

Joint Audit Committee Progress Report and Sector Update

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

September 2018



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Introduction



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

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

Members of the Joint Audit Committee can find further useful material on our website where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or the Senior Manager.



Progress to date

Financial Statements Audit

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

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

We experienced delays in completing our interim testing due to the change in ledger resulting in limited access to data populations. This resulted in us removing our team before the end of the audit. We summarised the findings of our interim work in our March update. The finance team continued to work with the ledger provider to improve access to data in the format required for audit.

The final accounts audit, covering the PCC's group financial statements including the financial statements of the Chief Constable commenced on 4th June 2018. We worked in partnership with Senior Officers to resolve outstanding queries and obtain access to appropriate data to enable us to test. Again, we removed our team to enable finance staff to address queries. We jointly agreed to reschedule the final part of the onsite work.

The result of these delays placed considerable pressure on both the Finance team and Audit Team to complete additional work at the final accounts visit. This will result in an additional fee being charged.

The Joint Audit Findings Report was agreed with management and Those Charged with Governance in July 2018. We obtained sufficient information to enable us to provide our opinions on 6th August 2018. This was after the national deadline of 31st July 2018. We will continue to work with the finance team to facilitate a detailed learning from 2017/18 to support a smoother process in 2018/19.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires us to consider whether the PCC and the Chief Constable have each put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources. These are known as the Value for Money (VfM) conclusions. We issue separate conclusions for the PCC and the Chief Constable.

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

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

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

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

We reported our findings and conclusions in the Joint Audit Findings Report and provided unqualified Value For Money Conclusions on 6th August 2018.

Other areas

Meetings

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

Events

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

We held a Police Audit Committee Conference in July 2018 and will circulate information when it is available.

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

Ongoing issues

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

We will liaise with Finance in the Autumn to deliver a wash up meeting which will extend beyond audit to explore how the finance team can best work with all partners.

Audit deliverables

2017/18 Deliverables	Planned date	Status
Fee Letters Confirming audit fees for 2017/18 audits.	April 2017	Complete
Accounts Joint Audit Plan We are required to issue a detailed accounts joint audit plan to Those Charged with Governance setting out our proposed approach in order to give an opinion on the MOPAC and MPS 2017/18 financial statements.	February 2018	Complete
Interim Audit Findings Issues arising from our interim work will be set out in a progress report and presented to management and Those Charged with Governance.	March 2018	Completed but with some slippage which was delivered as part of the final accounts visit
Joint Audit Findings Report The Audit Findings Report will be agreed with management and Those Charged with Governance in July 2018.	July 2018	Complete
Auditors Reports These are the opinions on the financial statements, annual governance statements and value for money conclusions.	July 2018	Complete but delivered 6 th August which was due to slippage with the processing and auditing of the asset valuation information
Joint Annual Audit Letter This letter communicates the key issues arising from our audit work.	August 2018	Complete

Sector Update

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

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

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

- [Grant Thornton Publications](#)
- [Insights from sector specialists](#)
- [Accounting and regulatory updates](#)

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

[Police](#)

[Public Sector](#)

Financial sustainability of police forces in England and Wales 2018

The Home Office's decision to take a light touch approach to overseeing police forces means it does not know if the police system is financially sustainable. It needs a clearer national picture of what forces require financially to deliver effective services to the public in the future, says a report from the National Audit Office (NAO).

The Home Office is responsible for assessing how much funding police forces need, deciding how much the policing system receives as a whole, and allocating grants to police and crime commissioners. While its understanding of forces' resilience has improved, it does not systematically assess the financial sustainability of forces, nor does it measure the extent and costs of all of the demands they face. Consequently, it does not have a clear picture of what individual forces need to meet local and national demands.

The way the Home Office chooses to distribute funding has been ineffective and detached from the changing nature of policing for too long. Since 2010, funding has been reduced equally across all forces, with the Department failing to consider the full range of demands on police time, the efficiency of forces, levels of financial reserves and the ability of forces to raise funds locally through council tax. The Department recognised in 2015 that its funding process was ineffective. It has put on hold plans to reform it until the next Spending Review, meaning that any changes will not be implemented until 2020-21 at the earliest.

Total funding to police forces, a combination of central government funding and council tax, has fallen by 19% in real terms since 2010-11. The main way police forces have managed financial pressures is by reducing their workforce size. The total workforce across forces fell by 18% from a peak of 244,497 staff in March 2010

to 199,752 staff in March 2018, with a 15% drop in police officers. The Home Office has not forecasted what impact this will have on forces' ability to meet increasing demand. There was also a 20% reduction in the reserves set aside by police forces for planned projects or exceptional events between March 2015 and March 2017, following a 49% increase between March 2011 and March 2015.

While crime recorded by the Crime Survey for England and Wales decreased by 36% between 2011 and 2018, at the same time police forces have been facing a recent upsurge in reporting of low volume and high harm crime which are more expensive to investigate, such as sexual offences, and an increased threat of terrorism.

The NAO has found early indications that the sector is struggling to deliver an effective service. The Department has acknowledged that there is strong evidence the police are facing increased pressure compared to 2015. While it regards the level of pressure as currently manageable, it recognises that a number of forces are at high risk in terms of future resilience.

Amyas Morse, the head of the NAO, said:

"The financial sustainability of police forces and their ability to deliver effective services is reliant on the Home Office understanding national and local demands and allocating funds fairly. There are signs that forces are already experiencing financial strain and struggling to deliver effective services to the public. If the Home Office does not understand what is going on it will not be able to direct resources to where they are needed, with the risk that the situation could get worse."

[Click on the report cover to read the national report.](#)



HMICFRS publishes its policing inspection programme and framework 2018/19

New inspections into hate crime, county lines and older people in the justice system, are central to the programme and framework of policing inspections published by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS).

The document sets out HMICFRS's programme of policing inspections up until the end of the financial year, and details those inspections already taking place. The programme and framework builds upon findings from inspections in 2017/18 and continues to place importance on how forces deal with vulnerable people with this element being examined across all inspections.

Proposed thematic inspections this year include hate crime, counter-terrorism, fraud (including cyber-enabled fraud), older people in the criminal justice system, cybercrime and HMICFRS's rolling programmes concerning child protection and crime data integrity. Crime data integrity inspections assess whether police forces record and categorise crimes correctly, and thematic work on county lines will begin in 2018/19.

The programme can be accessed by clicking on the cover of the report below.



Police must grasp 'one chance' to take action for victims of hate crime

In its first ever report into hate crime, HMICFRS have urged forces to prioritise the service to victims against a background of rising hate crime reported in recent years.

The report emphasises the importance of the police getting their response right first time and at the beginning of their contact with victims. Unless victims feel confident in coming forward and police forces ensure hate crime is recorded properly, there is limited opportunity to root out and proactively prevent hate crime from taking hold within communities.

The inspection which took place last year, revealed that some forces:

- incorrectly flagged hate incidents and crimes;
- did not gather comprehensive data about hate crime victims;
- did not gather sufficient intelligence about hate crime;
- did not always provide adequate information to hate crime victims; and
- did not consistently refer hate crime victims to support services.

However, the inspection identified that police forces across the country have worked hard to raise the awareness of hate crime among staff and in their communities, and most forces have produced information on hate crime and how to report it.

Click on the report cover to read the national report.



Police Transformation Fund 2018/19



Home Office

The Home Office has awarded over £100 million to police transformation projects.

The Home Secretary has approved up to £70 million for investment in 2018/19 in four national major police-led programmes covering forces in England and Wales, designed to ensure maximum benefits are shared among forces. The programmes will transform how police use technology, make it easier for the public to engage with police online, and boost capacity to deal with major threats.

The Home Office also announced 15 successful bids to the fund, totalling £42.7 million across 2018/19 and 2019/20, as well as £0.7 million of additional funding awarded under Phase 1 of the Police Transformation Fund 16/17 and 17/18.

The four police-led national programmes, which are already underway, include:

- The National Enabling Programme: focused on delivering a unified IT system across policing to deliver more joined-up working within and between forces. In Cumbria, for example, cloud-based note-taking technology allows officers preparing to question suspects in custody to view real-time information from victim interviews being conducted by other officers elsewhere, improving the response offered to those affected by crime.
- Specialist Capabilities Programme: this will improve force-to-force resource sharing in key crime areas like roads policing and armed policing. In cyber-crime, for example, the programme seeks to ensure forces can tackle digitally-dependent crime, with oversight provided through regional organised crime units (ROCs).

- The Digital Policing Portfolio: this aims to improve police's use of technology, including by creating a single online hub. The hub allows members of the public to report low-level incidents – such as minor road collisions – online rather than having an officer manually record the information at their local station, providing a better service to the public and improving efficiency for the force.
- Transforming Forensics: this will improve how biometric services and digital forensics are used, including the development of a 24/7, faster, fingerprint identification service.

The national programmes are expected to deliver cash savings, as well as improving efficiency by, for example, freeing up officers for frontline policing roles. Funding will be released in stages to the programmes subject to progress in delivery to provide ongoing assurance of this major investment.

West Midlands Police Force was successful in obtaining £4.465 million funding as the lead force responsible for the National Analytics Solution.

The full list of successful projects can be found [here](#).



Police workforce, England and Wales: 31 March 2018

Statistics on police workforce numbers in the 43 police forces in England and Wales and the British Transport Police have been released. Statistics cover police officers, police staff, police community support officers, designated officers, special constables and police support volunteers.

The statistics include a number of indicators in respect of promotions, joiners and leavers, frontline and local policing, diversity and officer wellbeing.

The key findings of the report note that the police workforce numbered just under 200,000 full-time equivalents at 31 March 2018, an increase of 1,066 (0.5%) on the 198,686 employed as at 31 March 2017. This is the first yearly increase in police workers since 2010. There were also an additional 11,690 special constables in post as at 31 March 2018.

However, the latest rise was due to an increase in the number of police staff and designated officers rather than officers. The number of police officers fell to 122,404 from 123,142 at 31 March 2017 (down 0.6%). The continued fall in officers means this is the lowest number of police officers since comparable records began in 1996. While records earlier than this are not directly comparable, this is the lowest number of officers since 1981.

The report can be accessed by clicking [here](#), which includes links to the relevant data tables.

Police pay award 2018/19

Police officers will receive a pay rise of 2% in 2018 to 2019. The increase will consist of:

- a 2% pay increase for all police officer ranks;
- a 2% increase to the London weighting payment; and
- a 2% increase to the dog handlers' allowance.

The Police Remuneration Review Body had recommended that the 1% non-consolidated award received in 2017 to 2018 be consolidated, and that a further 2% consolidated award be given to all police officers. Police employers, however, advised that the maximum affordable award would be a 2% increase. This was recommended by both the National Police Chiefs' Council (NPCC) and the Association of Police and Crime Commissioners (APCC).

PCC expenses

The Home Secretary's determination on Police and Crime Commissioner expenses has been updated. The guidance sets out the kinds of allowances that can be claimed, setting out any key restrictions and rates that can be claimed. The guidance also re-confirms that all PCC expenses should be reviewed by the Chief Executive, with a breakdown of the details required to be published. The guidance can be accessed by clicking [here](#).

Other Home Office news



Home Office

Early Intervention Youth Fund

The government's serious violence strategy sets out a programme of work to respond to increases in knife crime, gun crime and homicide. The strategy included a commitment to provide £11 million over 2 years for a new early intervention youth fund, which has subsequently been doubled to £22 million.

The fund is open to Police and Crime Commissioners (PCCs) in England and Wales as lead bidders. PCCs must work with community safety partnerships (or the local equivalent partnership) to bid for funding to support targeted early interventions and prevention activity for serious violence.

The aims of the fund are:

- delivering services to support and prevent young people from getting involved in crime by supporting positive activities;
- delivering positive outcomes for young people, focused on addressing risk factors which are linked to serious violence;
- building on, and developing, our understanding of what works in practice for tackling these risks factors;
- driving improved local, multi-agency partnership working; and
- reducing the levels of serious violence and crime

The scheme opened for bids on Monday 30 July, and the full details of the fund and the assessment criteria are set out in the prospectus which can be accessed by clicking the report cover below.



Financial Management Code of Practice

A revised financial management code of practice has been released. The financial management code of practice provides clarity around the financial governance arrangements within policing and provides high level guidance to help ensure effective and constructive relationships in all financial matters. The revised code of practice also applies to Police and Crime Commissioners in England who are also Fire and Rescue Authorities under section 4A of the Fire and Rescue Services Act 2004.

The revised financial management code of practice came into effect on 24 July 2018, replacing the previous version which had effect from 1 November 2013.

The code continues to include guidance on a number of areas of financial governance including roles and responsibilities, schemes of governance, accounting, value for money, transparency, collaboration and partnerships.

The new code can be accessed by clicking on the report cover below.



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



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