

West Midlands Police Audit Progress Report and Sector Update

Year ending 31 March 2023

March 2023



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Introduction & headlines

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

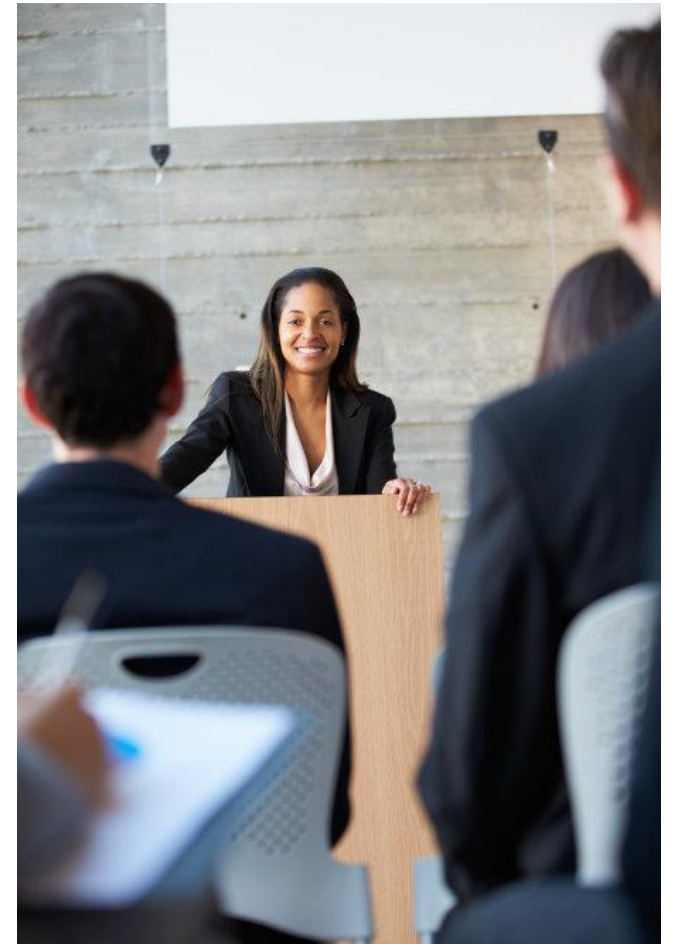
The paper also includes a summary of emerging national issues and developments that may be relevant to you.

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.

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 Engagement Manager.

We continue to bring specialists to our update conversations where appropriate to share any learning from our position as a leading audit supplier to the police sector.

You will also have access to our annual Chief Accountant Workshops and any other networking opportunities we create for the various stakeholders.



The auditor's statutory responsibilities

Opinion on the audited body's financial statements

Our work enables us to give an opinion as to whether the financial statements:

- give a true and fair view of the financial position of the audited body and its expenditure and income; and
- have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards and other directions.

Our planning will document our understanding of your key risks, your control environment and inform our testing strategy. This will continue until we begin our final accounts testing.

Since we last reported we have:

- continued to have regular discussions with management discussing issues identified in previous audits, and emerging themes which are expected to impact on the current audits;
- reviewed meeting papers and the latest financial and operational performance reports ensuring we understand your current challenges;
- Completed the majority of the 2021/22 value for money work and the draft report is with management and we are meeting with them in March to finalise the reporting.

The joint audit plan summarising our approach to key risks on the audit is published within the March committee's papers. We will report any key findings from our remaining planning interim work in our next progress reports to Joint Audit Committee.

We are currently considering the timing of the final audit and will agree dates with management. We anticipate starting the audit work in June 2023 and the opinion to be issued in the Autumn 2023. We will be unable to issue the opinion on the accounts until we have received the necessary assurances from the pension fund auditor, however we are not currently anticipating that there will be significant delays in their work.

The closure certificate on the 2021/22 audit will be issued along with the publication of the final Annual Auditor Report, which we anticipate will be in April 2023.

Work on value-for-money arrangements

Under the 2020 Audit Code of Practice, we are required to undertake sufficient work to satisfy ourselves that the Police and Crime Commissioner and Chief Constable "has made proper arrangements for securing economy, efficiency and effectiveness in their use of resources."

We will issue our final report on the 2021/22 VFM arrangements to the next Joint Audit Committee. There are currently no significant weakness to bring to the Committee's attention, however there will be several improvement recommendations.

We will complete our initial risk assessment on the 2022/23 arrangements soon after reporting on the 2021/22 arrangements, so that it will take into account any findings from the 2021/22 year. We will report our risk assessment to you at a future Joint Audit Committee within the usual progress report.

Our risk assessment is against the following reporting criteria:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

We will keep our risk assessment under continuous review. Where appropriate, we will update our risk assessment to reflect emerging risks or findings and report this to you. Our final commentary in the Auditors' Annual Report will include:

- a summary of our findings on any risks identified during our work;
- our judgements on the adequacy of the Police and Crime Commissioner and Chief Constable's arrangements for each of the three reporting criteria, as set out above;
- any recommendations made to management as a result of our work; and
- a follow up of progress against any recommendations raised in previous audits.

The auditor's statutory responsibilities

Other responsibilities

We are required to give an opinion on whether:

- other information published together with the financial statements is consistent with the financial statements.

We are also required to:

- consider whether the Annual Governance Statement complies with relevant disclosure requirements and whether it is consistent with the information we are aware of from our audit; and
- examine and report on the consistency of 'Whole of Government Accounts' consolidation schedules with the financial statements.

We will complete this work as part of our financial statements visit.

Other statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audits.

Our work to date has not required us to report any such matters to you.

Added value

Grant Thornton has a large Public Sector practice and is a key supplier to the market. As a valued audit client, you will receive:

- the opportunity to access support from experienced technical colleagues. This means you will be at the forefront of accounting developments. Through this relationship we also ensure that communication works both ways and feed issues back from our clients; and
- insight from our regular meetings within the sector where we discuss emerging developments. We will also raise any areas of concern that you have over policy, procedure, or regulation with your regulators; and
- technical and sector updates for the Joint Audit Committee.



Progress at March 2023

Financial Statements Audit

We undertook our initial planning for the 2022/23 audit in January 2023, and interim audit in February and March. We expect to begin our work on your draft financial statements in late June.

Our interim fieldwork includes:

- Updated review of the Police and Crime Commissioner and Chief Constable's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Understanding how the Police and Crime Commissioner and Chief Constable make material estimates for the financial statements
- Early work on emerging accounting issues

We are issuing a detailed audit plan, setting out our proposed approach to the audit of the 2022/23 financial statements in March, and is contained within the Committee papers.

Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code was the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline for the issue of the Auditor's Annual Report is now no more than three months after the date of the opinion on the financial statements. We anticipate issuing our Auditor's Annual Report in April 2023 for the 2021/22 financial year and by January 2024 for the subsequent year.

Progress at March 2023(cont.)

Other areas

Meetings

We met with Finance Officers in February as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding 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 Police and Crime Commissioner and Chief Constable. Your officers attended our Accounts Workshop in February 2023, where we highlighted financial reporting requirements for the 2022/23 accounts and gave insight into elements of the audit approach.

Further details of the publications that may be of interest to the Police and Crime Commissioner, Chief Constable and JAC members are set out in our Sector Update section of this report.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2021/22 is the fourth year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government and Police sectors in the period 2018/19 to 2021/22 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of public sector financial transactions and financial reporting. This combined with the FRC requirement that all Local Government and Police audits are at or above the “few improvements needed” (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your Chief Finance Officers including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Joint Audit Committee, Police and Crime Commissioner and Chief Constable.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

2021/22 deliverables

2021/22 Deliverables	Planned Date	Status
Accounts Joint Audit Plan We are required to issue a detailed accounts joint audit plan to the Joint Audit Committee setting out our proposed approach in order to give our opinions on the 2021-22 financial statements.	June 2022	Complete
Joint Audit Findings (ISA260) Report The Joint Audit Findings Report will be reported to the November Audit Committee.	November 2022	Complete
Auditors Reports These are the opinions on your financial statements and annual governance statement.	November 2022	Complete
Auditor's Annual Report The key output from local audit work on arrangements to secure VFM is an annual commentary on arrangements, which will be published as part of the Auditor's Annual Report (AAR). A draft of the AAR will be taken to the June Joint Audit Committee.	February 2023	Not yet finalised

2022/23 deliverables

2022/23 Deliverables	Planned Date	Status
Accounts Joint Audit Plan We are required to issue a detailed accounts joint audit plan to the Joint Audit Committee setting out our proposed approach in order to give our opinions on the 2022/23 financial statements.	March 2023	Issued
Interim Audit Findings We will report to you the findings from our interim audit within our Progress Report.	June 2023	Not due yet
Joint Audit Findings (ISA260) Report The draft Joint Audit Findings Report will be reported to the Joint Audit Committee.	September 2023	Not due yet
Auditors Reports These are the opinions on your financial statements and annual governance statements.	November 2023	Not due yet
Auditor's Annual Report The key output from local audit work on arrangements to secure VFM is an annual commentary on arrangements, which will be published as part of the Auditor's Annual Report (AAR). A draft of the AAR will be taken to the March Joint Audit Committee.	March 2024	Not due yet

Final audit fees 2021/22

PSAA awarded a contract of audit for West Midland PCC and West Midland Chief Constable to begin with effect from 2018/19. The fee agreed in the contract was £34,623 for the PCC and £17,325 for the Chief Constable.. Since the initial contract, there have been a number of developments, particularly in relation to the revised Code and ISAs which are relevant for the 2021/22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed in our agreed Audit Plan in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting.

The pandemic has led to considerable changes to how we all work and how we have carried out our audits over the last two years. Many audited bodies are exploring new ways of working to support its officers, through use of remote and hybrid working environments. We see the positive benefits this can bring to entities, and their workforce, both in providing more flexibility and reducing its environmental impact.

Whilst there are many efficiencies to remote working, having the ability to work together with officers face to face in conducting our audit work provides many advantages to the timely progression of the audit; both in minimising inefficiencies in gathering audit evidence, and in discussing key issues with officers and resolving and concluding outstanding queries.

The final fee for 2021/22 is yet to be confirmed by PSAA.

Our proposed fees for 2022/23 are set out in the Audit Plan.

Final audit fees 2021/22

	Proposed Fee 2020/21	Actual fee 2020/21	Fee 2021/22 tbc
PCC			
PSAA scale fee	£32,623	£32,623	£34,623
Proposed additional fees (including VFM fee) per Audit Findings report/ plan	£25,162		£28,003
Additional fees (including VFM fee) agreed with PSAA		£24,502	
Total PCC audit fee	£57,785	£57,125	£62,626
Chief Constable			
PSAA scale fee	£17,325	£17,325	£17,325
Proposed additional fees (including VFM fee) per Audit Findings report	£12,515		£17,794
Additional fees (including VFM fee) agreed with PSAA		£13,056	
Total Chief Constable audit fee	£29,840	£30,381	£35,119
Total audit fees (excluding VAT)	£87,625	£84,625	£97,746

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:

A teal rectangular button with the text "Public Sector" in white.

Public Sector

A purple rectangular button with the text "Police" in white.

Police

Extra 1,420 police join forces across England and Wales in 3 months

An extra 1,420 officers have joined police forces across England and Wales in the past 3 months, as the government continues its unprecedented drive to recruit 20,000 additional police officers by March 2023.

Figures released on 25 January show that more than 16,700 additional police officers have joined the police since April 2020 as part of the government's pledge to get more police officers on our streets.

These figures mean that the government has met 84% of that target and is well on the way to recruiting 20,000 new officers by March.

The figures released today also show the number of police officers from an ethnic minority background is at an all-time high, as the government's recruitment campaign works to change the face and culture of policing.

There are also now 51,107 female officers in our 43 police forces in England and Wales, which is also at its highest point.

The full article can be found [here](#).

Review of police dismissals launched

A review to ensure that the police officer dismissal process is effective at removing those who are not fit to serve the public has been launched by the Home Office. The internal review will look at the effectiveness of the disciplinary system so the public can be confident it is fair but efficient at removing officers who fall far short of the high standards expected of them.

Baroness Casey's interim report into the culture and standards at the Metropolitan Police Service, published last year, raised concerns about the low number of police officers being dismissed and that those with multiple allegations of misconduct against them are still serving the public. She was also concerned that officers from ethnic minorities are disproportionately represented in the misconduct system.

As set out in the terms of reference published on GOV.UK Police officer dismissals review: terms of reference, Home Office officials will examine the consistency of decision making at misconduct hearings and disproportionality in dismissals, alongside reviewing the existing model of misconduct panels and the impact of legally qualified chairs (LQCs).

The review, which will be completed within approximately 4 months, will also ensure that forces are able to effectively use regulations that allow probationary officers who do not meet the required standard to be let go, and look at whether the current three-tier performance system is effective in being able to dismiss officers who fail to perform the duties expected of their rank and role.

The government has introduced significant reforms to the police complaints and discipline systems in recent years – from misconduct hearings in public and independent legally qualified chairs (LQCs) to the introduction of the barred list and the strengthening of powers for the Independent Office for Police Conduct (IOPC).

The full article can be found [here](#).

Policing to receive up to £287 million funding boost next year

The police sector will receive a nominal funding boost of up to £287 million next year to help victims feel safe and deliver more visible policing.

The rise will take total funding for policing up to £17.2 billion and mean police and crime commissioners across the 43 police forces in England and Wales will receive a nominal increase of up to £523 million from government grants and precept income to focus on getting the basics right.

The government is giving police crime commissioners in England the ability to raise up to £349 million, through a council tax precept limit of £15.

This provisional settlement will provide £1.1 billion towards national policing priorities, including tackling the scourge of serious violence, county lines, exploitation, abuse, fraud and cyber crime.

Funding for counter-terrorism policing will continue to total over £1 billion, including continued funding for armed policing and the Counter Terrorism Operations Centre.

Funding will also be given to maintain the 20,000 additional police officers recruited as part of the government's unprecedented campaign to put more police on the streets.

The full article can be found [here](#).

Police force reports on the effectiveness of vetting and counter-corruption arrangements

HMICFRS have published reports on the effectiveness of vetting arrangements in 12 police forces. Some of these also include findings on IT monitoring and counter-corruption.

The reports can be found [here](#).

Association of Police and Crime Commissioners

PCCs gain new responsibilities in bid to tackle serious violence

Police and Crime Commissioners (PCCs) and Deputy Mayors have gained new responsibilities from 31 January 2023, in a bid to tackle and prevent serious violence in communities.

The Serious Violence Duty is a new legal requirement which will see organisations working together to prevent and tackle serious violence, with PCCs and Deputy Mayors as the local conveners.

The Duty was introduced by the Government through the Police, Crime, Sentencing and Courts (PCSC) Act 2022 and places a duty on specific organisations such as the police, fire service, justice partners, health and local authorities to collaborate to prevent and tackle serious violence in their local area.

It intends to create the right conditions for authorities to collaborate and communicate regularly, using existing partnerships where possible and to share information and take effective coordinated action in local areas. Under the Duty, all statutory partners must work together to develop a strategic needs assessment of the unique causes of violence in their area and then publish a strategy on how they will tackle it.

Police and Crime Commissioners and Deputy Mayors play an important role in this and will take up responsibilities as the lead convener for local partners. Across England and Wales they will be responsible for monitoring the exercise of functions under the Duty and holding partners to account for their compliance and delivery.

See the full article [here](#).



Grant Thornton – Nearly 60 councils at risk of ‘running out of money’ next year

Grant Thornton has warned that the soaring cost of living combined with a decade of austerity could see up to a sixth of English councils fully deplete their reserves in 2023-24 without substantial spending cuts.

Research found that, as a result of higher inflation, councils are expected to have a cumulative budget deficit of £7.3bn by 2025-26 – an increase of £4.6bn since forecasts made at the beginning of this year.

Grant Thornton said that although reserves were bolstered by more than £5bn in 2020-21 due to higher government funding, these balances will “continue to unwind through the long tail of Covid-19” with close to 60 councils forecast to use all earmarked and unallocated reserves next year.

Without additional income, authorities would need to make savings of over £125 per person by 2025-26, equal to the average yearly spend on homelessness, sports and leisure, parks and open spaces, libraries and waste services.

Phillip Woolley, Head of Public Services Consulting at Grant Thornton, said: “Local government has faced unprecedented demands and pressures over the last decade and without action from both central government and councils, in the face of these inflationary pressures, the list of authorities in need of exceptional support looks set to grow quickly.

“Our research shows the additional Covid-19 funding, while critical to support immediate challenges, has not addressed underlying systemic issues or the precariousness of councils’ financial sustainability in the face of economic instability.

“Local authorities are also now facing the risk of interest rate rises, increasing debt financing costs and the real risk of reduced funding from central government, in response to the current economic turmoil facing the country. Without committed intervention from all sides, there is a risk that the sector levels down instead of up.”

Grant Thornton estimated unitary authorities would have the largest budget gap (£1.8bn) by 2025-26, but district councils would have the largest gap compared to net spending at 10.2%.

The firm added that austerity and changing policy demands have left councils struggling to innovate in their services and prevented investment in finance and procurement, diminishing the sector’s ability to tackle medium-term challenges.

Grant Thornton said additional government funding alone will not lead to improvements, and that councils should focus on improving governance and developing financial stability plans.

Joanne Pitt, local government policy manager at CIPFA, said: “With no spending review and no fair funding review, CIPFA shares Grant Thornton’s concerns about the financial sustainability of some in the sector.

“While there are actions local authorities can take to strengthen their own financial resilience, they are facing significant inflationary pressures and rising demand which makes this hugely challenging for the sector.”



