over delivery. This is considered prudent. There has been a detailed manual process to capture and quantify savings in the financial model. This was one of the key drivers for refreshing the financial model so that it is derived from benefits realisation plans, feeding the cashable and non-cashable savings through from each project. The success of this new approach for 2018/19 will be dependent upon the ability of the OCB to drive the identification of benefits, particularly the non-cashable or intangible savings, and hold SROs to account for their delivery.

Recommendation 3: The Force should ensure that non-cash backed and intangible savings are clearly captured in the MTFP, particularly where they will be used to 'reinvest' to offset demand pressures or other capacity issues.

Review of the overall process has identified that whilst projects, with the associated actions, are being delivered, there is a lack of clarity in the way benefits are being articulated. Senior Management were clear on benefits when interviewed, but below this in the Force and to other stakeholders, it was not clear where benefits had been gained when spare capacity had been 'reinvested' or diverted to other projects. This is also masked by the increase in demand which has resulted in a 'reabsorption' of some benefits. There is also evidence that some benefits have not yet been realised and this has been attributed to a lack of training and in other cases, the subsequent culture change which is still to be embedded. This is not unexpected for a transformation programme of this scale, but a greater ability to 'tell the story' for each project is required to ensure that the true benefits realised are appropriately captured and articulated.

Recommendation 4: The Force should ensure that there is a clear articulation of benefits realised communicated throughout the organisation and to other stakeholders so that those involved in the delivery of policing services, or holding the Force to account, understand the outcomes from WMP2020. This is particularly important in respect of non-cash benefits which are reinvested to offset other demand or cost pressures. This will help to tell the 'story' when other factors change and enable a distinction to be made between reinvested versus unrealised benefits.

Detailed findings

2. WMP2020 Transformation programme and benefits realisation

Progress in governance during 2017/18

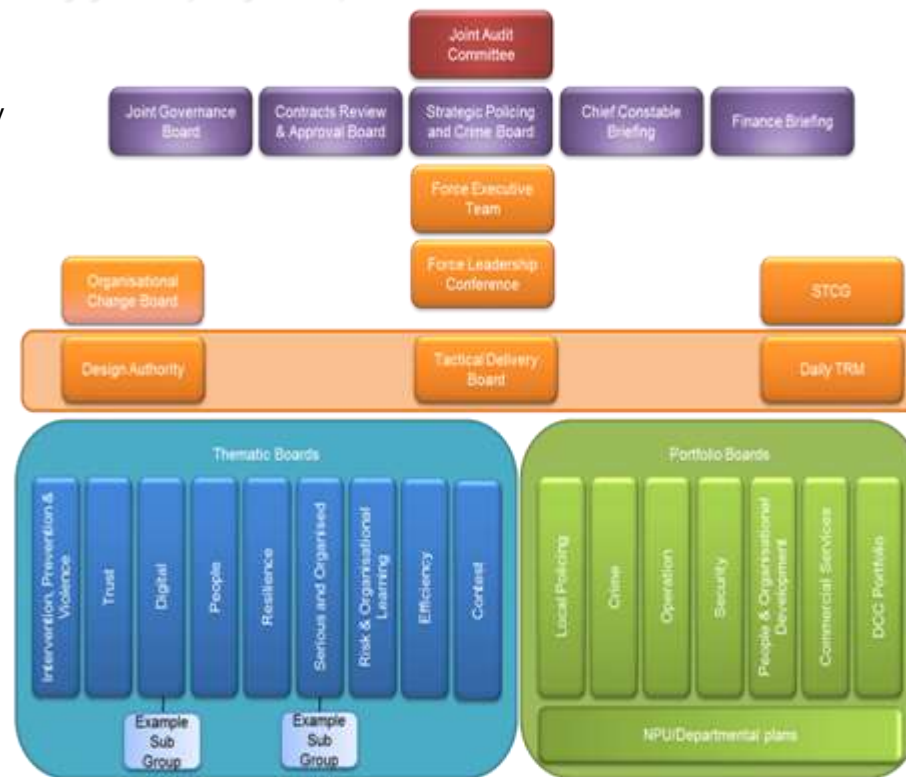
We have reported in previous years on the progress against WMP2020, the significant change programme supported by AccentureUK Ltd. The first stage, Transition State 1 (TS1), was concerned with wholesale change, with a number of large projects which delivered immediate change to working arrangements. This produced immediate cash-savings where posts were deleted or activities were removed. It also included projects to provide the Force with the right 'tools' to deliver efficiencies in the second stage.

The second phase of WMP2020 focuses on 'how' the Force operates with a greater focus on 'business as usual' to ensure that the environment for employees has a greater level of stability following a significant period of change. The benefits which are now being driven require cultural and behavioural change and are therefore inherently harder to embed and deliver. As many of the savings produced by this are intangible or productivity related, they are also harder to identify, measure and report progress against. The overarching governance and reporting has been established around 'New Ways of Public Contact, Responding and Investigation' and has a far greater focus on the impact on the service user. This is driving the cultural change from the top of the organisation and holding operational staff to account for embedding the changes required. The Force has engaged the early adopters, and is using a 'nudge' approach to engage those more reluctant to change, or who have reverted back to 'custom and practice'. This demonstrates a maturity in change management within the Force.

A good example of the cultural change journey is the Mobile Devices project which has already driven efficiencies and utilisation. The introduction of the mobile devices has created a more informed and efficient response capability. This is allowing Force Response to operate more effectively and has laid the foundations for further efficiencies which focus on building platforms, changing behaviours and connecting systems. Embedding the cultural change throughout the Force will ensure that those benefits which are harder to realise can start to be evidenced. The Force accepts that this will take time and is continuing to drive forward and work with officers to fine tune the devices to ensure they remain fit for purpose.

WMP Governance Structure

Managing activities by seeing the entire picture.



Detailed findings

2. WMP2020 Transformation programme and benefits realisation

The Strategic Intent and the governance framework are the main drivers for the delivery of the Ambition Plan, which is also significantly underpinned by WMP2020. This plan includes stretch targets for the Force and supports the Police and Crime Plan (PCP) where the Force holds responsibility for specific objectives. There is an acknowledgement on both sides that this cannot be a complete alignment as there is always the need for the Force to be “agile” and responsive to immediate demand and pressures. The PCP also includes objectives which will not be delivered by the Force but are reliant on other partners. This is considered under the Police and Crime plan section, below.

The governance arrangements have continued to mature during 2017/18. The appointment of a dedicated Governance Manager is supporting greater alignment between the Ambition Plan, Terms of Reference for the Project Boards and the objectives of individuals leading each project. Appointments have also been made to Chair roles across the sub-groups of the Board. This should improve the effectiveness of the monitoring and reporting of progress against the Ambition Plan, anticipated by the Force to be evidenced in 2018/19.

As WMP2020 continues, there has been some turnover at the Senior Responsible Officer (SRO) level. This has created scope for newly appointed SROs to renegotiate some of the project milestones or deliverables. The Senior Leadership team have been firm in their approach to maintaining the momentum in the pace of change and driving the delivery of benefits. The dynamic environment within which policing services are being delivered has meant that some benefits have changed. The Force has revisited benefits where appropriate and in response to changing circumstances, e.g. not reducing workforce capacity where demand has clearly increased, not taking cashable workforce savings but recognising that investment in additional HR capacity was required. Quarterly reviews between Executives and SROs establishes the baseline for each project so plans and their associated trackers are owned by the role and not the individual, resulting in greater ownership and delivery.

Capturing user satisfaction outside the Force will be key to evidencing that wider benefits set out in the Ambition Plan are being delivered. There is evidence that this is happening internally, for example capturing employee satisfaction with the roll out of Next Generation Enabling Services (NGES), but there is limited evidence that the Force is capturing the views of the public following a significant overhaul of the interface arrangements for the public from TS1. Whilst this is in part tracked through ‘New Ways of Contact’, and the public are consulted by a telephone call following an interaction, there is scope to extend this and probe the views of the public to gain greater insight to their opinion. This is particularly important where all contact is on-line, meaning no person to person contact, and for areas where there is a strategic decision to not deploy an officer to a reported crime.

The Chief Constable has recognised that the Force needs to gain the public’s trust and as such is planning to develop a ‘Trust’ Board within the existing governance structure. With an objective to measure public trust in the Police, this Board will drive greater public interaction. The work of this Board will enhance the level and mediums through which the public are surveyed for their views and opinions.

Recommendation 5: The Force should enhance how user satisfaction is gathered and ensure a wider population of users are targeted for their views to inform public satisfaction and trust in the Police.

Detailed findings

2. WMP2020 Transformation programme and benefits realisation

Benefits realisation

In our 2015/16 value for money conclusion report we recommended that an independent review of the implementation of TS1 be commissioned. PwC were engaged in 2017 to carry out a review of WMP2020 TS1 with particular focus on benefits realisation. This report identified good practice as well as a number of areas for improvement, particularly in relation to benefit articulation, monitoring and realisation. The report was presented to the Strategic Police and Crime Board in June 2017 where the PCC and the Force agreed to take forward the recommendations. As a result of this, the PMO has developed and provided presentations on the benefits realisation process to Members of the PCC's office and the OCB to demonstrate the progress being made.

The organisation has developed its ability to identify and monitor benefits as WMP2020 has been rolled out, evidenced through pilot projects and review of early projects, although it is acknowledged that there is still scope to develop this further: some projects continued to not have all benefits identified at the start, particularly where they are intangible. This is more likely where the project is driven nationally, e.g. the introduction of body worn video cameras, which makes the focus delivery rather than a forensic examination of the benefits. Identified benefits can also be hard to measure as there can be improvements for a number of reasons and the pilot found it hard to directly attribute benefits to the introduction of the cameras. Whilst the Force did pilot and identify benefits and metrics, this recognition demonstrates that the Force is challenging themselves to fully understand the benefits and refine the measures against which they are being assessed against. Notwithstanding this, other forces have planned and articulated the benefits in respect of body worn video, identifying more measureable metrics in advance and demonstrating the impact against those metrics. Key to success in this area is optimising focus at the project planning stage on intended benefits, relevant metrics and an understanding of what the 'story' to be told will be.

Many benefits identified focus on a measure of the better use of internal resource, e.g. reduced costs, reduced staffing, increased efficiency etc. However, benefits also need to be focused on outcomes rather than inputs. Early identification and agreed measurement of benefits will help to change the focus to outcomes and impact for the end user. This builds on the points we raised in our previous work regarding the risk of the erosion of benefits and the importance of effective benefits realisation to ensure the benefits of the transformation 'pain' are delivered. This is particularly the case with the non-cashable savings / productivity savings, where capacity and productivity generated from the transformation is easily lost within the organisation without a clear plan to capture and focus this capacity to maximum effect elsewhere.

The Force continues to invest significant time in improving its benefits realisation and reporting strategies and frameworks. Key to the success of the transformation project as a whole is ensuring good practice and techniques identified across programmes are identified and rolled out across the whole portfolio.

Recommendation 6: Ensure the good practice from the communication of benefits realisation – detailed upfront planning, alignment of objectives with transformation strategy and strategic vision, clarity of the metrics and clarity of the 'story to be told', are applied routinely across transformation programmes.

Detailed findings

2. WMP2020 Transformation programme and benefits realisation

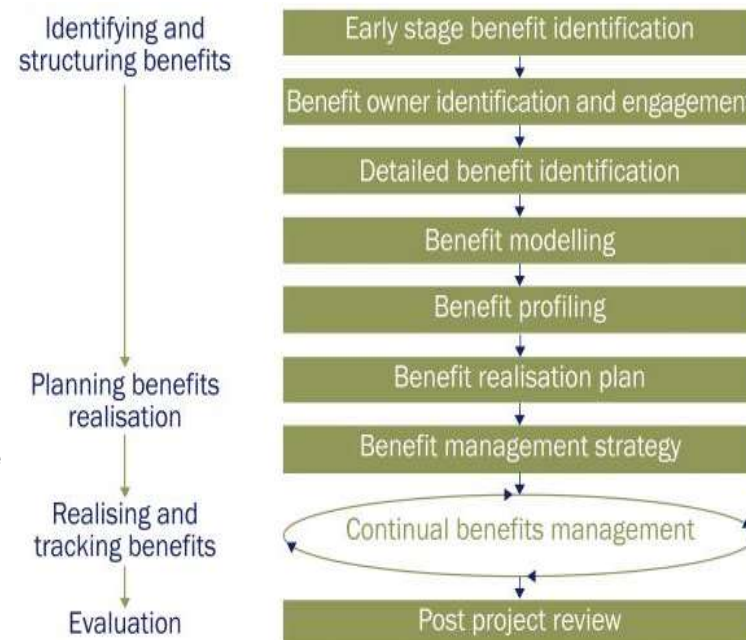
Embedding change and benefits

The PMO is reviewing the commissioning documentation in light of recent internal and external audits in conjunction with the Benefits Manager to ensure that benefit management and post project closure benefit management is articulated effectively within key documents. Strengthening this final stage of the project is seen as key to driving the benefits and ensuring that these are clearly reported. The Benefit Realisation Plan (BRP) and the tracking of benefits through the governance structure, as well as the subsequent handover to 'business as usual', forms a key part of the closure report.

A draft revised BRP is currently being tested by project managers and finance to assess whether it delivers against the requirements of all key stakeholders. The reporting of benefits through governance forums is also subject to a significant review, ensuring OCB are kept informed of benefit delivery. This includes a comprehensive review of actual vs predicted benefits, a three month rolling view of progress and more detailed views of risks to benefits delivery, which will be reported to the OCB in September 2018 for consultation. Subject to ratification, this will go live from October 2018. These arrangements should improve the identification, measurement and reporting of the benefits of each project, although the effectiveness of the new arrangements will depend on how well they are implemented in practice.

The BRP provides a one page tracker which aims to provide a clear understanding of progress against benefits. Further development of the finance tracker captures any gains in efficiency and allows more accurate financial information to feed into the MTFP. These new processes have been shared with the wider Force. Training will be provided to transfer ownership of the benefits to the Divisions rather than being driven, and seen as being owned, by the PMO. The full benefits of these arrangements will only be realised if the Force has the appropriate skill sets in place across the organisation to drive and own change and benefit realisation as part of business as usual.

Recommendation 7: The Force should satisfy itself that the Benefit Realisation Plan is fully embedded and understood by the organisation and ensure the Force has the appropriate skill set across the organisation to own and embed change and realise the benefits as 'business as usual'.



Detailed findings

2. WMP2020 Transformation programme and benefits realisation

Officer establishment has not yet aligned with the Operational Model for various reasons, which may be a further indication that some benefits have not yet been realised. It is envisaged that the Strategic Technology Programmes will provide future savings in people. This will be captured by the post implementation review. There is scope to strengthen the post implementation review so that the reasons for non-delivery of benefits are identified and remedial action put in place (e.g. further training, behavioural changes, sufficient resources etc). This final stage will be particularly important for pulling all the other processes for identification, planning, realising and the evaluating the benefits throughout the project life-cycle.

In discussions with the PCC and the CC, there was a recognition that WMP2020 needs to focus very clearly on benefits realisation and the “bigger picture” and not get side tracked by the inevitable operational challenges and the clear rise in demand that has been a key feature of the past eighteen months. There has been a considerable amount of change over the past two years with large scale projects impacting on the way services are delivered and where resources are focused. The refining of internal monitoring and reporting of benefits in 2018/19 provides scope for the Force to think about how it continues to communicate the wider benefits to the public.

Detailed findings

3. Police and Crime Plan

The PCP was developed in a collaborative way by the Police and Crime Commissioner (PCC) and the Chief Constable (CC) as well as engaging the public and various partner agencies and third sector organisations. Since its publication in November 2016, a key area of focus for the PCC's office has been to ensure that robust arrangements are in place to oversee implementation of the Police and Crime Plan. This is primarily based upon overseeing the governance structure that the Force has established and using the monthly meetings to understand progress against the delivery of the Force's Ambition Plan which aligns significantly with the PCP.

The PCP is ambitious but remains relevant for the people of the West Midlands. The recruitment of additional staff and retention of PCSOs to deliver key priorities from the PCP has meant that planned savings from reductions in Police Officers and staff have not been delivered. However, Neighbourhood Policing remains a top priority for the PCC and this has provided a level of additional capacity for the Force to draw on at times of peak demand.

The PCC's office is relatively small with limited staff capacity compared with the size of the Force. This results in the PCC being reliant upon the Force delivering their Ambition Plan, which overlaps significantly with the PCP. However, not all PCP priorities will be delivered by the Force and there are elements of the PCP which rely upon other agencies. We have previously reported that it may be helpful for the PCC to develop a wider framework to monitor delivery across all objectives of the PCP. The reports which are currently presented to the Strategic Police and Crime Board are authored by the Deputy Chief Constable from the Force and so they will only focus on those areas being delivered by the Force. It is important to note that our comments are aimed at focusing attention to the areas where other partners will be required to deliver PCP ambitions. In many cases, these are large, multi-faceted bodies, for example the NHS, which results in it being harder to engage and drive progress. Demonstrating progress in these areas and holding other bodies to account for delivery will be challenging within the remaining lifespan of the PCP.

Recommendation 8: The PCC's office should undertake a gap analysis to identify where PCC ambitions are not being delivered by the Force / are better delivered by other partners, and develop plans for how remaining objectives are to be progressed and delivered.

Recommendation 9: The PCC's office should assess their capacity for driving relationships with partners outside the Force, where areas of the Plan have been, or should be, outsourced to agencies with more capacity.

Recommendation 10: The PCC's office should ensure there is clarity for the delivery of all objectives set out in the PCP and establish a wider framework to demonstrate accountability for delivery across all partners.

Independence and ethics

Independence and ethics

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 Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.




Details of fees charged are detailed in Appendix D

Audit and Non-audit services




For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to each of the PCC and Chief Constable. No non-audit services were identified.

Action plan – Recommendations from 2017/18 VFM conclusion

We have identified recommendations for the PCC and Chief Constable as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
1	 <p>Financial strategy and long term sustainability</p> <p>Medium Term Financial Plan – We have reported previously the need to strengthen the alignment between planned benefits realisation from WMP2020 and the MTFP. Not aligning the workforce plans, estates plans and WMP2020 will weaken the effectiveness of the MTFP.</p>	<p>The impact of sustained and further increases in demand on workforce requirements should be modelled and linked into the MTFP and the recruitment plans. This may include considering where benefits already realised, particularly ‘productivity benefits’, may need to be ‘reinvested’ to offset the costs of rising demand.</p> <p>Management response</p>
2	 <p>Financial strategy and long term sustainability</p> <p>Reserves Strategy – With limited resources to deliver change, clarity over the use of reserves will be key to demonstrating effective use of these balances.</p>	<p>As the Reserves Strategy’s stated aim is to support the transformation programme, the timescales for anticipated delivery of transformation and benefits should be included within the strategy, aligned with the timescales for the use of reserves. Any slippage, or reduction, in benefits realisation should be factored into the planned use of reserves in the annual updates to the Reserves Strategy, along with mitigating actions. The strategy should be clear that reserves will not be used to support ‘business as usual’ on a long term basis.</p> <p>Management response</p>
3	 <p>Financial strategy and long term sustainability</p> <p>Reporting Realised Benefits – The success of the new approach for tracking and monitoring benefits for 2018/19 will be dependent upon the ability of the OCB to drive the identification of benefits, particularly the non-cashable or intangible savings, and hold SROs to account for their delivery.</p>	<p>The Force should ensure that non-cash backed and intangible savings are clearly captured in the MTFP, particularly where they will be used to ‘reinvest’ to offset demand pressures or other capacity issues.</p> <p>Management response</p>

Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

Action plan – Recommendations from 2017/18 VFM conclusion

Assessment	Issue and risk	Recommendations
4	<p>Financial strategy and long term sustainability</p> <p>Reporting Realised Benefits – It is not always clear where benefits have been gained whether spare capacity is 'reinvested' or diverted to other projects. This is also masked by the increase in demand which has resulted in a 'reabsorption' of some benefits.</p>	<p>The Force should ensure that there is a clear articulation of benefits realised communicated throughout the organisation and to other stakeholders so that those involved in the delivery of policing services, or holding the Force to account, understand the outcomes from WMP2020. This is particularly important in respect of non-cash benefits which are reinvested to offset other demand or cost pressures. This will help to tell the 'story' when other factors change and enable a distinction to be made between reinvested versus unrealised benefits.</p> <p>Management response</p>
5	<p>WMP2020 Transformation programme and benefits realisation</p> <p>Progress in governance during 2017/18 – Capturing user satisfaction outside the Force will be key to evidencing that wider benefits set out in the Ambition Plan are being delivered.</p>	<p>The Force should enhance how user satisfaction is gathered and ensure a wider population of users are targeted for their views to inform public satisfaction and trust in the Police.</p> <p>Management response</p>
6	<p>WMP2020 Transformation programme and benefits realisation</p> <p>Benefits Realisation – Early identification and agreed measurement of benefits will help to change the focus to outcomes and impact for the end user.</p>	<p>Ensure the good practice from the communication of benefits realisation – detailed upfront planning, alignment of objectives with transformation strategy and strategic vision, clarity of the metrics and clarity of the 'story to be told', are applied routinely across transformation programmes.</p> <p>Management response</p>

Action plan – Recommendations from 2017/18 VFM conclusion

Assessment	Issue and risk	Recommendations
7	<p>WMP2020 Transformation programme and benefits realisation</p> <p>Embedding change and benefits – The Force is introducing arrangements which should improve the identification, measurement and reporting of the benefits of each project. The effectiveness of the new arrangements will depend on how well they are implemented in practice.</p>	<p>The Force should satisfy itself that the Benefit Realisation Plan is fully embedded and understood by the organisation and ensure the Force has the appropriate skill set across the organisation to own and embed change and realise the benefits as 'business as usual'.</p> <p>Management response</p>
8	<p>Police and Crime Plan</p> <p>The PCC is reliant upon the Force delivering their Ambition Plan, which overlaps significantly with the PCP. However, not all PCP priorities will be delivered by the Force and there are elements of the PCP which rely upon other agencies.</p>	<p>The PCC's office should undertake a gap analysis to identify where PCC ambitions are not being delivered by the Force / are better delivered by other partners, and develop plans for how remaining objectives are to be progressed and delivered.</p> <p>Management response</p>
9	<p>Police and Crime Plan</p> <p>In many cases, required partners to deliver PCP priorities are large, multi-faceted bodies, for example the NHS, which results in it being harder to engage and drive progress.</p>	<p>The PCC's office should assess their capacity for driving relationships with partners outside the Force, where areas of the Plan have been, or should be, outsourced to agencies with more capacity.</p> <p>Management response</p>
10	<p>Police and Crime Plan</p> <p>Demonstrating progress against all priorities and holding other bodies to account for delivery will be challenging within the remaining lifespan of the PCP.</p>	<p>The PCC's office should ensure there is clarity for the delivery of all objectives set out in the PCP and establish a wider framework to demonstrate accountability for delivery across all partners.</p> <p>Management response</p>

Action plan – Recommendations from 2017/18 audit of the financial statements

We have identified a number of recommendations as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Rec number	Recommendation	Priority	Management response	Implementation date and responsibility
11	<p>PPE Estimations</p> <p>Management must ensure that appropriate valuations of PPE are carried out on a frequent enough basis to gain assurance that the balances held are not materially different from fair value and that assets do not require impairments. Management judgement in response to valuation assessments and accounting treatment must be fully considered and documented prior to the submission of financial statements for audit.</p> <p>Consideration must be given to the appropriateness of the useful lives of assets.</p>	High		
12	<p>Data retention</p> <p>Records supporting transactions must be obtained and kept in order to ensure the appropriate recognition of revenue and expenditure.</p>	Mid to high		
13	<p>Seized Cash</p> <p>Management should review their treatment of seized cash and consider whether the treatment reflects the likelihood of this balance being claimed.</p>	Mid to low.		
14	<p>Pensions data</p> <p>Ensure that pensions member data held is accurate and that the reconciliation performed before submission to GAD is retained. It is critical next year that member data can be reconciled to the GAD submission in March 2018.</p>	High		

Action plan – Recommendations from 2017/18 audit of the financial statements

We have identified a number of recommendations as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

No	Observation	Risk	Recommendation & Management Response	Assessment
•	<p>Policies are not reviewed or updated in line with stated review intentions</p> <p>While key policies are in place and made available to staff via the Corporate Policy Portal, these policies were not updated in line with intended review dates specified within the policies themselves.</p> <p>It was noted that the current Acceptable Use Policy is version 0.1 and it was last updated in April 2015. It was scheduled for review in April 2017, however there has been no review or update to the policy since April 2015.</p> <p>It was also noted that Information Security Policy in use is version 2.2, last updated in October 2014. While the document has been scheduled for review in October 2016, there has been no review or update to the policy since the last policy update in October 2014.</p>	<p>If policies are not regularly reviewed, they can become outdated, not fit for purpose and ignored. Developments in and outside of the Force may render these policies redundant, and increase the operational risk to the Force. In addition, the Force may experience increased liability where employees do not adhere to policies due to the lack of coverage provided by an outdated key policy.</p>	<ul style="list-style-type: none"> We recommend that management review the Force's ICT security policies on a more timely basis, and in accordance with their own stated review period. Reviews when undertaken should be documented on the policy version history as appropriate. The Information Security Policy and Acceptable Use Policy should be reviewed at the earliest possible opportunity and updated. These should be authorised for distribution and staff training provided where appropriate to ensure that the revised policies are understood by staff. In addition, updated target review dates should be put in place and adhered to for key organisational policies, such as the Information Security Policy and Acceptable Use Policy. Organisation reminders and checkpoints could be used to ensure that these target dates are met. Management response: 	●

Assessment Key to assessment of internal control deficiencies

- Significant Deficiency - risk of significant misstatement
- Deficiency - risk of inconsequential misstatement

Follow up of recommendations from 2016/17 VFM conclusion

Rec No.	Recommendation	Management response	Implementation date & responsibility
1	Ensure there is clarity of delivery of the PCP between the Force, the PCC and other partners, and as part of this develop a wider framework to deliver the PCP priorities across all partners.	The Force Ambition Plan was finalised in March 2018 and distributed across the Force and to partners.	DCC Completed
2	With resource pressures mounting due to National programmes competing for the same Change resource, ensure there are contingency plans in place to deal with these pressures.	A detailed demand profile has been built incorporating all local and National demands on the Change Teams. Recruitment is in train, aiming to deliver to this demand within a fixed financial envelope. Revisions have been made to the enabling budget to account for additional layers of demand.	A Shariff November 2018
3	Specialist resource recruitment, in particular to IT-related programmes such as the “app” development, should be prioritised as lack of such resources could put real pressure on benefits realisation going forward.	Priority recruitment in IT&D is ongoing. The challenge is the ability to recruit and retain a volume of quality candidates within an active marketplace and within public sector pay scales.	H Davis Completed
4	Ensure that the recommendations of the PwC report and the Internal Audit reports are fully assessed and built into the approach to benefits realisation going forward. Ensure a formal response to the PwC report is produced.	This review was commissioned by the PCC’s officer who formally replied. The annual Benefit Review incorporated all the recommendations from the PwC audit. This review was approved by WMP and PCC’s office	A Shariff Completed

Follow up of recommendations from 2016/17 VFM conclusion

Rec No.	Recommendation	Management response	Implementation date & responsibility
5	The WMP 2020 programme should prioritise the development of the detailed training programme for SROs.	A detailed training programme has been created and delivered to the current cohort of SROs. Benefit Realisation training has also been delivered to the current SRO cadre.	A Shariff Completed
6	Ensure there is clarity on the true cost of PCP priorities, including where anticipated 'spare capacity' from transformation programmes is intended to 'fund' the delivery and implementation of PCP priorities. This will provide clarity over risks to delivery, particularly where demand pressures compete for spare capacity.	All strategic WMP2020 project activities are being fully costed as part of a robust Business Case process. A robust benefit management process is in place to monitor and track cashable and non cashable efficiency savings to ensure they are truly realised. The decision to re-invest efficiency savings sits with the WMP Force Executive Team.	A Shariff Completed
7	Quarterly reporting should include a detailed analysis of the use of reserves. This should demonstrate clearly how planned and actual use of reserves is delivering (or will deliver) the anticipated transformational changes, and provide a holistic picture of the funding investment used to deliver transformational change, outside of 'business as usual'.	The use of reserves (planned and actual) features on the reports sent to the SPCB. The budget reported against includes the costs of the WMP2020 change programme which is the investment in transformational changes. The planned use of reserves is generally lower than the cost of the change programme. Different reserves and their usage are also detailed on this report (see Provisional Outturn Report 17/18 which went to Board on 19 June 18 by way of an example).	C Jones Completed

Follow up of recommendations from 2016/17 OpPoISol review

Rec No.	Recommendation	Management response	Implementation date & responsibility
1.	Check that reservations over the Northgate solution that led to deselection in the original Market Assessment have been mitigated.	A comprehensive plan and analysis phase was undertaken with WMP SMEs to assure that the NPS solution met WMPs requirements. These were subsequently taken through the appropriate governance forums.	October 2017
2.	A summary of SME feedback on the proposed system would improve the information for decision presented in the DBC.	Subject Matter from across the organisations from a number of disciplines have been extracted from across the force to support the CONNECT implementation into WMP. There is continuous feedback from the SMEs into the project to make sure the system is constantly being reviewed.	Ongoing
3.	Check that risks to business continuity, user engagement and the implications of delays, have been adequately mitigated	Disaster recovery features heavily in the contract with approved mitigation to technical or physical failures with the Northgate solution. Regarding User Engagement there is SME engagement from across the force. To bolster this there is a dedicated work stream around Change that has its own dedicated project team to support the organisation engagement. Suitable project risk provision, contingency time and planning has been put into the project contract to mitigate potential delays.	Ongoing
4.	Ensure appropriate legal advice has been taken on the procurement route	Prior to procuring the Northgate Solution via the force's IIP Agreement with Accenture, legal advice was obtained from the firm who supported the force in initially establishing the IIP Agreement, Pinsent Masons. The advice provided by Pinsent's confirmed that the Solution was within the scope of the IIP and how the force had initially advertised its requirements in OJEU, thus making the route to market legal.	N/A
5.	Obtain assurance that the WMPs contract standing orders have been complied with in regard to the Accenture contract amendment.	See response to 4. immediately above. By procuring via a legitimate route to market, compliance with Standing Orders was secured.	N/A
6.	Ensure that the free days offered by Accenture are included in the contract	This has been included in the associated Work Orders placed against the IIP Agreement.	N/A

Follow up of recommendations from 2016/17 OpPoISol review

Rec No.	Recommendation	Management response	Implementation date & responsibility
7.	The benchmarking analysis to assess the value for money of the preferred option is limited, and would benefit from an independent analysis	Prior to contracting with Northgate (via the IIP Agreement with Accenture) for the Solution, a thorough assessment of the (limited) market was undertaken, which included comparing and contrasting how other forces had contracted for similar needs. This comparison included reviewing the commercial models other forces had established, which demonstrated (as much and as like for like) as possible that the VfM was being secured by proceeding with the Northgate Solution against the commercial construct proposed. It would have been difficult to obtain any additional assurance with such assurance being retrospective in nature.	N/A
8.	Sign off from senior officers is needed to validate non-cashable savings	The cashable and non-cashable benefits have been signed off at all levels for the CONNECT Project. These have subsequently been re-validated with the inclusion of CONNECT Express and GO (the improved UI and Mobility solution). A monthly review of the benefits is being carried out within the project.	October 2017
9.	Check that financial risk is appropriately shared between the contracting parties (e.g. in the event of delay).	Suitable terms were established and included in the Agreement to ensure that commercial risk is shared between the three contracting entities. For example, this sees payment being aligned to delivery etc.	N/A
10.	A statement of feedback from Forces who had implemented the Northgate Solution would strengthen the DBC	MPS have subsequently signed up to Northgate's CONNECT product (as well as the Express and GO solution). MPS is the Country's largest police force.	N/A
11.	The DBC should include a rationale for the use of the 10% and 20% risk provisions.	The subsequent updates to the original DBC has clarified the decision around the DBC risk provision. The industry standard 10% was supplemented in some areas to reflect the risk they potentially posed.	October 2017

Follow up of recommendations from 2016/17 DDI review

Rec No.	Recommendation	Management response	Implementation date & responsibility
1.	<p>Ensure that the selection of this procurement route is compliant with the Force's Contract Standing Orders and delegated authority – both in terms of the Force's threshold for extending an existing contract without competition, and the authority to vary contracts up to a set level, without approval from the PCC.</p>	<p>See response to 4. and 5. of the response to the Op Pol Sol recommendations. Further, in response to the query regarding PCC approval for variations, despite the belief that the force has delegated authority to approve variations of existing agreements without the need for further PCC approval providing that such variation doesn't exceed 50% of the initial value and / or that the potential for such variations was made clear at the point of the initial PCC approval. This is a moot point in this instance as PCC approval was still obtained prior to contracting for the DDI Solution.</p>	N/A
2.	<p>Strengthen the recording and documentation of the procurement process, specifically judgements and considerations supporting key decisions, to ensure a clear audit trail for all the decisions made via the relevant governance committee. This includes clearly documenting the rationale for the decision for Accenture to procure the solution via a contract variation, as well as the consideration of the risks and benefits of this proposal. It also includes documenting the judgements and considerations in the choice of procurement route, and the documentation of how the Force is satisfied their approach complies with Force contract standing orders.</p>	<p>It is felt that these recommendations have been addressed and that such review and rationale was obtained and outlined in the final approved DBC.</p>	N/A

Follow up of recommendations from 2016/17 DDI review

Rec No.	Recommendation	Management response	Implementation date & responsibility
3.	Ensure appropriate legal advice has been taken on the procurement route.	See response to 4. of the Op Pol Sol recommendations. The force can confirm that the same process was followed for the DDI procurement.	N/A
4.	Prioritise the acquisition of the in house data expert resources for the DDI project in sufficient time to allow for full handover from the Accenture resource and in order to establish a credible cadre of resource to maximise the potential of the DDI project post implementation in 2018.	A principal data scientist has been recruited and is in situ. Offers have gone out to 3 further data scientists. An additional 7.5 FTE. has been recruited into IT&D to principally work on all DDI activities, which have had KT from Accenture.	N/A
5.	Improve the clarity of the financial cost of the procurement in the DBC. This includes presenting the financial cost of the project in a simple table as the current business case presentation of the costs lacks clarity and could be difficult for those charged with governance to interpret.	A new costs and benefits spreadsheet is being used to monitor monthly all costs and any impact on DDI benefits. This spreadsheet was designed and implemented by WMP's benefits manager and is being used by all PM's across the portfolio.	May 2018
6.	Agree that the financial risk - for example, in regard to the cost of delay, or costs associated with unforeseen development issues - is appropriately shared between Accenture and WMP and that this is reflected in the contractual arrangements.	Suitable terms were established and included in the Agreement to ensure that commercial risk is shared between the force and Accenture.	

Audit Adjustments – PCC and Group

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000
1 The impact of the Apprenticeship Levy was not accounted for in the first draft of the Financial Statements.	Dr 1,885	Cr 1,885	Dr 1,885
2 Reversal of duplicated accrual	Cr 38	Dr 38	Cr 38
3 Error in Collection Fund working paper (Creditors £466,323, Debtors £132,250, I&E £334,073)	Dr 344	Cr 344 net	Dr 344
Overall impact	£2,267	£2,267	£2,267

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Senior Officers' Remuneration	<ul style="list-style-type: none"> Disclosure of benefits in kind inconsistent with supporting records. 	<ul style="list-style-type: none"> A number of amendments have been made to the Senior Officers Remuneration notes in the PCC and Force's accounts in order to make the disclosures consistent with supporting records <p>Management response</p> <ul style="list-style-type: none"> [If unadjusted, mgmt. need to detail why...] 	✓

Audit Adjustments – PCC and Group

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2017/18 audit which have not been made within the final set of financial statements. The PCC and Chief Constable are required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Reason for not adjusting
<p>1 Prepayments and Accruals</p> <p>An error was noted during testing of a sample of debtors items. We estimate that, if this error rate were consistent across the full population this would give an overstatement of debtors and creditors with the following impact:</p>	0	Dr 700 (accruals) Cr 700 (prepayments)	0	Management do not feel it is appropriate to adjust due the estimated nature of this misstatement.
<p>2 Creditors</p> <p>During the other creditor accruals testing, we identified an item where expenditure recognition had been duplicated . We estimate that, if this error rate were consistent across the full population this would give an £1,351,040. When the balance was brought over from 11i, the change from expenditure recognition on invoice to receipt was not rectified.</p>	Cr 1,351	Dr 1,351	Cr 1531	Management are satisfied that the finance team have carried out an extensive exercise to ensure that duplicated expenditure recognition does not have a material impact upon the financial statements and are no adjusting for this error.
<p>3 Creditors</p> <p>Seized cash is reported on the balance sheet at £3,200. Management should consider whether it is fair for this balance to be recognised as a creditor in its entirety, rather than as a provision or a contingent liability.</p>	0	Dr 3,200 (creditors) Cr 3,200 (provisions)	0	Management do not feel it is appropriate to adjust due the estimated nature of this misstatement.

Audit Adjustments – PCC and Group (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2017/18 audit which have not been made within the final set of financial statements. The PCC and Chief Constable are required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Reason for not adjusting
<p>4 Pensions benefits payments: Lump sum payments</p> <p>During testing of lump sum payments, we identified an error in the calculation of an individual's pension. We estimate that, if this error rate were consistent across the full population this would give a maximum projected understatement: £2,042,551.</p> <p>N.B. this also impacts the recurrent payments, see below.</p>	Dr 2,043	0	Dr 2,043	Management do not feel it is appropriate to adjust due the estimated nature of this misstatement.
<p>5 Pensions Benefits payments: Recurrent payments</p> <p>Maximum projected understatement: £1,233,221.</p>	Dr 1,233	0	Dr 1,233	Management do not feel it is appropriate to adjust due the estimated nature of this misstatement.
Overall impact	£1,925	£1,351	£1,925	

Audit Adjustments – PCC and Group (continued)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2016/17 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Reason for not adjusting
<p>1 Errors found during creditors testing</p> <p>Errors were found during our testing of a sample of creditors items. We estimate that, if this error rate were consistent across the full creditors population, this would give a misstatement that would have the impact notes to the right.</p> <p>Discussion of this error with finance staff indicated that both instances were made by a temporary member of staff.</p> <p>The finance team's quality control checks had noted this individual had posted a number of incorrect entries at year end, and efforts had been made to correct these.</p> <p>By the finance team's estimations, £1.8m was posted into creditors by this individual, £0.9m of which was later reversed and corrected by other members of staff.</p>	Cr 1854	Dr 1854	(1,854)	<p>Due to the efforts already made to correct the underlying issue, management is satisfied that there is not a material error.</p> <p>Management do not feel that is appropriate to adjust, due to the estimated nature of this misstatement.</p>
Overall impact	(£1,854)	£1,854	(£1,854)	

Audit Adjustments – Chief Constable

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

No adjustments to the Chief Constable's accounts have been identified during the audit process..

Fees

We confirm below our final fees charged for the audit and we confirm that there were no fees for the provision of non audit services.

Audit Fees

	Proposed fee	Final fee
Police and Crime Commissioner Audit 2017/18	42,368	TBC
Chief Constable Audit 2017/18	22,500	TBC
Chief Constable VFM additional work 2016/17	17,000	17,000
Total audit fees (excluding VAT)	64,868	£TBC

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). However, we have undertaken considerable additional work throughout the audit year in relation to the change in ledger as reported in this Audit Findings Report. This impacts on both the PCC and the Force financial statements.

We have also undertaken additional work around Management's estimation for its asset valuation. This work continues with the Fore and any additional fee will be agreed with PSAA prior to being reported to Management and the Joint Audit Committee.

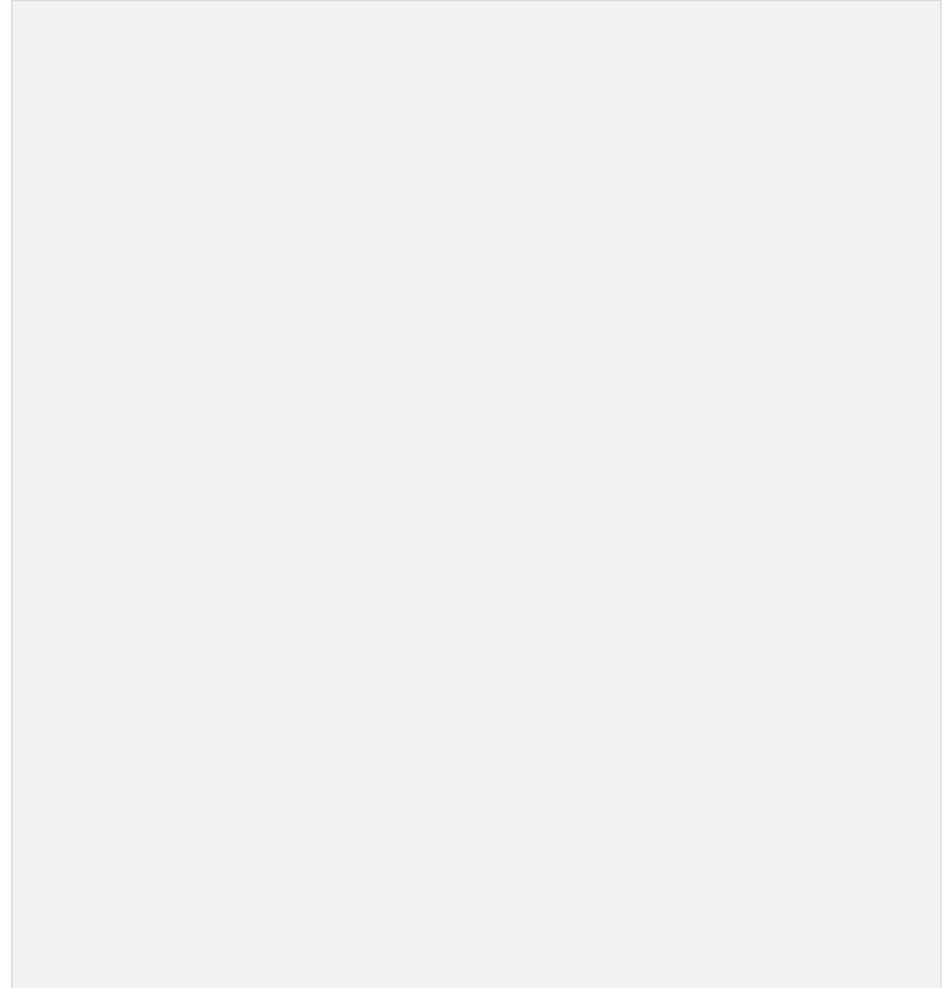
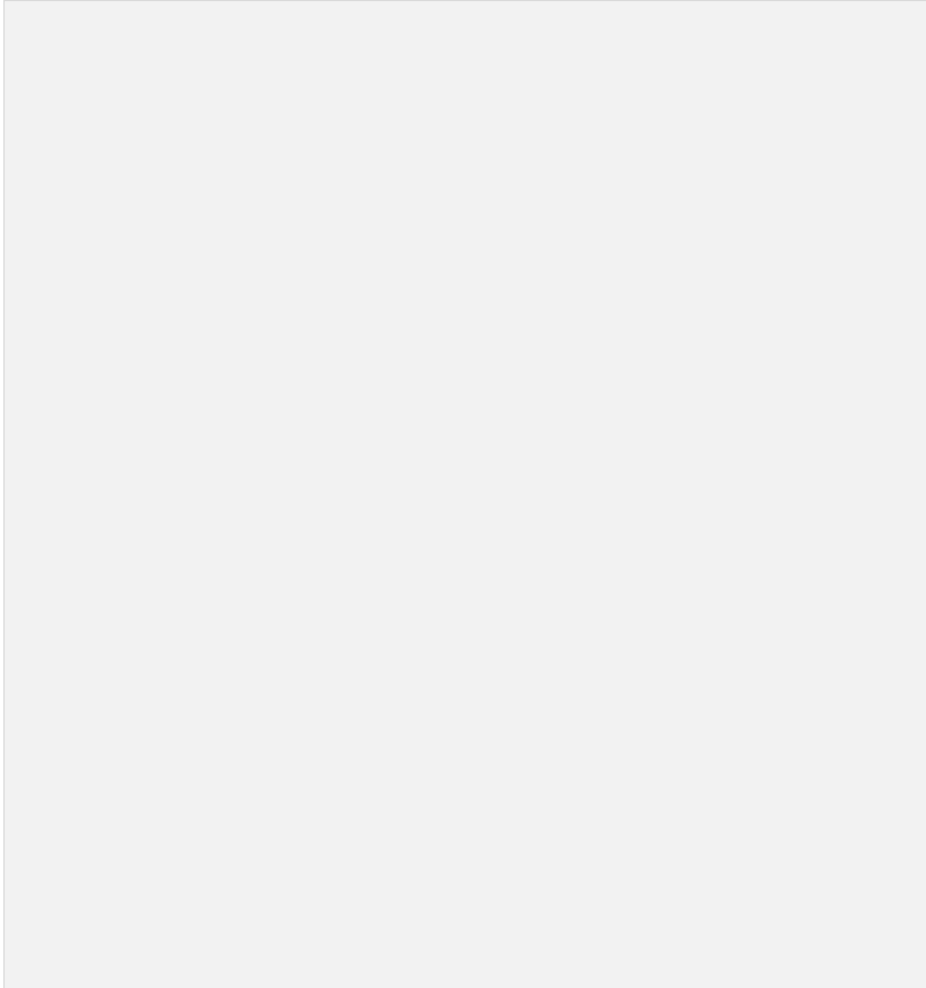
The additional fee for the 2016/17 VFM conclusion work has been agreed with PSAA and Management and will be billed in the next quarter. This additional fee is not reflected within the 2017/18 financial statements and will be accounted for in 2018/19.

No non-audit or audited related services have been undertaken for each of the PCC and Chief Constable.

Audit opinion – PCC

We anticipate we will provide the **Group/PCC and Chief Constable** with an unmodified audit report **[or amend as appropriate]**

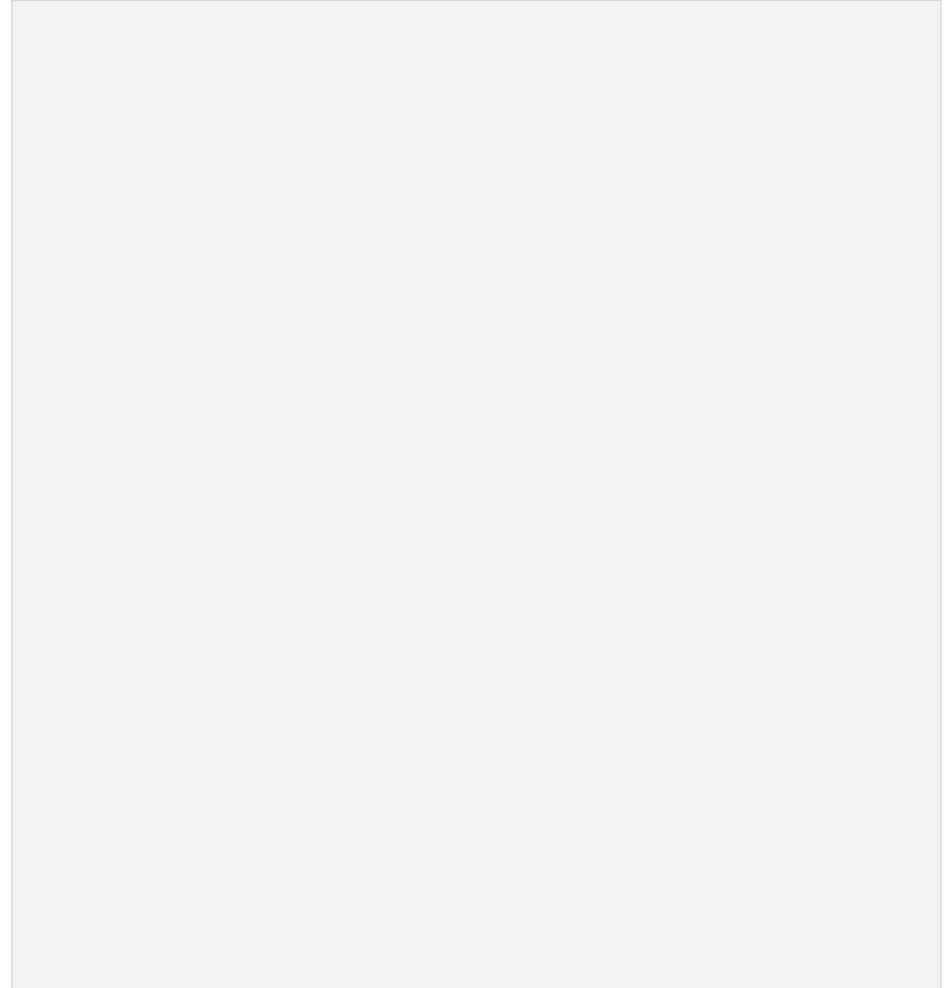
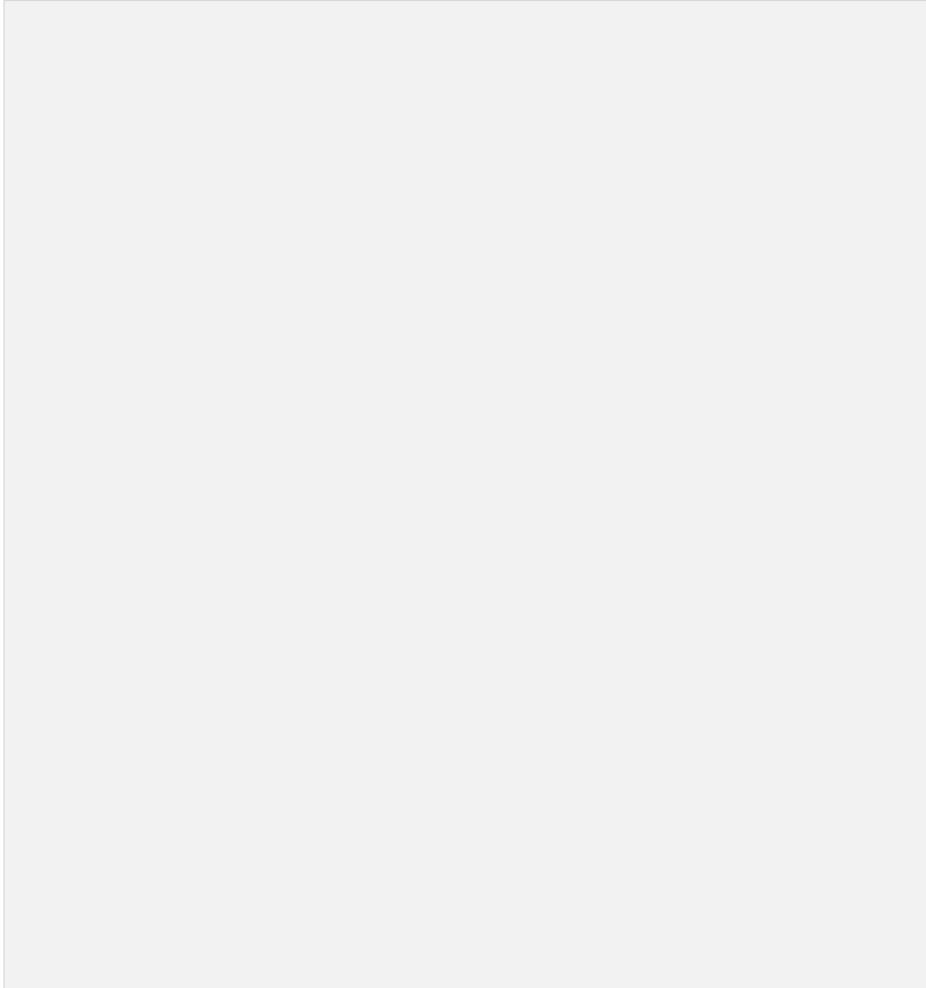
INSERT FULL TEXT OF THE PROPOSED OPINION BASED ON THE TEMPLATE OPINIONS



Audit opinion – Chief Constable

We anticipate we will provide the **Group/PCC and Chief Constable** with an unmodified audit report **[or amend as appropriate]**

INSERT FULL TEXT OF THE PROPOSED OPINION BASED ON THE TEMPLATE OPINIONS





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