

Audit Progress Report and Sector Update

Warwickshire Police and Crime Commissioner and Chief Constable
Year ending 31 March 2020

July 2020



Contents and Introduction

This paper provides the Joint Audit and Standards 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 and Standards 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 following link to be directed to the website <https://www.grantthornton.co.uk/>.

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.

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Progress at July 2020

Financial Statements Audit

We started planning for the 2019/20 financial statements audit in January 2020 and have issued a detailed Joint Audit Plan, setting out our proposed approach to the audit of the Group, PCC and Chief Constable 2019/20 financial statements.

Subsequent to the issue of our Joint Audit Plan, global events have moved in an unexpected and tragic direction. None of us could have foreseen the impact that the COVID-19 crisis has had on the world. As a police body, you are at the forefront of efforts to support local people, and clearly your focus will be directed to supporting local communities as best you can in these exceptionally difficult circumstances. As your auditors, we absolutely understand the challenges that you and your teams are facing and we have already been discussing with you and your team how we can work with you as effectively as we can. At these challenging times it is even more important to ensure that we can deliver a high quality audit, focused on good governance and the application of relevant accounting and auditing standards, whilst recognising the day to day pressures you face.

With this in mind we prepared an updated addendum to our Joint Audit Plan for 2019/20 issued in April 2020 outlining our response to the COVID-19

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

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 reported the significant risks identified as a result of our initial risk assessment in in our Joint Audit Plan.

As part of our VfM work we will ensure we understand the arrangements you are putting in place to manage risks around business continuity in the current crisis. We do not envisage this will be a significant audit risk for 2019/20.

We will report the conclusions from our work in the Joint Audit Findings Report.

Other areas

Meetings

We last met (virtually) with Finance Officers in July as part of our ongoing audit liaisons. We continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective; especially given the need to work remotely.

We will update the Joint Audit and Standards Committee as part of our year end reporting on the resolution of each of these points.

Events

We will keep you informed of upcoming events and ensure that invitations are circulated to both management and the committee. Plans are currently on hold as we continue to work remotely.

COVID-19 Update

Impact on working arrangements:

- following the government's announcement on Monday 16th March, we have closed our offices for the foreseeable future and your audit team are now working from home
- we will therefore likely be working remotely during the accounts audit and have discussed the logistics of these arrangements with the finance team.
- although there are some audit tasks which are best undertaken in person, the majority of the audit will be able to be completed remotely. This is however likely to make the audit process longer. We will work closely with the finance team to make this different way of working as efficient as possible.
- we acknowledge there may need to be further changes to planned audit timings due to potential illness within the audit team or the finance team and due to the further developments of COVID-19.

Impact on accounts and audit opinions

The following sets out a number of the key issues which finance teams will need to consider as part of the year end closedown.

- Impact on reserves and financial health and whether the audited body needs to provide additional disclosures that draw attention to a Material Uncertainty around Going Concern.
- Impact on collectability of debt and assumptions made in bad debt provisions.
- Impact on post-balance sheet events (the consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure may be needed).
- Disclosure of impact in annual report.
- Disclosure of critical judgements.
- Disclosure of material estimation uncertainties.
- Impact on the content of the Annual Governance Statement, particularly with regards to risks, controls and mitigation.
- Considerations in respect of service continuity and disaster planning arrangements (this could impact on the VfM conclusion).
- Impact on reporting to those charged with governance and signing arrangements.

Regulatory changes

CIPFA adopted a small number of presentational changes to its Accounting Code of Practice for 2019/20. The changes which are now proposed to the Code, for example around disclosure, will have only a marginal impact on the audit.

The Government accounting Financial Reporting Advisory Board (FRAB) has deferred the implementation of IFRS 16 by a year. Whilst IAS 8 disclosures will be required, this change will lead to some reduction in preparatory work required.

Finally, the publication date for the draft accounts has been revised to 31 August and a target date for publication of audited accounts to 30 November. Whilst flexibility in moving away from July is welcome, a number of bodies have highlighted the risk that a delayed closedown process could impact on their budget programme for 2021/22. Therefore, we have agreed to start our visit from 29 July 2020.

Audit Deliverables

2019/20 Deliverables	Planned Date	Status
Fee Letters Confirming audit scale fees for 2019/20.	April 2019	Complete
Joint Audit Plan We are required to issue a detailed accounts Joint Audit Plan to the Joint Audit and Standards Committee setting out our proposed approach in order to give an opinion on the Police and Crime Commissioner and group and Chief Constable's 2019/20 financial statements.	March 2020	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	July 2020	Complete
Joint Audit Findings Report The Joint Audit Findings Report will be reported to the Joint Audit and Standards Committee.	October 2020	Not yet due
Auditors Reports These are the opinions on your financial statements, annual governance statements and value for money conclusions.	October 2020	Not yet due
Joint Annual Audit Letter This letter communicates the key issues arising from our work.	November 2020	Not yet due

Audit Work Progress Update as at July 2020

	Work performed	Conclusions and recommendations
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also considered internal audit's work on the group's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we considered the work of internal audit to date, to help inform our understanding of the group's control environment and inform our audit strategy for our accounts and value for money work.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> Communication and enforcement of integrity and ethical values Commitment to competence Participation by those charged with governance Management's philosophy and operating style Organisational structure Assignment of authority and responsibility Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the group's financial statements</p>
Review of information technology controls	<p>We performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.</p>	<p>Our work to address the risk arising from the group's general ledger update has not yet been completed.</p> <p>Our work to date has identified no material weaknesses which are likely to adversely impact on the group's financial statements.</p>
Walkthrough testing	<p>We have completed walkthrough tests of the group's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the group in accordance with our documented understanding.</p>	<p>Our work to confirm that the update to the group's general ledger has not impacted on the control environment has not yet been completed.</p> <p>Our work to date has not identified any weaknesses which impact on our audit approach.</p>
Journal entry controls	<p>We have reviewed the group's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the group's control environment or financial statements.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>

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:

Public Sector

Police

State of Policing: The Annual Assessment of Policing in England and Wales 2019

This is Her Majesty's Chief Inspector of Constabulary's report to the Secretary of State under section 54(4A) of the Police Act 1996. It contains his assessment of the efficiency and effectiveness of policing in England and Wales based on the inspections we carried out between May 2019 and March 2020.

This year's assessment starts with initial observations on the quality of the police response to the public health emergency created by COVID-19, and the wider demands the police faced during 2019

The report can be accessed [here](#)

COVID-19 Update

Public health emergencies, such as the Coronavirus epidemic, put additional strain on the UK's emergency services. As a result, until further notice, HMICFRS has suspended all inspection work requiring contributions from police forces and fire and rescue services, to enable them to focus on their vital work at this time. This includes the joint-agency inspections, which are carried out with other inspectorates.

A letter has been sent to all policing and fire leaders, including chief constables, chief fire officers and the relevant elected bodies.

Consultation on the proposed police inspection programme and framework for 2020-21

Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) had launched a consultation on its proposed police inspection programme and framework for 2020-21 which was scheduled to run until April 2020. The consultation deadline has also been extended indefinitely due to the Coronavirus pandemic.

The suspension continues to be under review and updates can be found [here](#).

Home Office

More than 3,000 extra officers join police in recruitment drive

Police ranks across England and Wales have been bolstered with an additional 3,005 officers since the government launched a major recruitment drive, according to figures released on 30 April 2020.

The figures follow the launch of the government's campaign in September 2019 to recruit 20,000 extra officers over the next three years.

They show 3,005 recruits joined the police specifically as part of the uplift programme. In total, forces recruited 6,435 officers from November 2019 to March 2020, including recruitment planned before the government campaign was announced.

The statistics show that forces across England and Wales have successfully accelerated their recruitment plans and are on track to meet their target of 6,000 by March 2021.

There are now a total of 131,596 officers, a 5% increase on March 2019 – of which uplift officers account for approximately half.

The College of Policing has announced it is rolling out new online assessment centres, which will ensure that recruitment continues during the coronavirus outbreak.

The college's online assessment process will take candidates through situational judgement tests, briefing exercises and interviews. The service was launched nationally in June.

New recruits are receiving tailored training so they can be safely deployed to the frontline and support the police's emergency response as soon as possible.

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



Home Office

Other news

Police governance: Scrutiny in the time of coronavirus

In the UK, it is the statutory role of Police and Crime Panels (PCP) to scrutinise the Police and Commissioner about the performance of his or her force. Comprising elected local councillors and independent members, police and crime panels meet the Police and Crime Commissioner regularly in person to question them on any area of local policing deemed relevant.

So, what does scrutiny look like when there's a pandemic and those meetings can no longer go ahead?

Despite initially being excluded from the list of local authority bodies still legally allowed to meet during the lockdown, police and crime panels can now conduct meetings via Zoom, if they wish to do so.

Policing Insight has learnt that, so far, there is little appetite among panels to conduct scrutiny of their Police and Crime Commissioner via Zoom which is something of a concern to Mr Evan Morris (NAPFCP Vice Chair).

“Scrutiny, especially now, is essential. It's too easy for PCPs not to carry out this function in the present climate, but if we don't then what claim can we make to being significant or relevant when it comes to holding a Police and Crime Commissioner to account?”

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

Policinginsight

World Class Policing Awards 2020

The World Class Policing Awards recognise exceptional performance, effective collaboration, innovative and progressive policing, beneficial outcomes for the public, as well as initiatives that improve the welfare of officers and staff to empower them to greater achievement. The Awards celebrate and share World Class Policing knowledge and practice with the whole policing community.

The Awards will honour the very best in policing at a prestigious awards ceremony in London this November.

Nominations will remain open until **5pm Friday 24th July 2020**. Find out more at <https://worldclasspolicing.com/home>



Grant Thornton Publications

Events after the reporting period

If the widespread impact of COVID-19 began during the entity's reporting period, the impact will be reflected in its financial statements for that period. However, to the extent that the widespread impact of COVID-19 occurred during the entity's 'subsequent events period' (i.e. the period between the end of the reporting period and the date when the financial statements are authorised for issue), management must determine how material developments after the year-end should be reflected in the entity's financial statements for the period under audit or review.

In accordance with IAS 10 'Events after the Reporting Period', entities are required to distinguish between subsequent events that are adjusting (i.e. those that provide further evidence of conditions that existed at the reporting date) and non-adjusting (i.e. those that are indicative of conditions that arose after the reporting date). Entities are required to update the carrying amounts of any assets or liabilities recognised in their financial statements to reflect any adjusting events that occur during the subsequent events period.

More information and the full report can be found [here](#).

In-depth insight into the impact of COVID-19 on financial reporting in the local government sector

Public Sector entities across the country are now working in an environment that is completely different to the one they were in just months ago. The effect of COVID-19 will not be limited to the 2019/20 and 2020/21 financial years. This has several ramifications that local authorities will need to carefully consider in preparing and finalising their 2019/20 narrative report, financial statements and annual governance statement.

Our report indicates the key challenges for financial reporting, including the regulatory impact, with elements also impacting on accounting in Police bodies.

More information and the full report can be found [here](#).

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.

