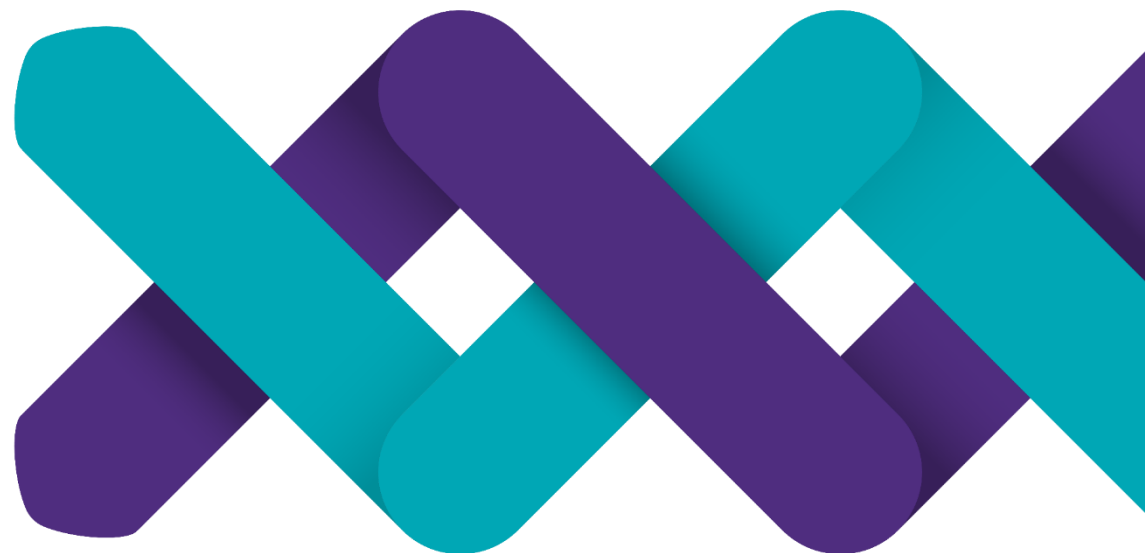


# Audit Progress Report and Sector Update

Warwickshire Police and Crime Commissioner and Chief Constable  
Year ending 31 March 2021

**March 2021**



# Contents and Introduction



**Jackson Murray**  
**Engagement Lead**

T 0117 305 7600  
M 0782 502 8920  
E [Jackson.murray@uk.gt.com](mailto:Jackson.murray@uk.gt.com)



**Andy Reid**  
**Engagement Manager**

T 0121 034 7542  
M 0790 170 6575  
E [andy.s.reid@uk.gt.com](mailto:andy.s.reid@uk.gt.com)

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.

## Contents

<a href="#">Progress at March 2021</a>	3
<a href="#">Audit Deliverables</a>	4
<a href="#">Sector Update</a>	5

# Progress at March 2021

## 2019/20

We issued an unqualified audit opinion on the PCC and Group and Chief Constable's financial statements on 30 November 2020.

We included an emphasis of matter within our PCC and Group audit opinion which referred to the disclosures that management had made regarding the material uncertainties for the valuations of property, plant and equipment and pension fund pooled property funds. Our audit opinion was not modified as a result of this emphasis.

## 2020/21

We will now begin to look to the 2020/21 financial year and begin our planning processes for the audit.

Our formal work will begin later in the year and in the meantime we will:

- continue to have regular discussions with management to inform our risk assessment for the 2020/21 financial and value for money audits
- review papers and latest financial and operational performance reports
- consider any reports from regulators regarding the performance of the PCC and Chief Constable.

We expect to issue our audit plan summarising our approach to key risks on the audit in April 2021. We will report any findings from the interim audit to you in our progress report to the Joint Audit and Standards Committee.

## Value for Money

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Further detail on the NAO's revised approach to VFM work can be found here: <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2019/12/AGN-03-Auditors-Work-on-Value-for-Money-Arrangements.pdf>

Due to the change in approach, a fee variation will be needed for 2020/21 and your Engagement Team should be in touch shortly to discuss this.

The new Code of Audit Practice issued by the NAO can be found here: [https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code\\_of\\_audit\\_practice\\_2020.pdf](https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf)

## Other areas

### Meetings

We met with Finance Officers in February 2021 as part of audit planning for 2020/21. We continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

### Events

Our annual chief accountants workshop took place in early 2021 and was a chance for your finance officers to speak to peers and gain an understanding of the key changes impacting this year's accounts. Members of your finance team attended the workshop on 22 February 2021.

# Audit Deliverables

## 2020/21 Deliverables

	Planned Date	Status
<b>Accounts Audit Plan</b> 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 our opinions on the 2020/21 financial statements.	April 2021	Not due yet
<b>Interim Audit Findings</b> We will report to you the findings from our interim audit within our Progress Report.	July 2021	Not due yet
<b>Audit Findings (ISA260) Report</b> The Joint Audit Findings Report will be reported to the September Joint Audit and Standards Committee.	September 2021	Not due yet
<b>Auditor's Annual Report</b> 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 September Joint Audit and Standards Committee. The final version of the AAR will be published at the same time as the Auditors Report.	September 2021	Not due yet
<b>Auditors Report</b> This is the opinions on your financial statements and annual governance statements.	September 2021	Not due yet

# 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

# Home Office

## 100,000 apply to join police in first year of recruitment drive

More than 100,000 people have applied to become police officers one year into the Government's recruitment drive.

Provisional data from forces across England and Wales shows they have received almost 101,000 applications between October and August, as part of plans to sign up 20,000 additional officers over the next three years.

Home Secretary Priti Patel said: 'This year we have seen people come together in the face of adversity to serve their communities in response to the pandemic. It is clear the national emergency has inspired people across the country to become part of our brave, selfless police family.'

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

## Home Secretary appoints former Chief Constable to support police recruitment

A former Chief Constable with more than 30 years' experience in front-line policing has been appointed by Home Secretary Priti Patel to challenge and support the Home Office as it recruits 20,000 extra officers, tackles violent crime and restores public confidence in the criminal justice system.

Michael Fuller, who has been appointed as a non-executive director of the Home Office, is also keen to help the department increase diversity in the police and to implement the recommendations of the Wendy Williams Lessons Learned Review following Windrush.

He is one of five new non-executive directors who will work closely with ministers and officials to support the delivery of the department's commitments.

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



Home Office

---

# Other News

---

## A force for change: Policing after the pandemic

In July, the Chancellor introduced the first Comprehensive Spending Review since 2015. He did so amid the most challenging fiscal period in the post-war era.

Taking steps to cut crime was originally at the centre of the Government's priorities. The pledged increase of 20,000 officers and a new National Policing Board with an outcomes framework has signalled a genuine shift in approach to law and order. The original spending review planned to invest to drive down today's crime and future proof the response to tomorrow's challenges.

The investment in policing is more important than ever as the service helps the public navigate the pandemic and the significant impact that the deep economic shock is having on communities.

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

**Policing**insight

# The Redmond Review

## The Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting – “The Redmond Review” was published on 8 September.

The review has examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting the Authority’s annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound.

The Review received 156 responses to the Calls for Views and carried out more than 100 interviews. The Review notes “A regular occurrence in the responses to the calls for views suggests that the current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. To address this concern an increase in fees must be a consideration. With 40% of audits failing to meet the required deadline for report in 2018/19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. The current deadline should be reviewed. A revised date of 30 September gathered considerable support amongst respondents who expressed concern about this current problem. This only in part addresses the quality problem. The underlying feature of the existing framework is the absence of a body to coordinate all stages of the audit process.”

### Key recommendations in the report include:

- A new regulator - the Office of Local Audit and Regulation (OLAR) to replace the Financial Reporting Council’s (FRC) role and that of Public Sector Auditor Appointments (PSAA)
- Scope to revise fees - the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements
- Move back to a September deadline for Local Authorities - the deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year
- Accounts simplification - CIPFA/LASAAC be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts.

### The OLAR would manage, oversee and regulate local audit with the following key responsibilities:

- procurement of local audit contracts;
- producing annual reports summarising the state of local audit;
- management of local audit contracts;
- monitoring and review of local audit performance;
- determining the code of local audit practice; and
- regulating the local audit sector.

The current roles and responsibilities relating to local audit discharged by the Public Sector Audit Appointments (PSAA); Institute of Chartered Accountants in England and Wales (ICAEW); FRC; and The Comptroller and Auditor General (C&AG) to be transferred to the OLAR.

### How you can respond to the Review

One of the recommendations was for local authorities to implement:

The governance arrangements within local authorities be reviewed by local councils with the purpose of:

- an annual report being submitted to Full Council by the external auditor;
- consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
- formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.

Whilst Redmond requires legislation, in practice the second and third bullets are things which authorities could start doing now.

The full report can be obtained from the gov.uk website:

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

---

# Home Office

---

## Police to receive more than £15 billion to fight crime and recruit more officers

Policing will receive up to £15.8 billion to support safer communities and cut crime.

The 2021 to 2022 funding package will include over £400 million to recruit 20,000 extra officers by 2023, building on the success of the first year of the recruitment campaign – which has already delivered almost 6,000 additional police officers.

Alongside getting more officers out on the street, the funding settlement will enable policing to tackle serious violence and increase the number of specialist officers tackling terrorism and serious organised crime, including child sexual abuse and drug trafficking.

The 2021 to 2022 funding package means an increase of up to £636 million on last year, should police and crime commissioners (PCCs) take full advantage of police precept flexibility.

The government also recognises that, during the coronavirus pandemic, huge demands have been made of the police.

That is why it has provided additional support throughout, including £30 million of surge funding to help forces step up COVID-19 enforcement activities in 2020 to 2021, and why it reimbursed all additional personal protective equipment (PPE) purchased between March and July.

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



# New NAO Code of Audit Practice for 2020/21

The NAO issued a new Code of Audit Practice which came into force on 1 April 2020 and applies to audits of 2020-21. The key change is an extension to the framework for VfM work. The NAO has prepared Auditor Guidance Note (AGN 03), which sets out detailed guidance on what VfM work needs to be performed. Public consultation on this ended 2 September.

The new approach to VfM re-focuses the work of local auditors to:

- promote more timely reporting of significant issues to local bodies;
- provide more meaningful and more accessible annual reporting on VfM arrangements issues in key areas;
- provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness; and
- provide clearer recommendations to help local bodies improve their arrangements.

Under the previous Code, auditors had only to undertake work on VfM where there was a potential significant risk and reporting was by exception. Whereas against the new Code, auditors are required to undertake work to provide a commentary against three criteria set by the NAO – governance; financial sustainability and improving economy, efficiency and effectiveness.

A new Auditor's Annual Report presented at the same time as the audit opinion is the forum for reporting the outcome of the auditor's work on Value for Money. It is required to contain:



The '**Commentary on arrangements**' will include a summary under each of the three specified reporting criteria and compared to how the results of VfM work were reported in previous years, the commentary will allow auditors to better reflect local context and also to draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from the body itself. The commentary will not simply be a description of the arrangements in place, but an evaluation of those arrangements.

**Recommendations:** Where an auditor concludes there is a significant weakness in a body's arrangements, they report this to the body and support it with a recommendation for improvement.

**Progress in implementing recommendations:** Where an auditor has reported significant weaknesses in arrangements in the previous year, the auditor should follow up recommendations issued previously and include their view as to whether the recommendations have been implemented satisfactorily

**Use of additional powers:** Where an auditor uses additional powers, such as making statutory recommendations or issuing a public interest report, this needs to be reported in the auditor's annual report.

**Opinion on the financial statements:** The auditor's annual report also needs to summarise the results of the auditor's work on the financial statements. This is not a replacement for the AFR, or a verbatim repeat of it – it is simply a summary of what the opinion audit found

The new approach is more complex, more involved and will subsequently increase the cost of audit. We will be discussing this with senior managers shortly.

To review the new Code and AGN03 click [here](#)



---

# National Audit Office latest reports

---

## Overview of the UK government's response to the COVID-19 pandemic

This report provides a summary of the UK government's response to COVID-19 to date. Significant outbreaks of disease are among the greatest risks faced by any society, threatening lives and causing significant disruption to public services and the economy. The scale and nature of the current COVID-19 pandemic and government's response is unprecedented in recent history. This report is the first of a programme of work to be undertaken by the National Audit Office (NAO) to support Parliament in its scrutiny of the UK government's response to COVID-19. The report covers the main actions taken by the UK government in England, as well as the funding provided to support responses in the devolved administrations of Northern Ireland, Scotland and Wales. It does not cover the individual responses in the devolved administrations, or the separate responses implemented by local authorities. The report covers the government's response up to 4 May 2020.

Click [here](#) to read more



# Revised auditing standard: Auditing Accounting Estimates and Related Disclosures

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do those charged with governance:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

## Additional information that will be required for our March 2021 audits

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021 in all areas summarised above for all material accounting estimates that are included in the financial statements.

Based on our knowledge of the entity we have identified the following material accounting estimates for which this is likely to apply:

- Pensions net liability valuation - LGPS
- Pensions net liability valuation - PPS
- PPE land and buildings valuations
- PPE useful lives
- Borrowings fair value valuation
- Identification and valuation of significant accruals.

## Estimation uncertainty

Under ISA (UK) 540 (Revised December 2018) we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

---

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

- Where there is material estimation uncertainty, we would expect the financial statement disclosures to disclose:
- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

### **How can you help**

As part of our planning risk assessment procedures we routinely make a number of enquiries of management and those charged with governance, which include general enquiries, fraud risk assessment questions, going concern considerations etc. Responses to these enquires are completed by management and confirmed by those charged with governance. For our 2020/21 audit we will be making additional enquires on your accounting estimates in a similar way (which will cover the areas highlighted above). We would appreciate a prompt response to these enquires in due course.

### **Further information**

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

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.

