



Agenda Item 11

**JOINT AUDIT COMMITTEE
13th December 2019**

**External Audit Key Performance Indicators
(Management and Members Assessment)**

1. PURPOSE OF REPORT

- 1.1 To provide Joint Audit Committee Members with oversight of the feedback received on Grant Thornton's Key Performance Indicators self-assessment for the 2018/19 audit.

2. BACKGROUND

- 2.1 At the Joint Audit Committee meeting held on 27th September 2019, Grant Thornton presented a report summarising their performance against a series of Key Performance Indicators (KPIs) for the 2018/19 audit process. Members and managers agreed to undertake their own assessment of Grant Thornton's performance against the same indicators to confirm agreement or raise any exceptions and areas for improvement.

3. SUMMARY OF FEEDBACK

- 3.1 Feedback for the majority of the KPIs was positive with the respondents largely agreeing with Grant Thornton's assessment. There were some exceptions raised which are summarised in the table below along with positive feedback received. The main exceptions raised were in the following categories:
- Staffing and inputs:
 - Milestones and Timing; and
 - Reporting.

Table 1: High level summary of feedback received

Positive Comments	Negative Comments
Issues were flagged early	Additional fee charged
Weekly progress meetings with management	Junior staff had little knowledge and experience
GT management are knowledgeable of sector	GT Team was pressured - managing two audits at same time
Senior GT staff worked hard to get as close to 31/7/19 deadline as possible	Partner review added days at end when WMP staff not available
	Late working paper requests submitted
	Regular meetings not held with JAC Chair
	Deadline 31/7/19 not met and audit findings report delivered late
	Whole of Government Accounts concluded late

- 3.2 Full details of the exceptions raised are provided at Appendix A.
- 3.3 Management are committed to working with Grant Thornton to ensure similar issues don't arise in the 2019/20 audit.

4. RECOMMENDATIONS

- 4.1 The Committee to note the contents of the report and consider any further action required.

CONTACT OFFICER

Name: Lynn Joyce

Title: Head of Internal Audit

BACKGROUND DOCUMENTS

Joint Audit Committee report 27/9/19
(External Audit Key Performance
Indicators - 2018/19 Outcomes)

<https://www.westmidlands-pcc.gov.uk/joint-audit-committee/agendas-reports-and-minutes/>

Member and Management Feedback on Grant Thornton Key Performance Indicators (exception basis)

Six responses were received from Sue Davis (Chair), Ernie Hendricks (SPCB Member), Neil Chamberlain (Director of Commercial Services), Davinder Jagpal (Assistant Director Finance), Mark Kenyon (Chief Finance Officer), Lynn Joyce (Head of Internal Audit).

Theme	KPI	Self-assessment	JAC / Management Assessment
Staffing and inputs	<ul style="list-style-type: none"> The fee is in line with that proposed in the audit fee letter unless there are clear reasons for an additional fee which have been agreed with management and Audit Committee. 	<ul style="list-style-type: none"> The fee is in line with that proposed in the audit fee letter, updated for the additional work undertaken in respect of FRC regulatory requirements for pensions and PPE and for the additional work required in respect of the McCloud judgement. We communicated this additional work to you in previous meetings and in the AFR. The increased level of assurance requested by the Financial Reporting Council required greater scrutiny of significant estimations on PPE valuation and pension liabilities. Further, the outcome of the McCloud case required revised actuary figures to be processed through your financial statements, and re-audited. Additional work has been agreed with Management and we determined and reported the fee to be charged. This will now be agreed with PSAA prior to invoicing. 	<p>Agree with GT’s assessment. It was unfortunate they had to charge an additional fee but recognise the level of resources needed by GT to complete the work.</p> <hr/>
	<ul style="list-style-type: none"> Experienced and knowledgeable audit staff are used on the audit and show an 	<ul style="list-style-type: none"> There has been no change to the Engagement Lead and Senior Manager. This continuity of the management team has now been in place for 4 years. The previous Team Leader has been 	<p>Senior leads at GT have a good understanding of the issues faced by WMPCC and WMP. However, I understand that staff dealing with the detailed work may have little experience of audit and / or the sector. This may have caused problems</p>

Theme	KPI	Self-assessment	JAC / Management Assessment
	<p>understanding of the clients' issues and priorities.</p>	<p>promoted into a higher role but retained an input into the audit to ensure continuity whilst the new and experienced Team Leader developed his knowledge of your business. We have ensured continuity within the team down to Associates assigned to the audit to provide better understanding of your systems and stronger relationships with your finance team.</p> <ul style="list-style-type: none"> • The Engagement Lead for the audit is the firm's Head of Police. • The Senior Manager is highly experienced in auditing public sector clients, knows the local area and continues to bring strong links with West Midlands Fire and Rescue, which aligns with the blue-light collaboration national agenda. • The team has demonstrated their detailed understanding of the clients and their issues during the conduct of the audit and their engagement with key officers. This includes direct and regular meetings with the Engagement Lead and Manager, with the Chief Finance Officers, Chief Executive, Chief Constable, PCC and Head of Internal Audit. 	<p>with the completion of the work and impacted on deadlines.</p> <hr/> <p>On the plus side:</p> <ul style="list-style-type: none"> • The team worked well with our team – good relationships • Very knowledgeable on technical issues and offered advice throughout the process • Easy and smooth flow of information requests and information using the inflow system • We had a weekly progress meeting and progress schedules • Any issues were flagged up early and specific meetings held to chat through recognition that the senior GT staff pulled out all the stops to get us over the line as close as possible to the 31 Jul <p>The key areas for improvement and those discussed include</p> <ul style="list-style-type: none"> • The junior staff were very inexperienced – which meant that the team lead was coming back and forth to raise follow up questions – which if the auditor was a little more experienced would have asked in the first place. Need to think about the skills mix of the team. • The team lead was juggling 2 audits a LA (Walsall) and us and it was apparent that this was a big ask.
<p>Milestones and timing</p>	<ul style="list-style-type: none"> • All statutory deadlines have been met (e.g. for submission of the audited accounts, Annual Report and 	<ul style="list-style-type: none"> • There is no statutory deadline for the delivery of the audit opinion. The planned date for delivery was 31 July. This date was agreed before the significant additional work required in respect of FRC requirements for pensions and PPE arose, and 	<p>Partner review still seems to add days right at the end of the process at a time when WMP resources might not be available to respond.</p> <hr/> <p>We were disappointed that the 31 July deadline was not met.</p>

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	<p>WGA).</p> <ul style="list-style-type: none"> • Work is completed within timescales agreed with management. 	<p>before the impact of the McCloud judgement on the accounts arose. These areas generated significant volumes of additional work, and resulted in material restatements of the accounts, which subsequently required re-auditing. Notwithstanding this significant additional requirement, we worked constructively with your finance team and were able to recover much of the additional time requirement within the existing period. The opinions were delivered on 2 August 2019, only 2 days later than initially planned before the increase in audit requirement was known. As context, due to the additional work requested by the Financial Reporting Council, nationally, only 60% of Local Government bodies from all audit providers received their opinion by 31 July.</p> <ul style="list-style-type: none"> • The assurance statement for the Whole of Government Accounts submission was not met due to a knock on from the delayed audit opinion 	<p>The Finance team at WMP worked exceptionally hard to meet the audit deadlines (including responding to queries) and it was not their fault the opinion was late.</p> <p>We were given assurances that opinion would be obtained by the 31 July, so therefore it is of concern this deadline was missed.</p> <p>We will continue to work with GT to make sure this does not happen for the 2019/20 audit.</p> <p>Nationally, there needs to be a honest conversation about the levels of resources external audit firms have to complete their work, given it appears the new contracts are suffering due to the lack of resources in the firms which is likely to be caused by a reduction in the fee income.</p> <hr/> <p>On the plus side:</p> <ul style="list-style-type: none"> • We had a weekly progress meeting and progress schedules • Any issues were flagged up early and specific meetings held to chat through • Recognition that the senior GT staff pulled out all the stops to get us over the line as close as possible to the 31 July <p>The key areas for improvement and those discussed:</p> <ul style="list-style-type: none"> • Working papers were being requested at the 11th hour, when we informed that they had concluded on these test areas.

Theme	KPI	Self-assessment	JAC / Management Assessment
			<ul style="list-style-type: none"> • The audit findings report was delivered later than agreed – so this had to be picked up by individuals while on leave (on both sides) • The audit opinion was delivered on the 2nd August, instead of the 31 July as agreed • The WGA review was concluded much later (26/09/2019) – although we had provided what was required to the agreed dates
	<ul style="list-style-type: none"> • Regular meetings held with management, Chief Constable, PCC and Audit Committee. 	<ul style="list-style-type: none"> • External audit attended private meetings with the Joint Audit Committee chair throughout the year. We also provided relevant publications which we provide to the Sector and facilitated a discussion session to support the wider insight of the Committee Members. 	<p>These meetings were subject to frequent changes in date and cancellation. We have met only once in the last 12 months.</p>
Reporting	<ul style="list-style-type: none"> • Matters arising from work are reported promptly and accurately with clear and practical recommendations for improvement. 	<ul style="list-style-type: none"> • Our Audit Findings Report (AFR) contains the findings from our work and agreed recommendations for improvement. • Recommendations arising from our VFM work were clear and agreed. • We reported a follow up of recommendations made in the prior audit year for both financial opinion and value for money work to the March 2019 Joint Audit Committee to ensure early sight of recommendations which had not sufficiently progressed. 	<p>Agree with GT’s comments but as per previous answers, have concerns about GT’s deadlines not being met.</p>