

Auditor's Annual Report on the Police and Crime Commissioner and Chief Constable for Warwickshire

2020-21

December 2021



Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner and Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner and Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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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. 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 the PCC or CC or all 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.

Executive summary



Value for money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Police and Crime Commissioner (PCC) and Chief Constable have put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources. We are required to report in more detail on the overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. The specified criteria are set out below

Criteria	Risk assessment	Finding
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendations made.
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified.
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but an improvement recommendation made.

Key

	No significant weaknesses in arrangements identified.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weakness in arrangements identified and key recommendation made.



Financial sustainability

The PCC and Chief Constable have a good track record of sound financial management and delivered an overall underspend in year, after taking into account central Government funding and the planned use of reserves. The PCC and Chief Constable understood the financial risks which they faced and managed these risks by maintaining an appropriate level of reserves. Overall we are satisfied that the PCC and Chief Constable had appropriate arrangements in place to manage the risks they faced in respect of its financial resilience. We have not identified any risks of significant weakness, but have identified improvement recommendations relating to savings and the planned capital programme.



Governance

Overall, we found no evidence of significant weaknesses in the PCC's or Chief Constable's governance arrangements for ensuring that they made informed decisions and properly managed its risks.



Improving economy, efficiency and effectiveness

The PCC and Force have put in place effective arrangements to improve economy, efficiency and effectiveness. This includes significant collaboration with local fire and rescue services in regard to estates and control room, and a successful extraction from a strategic arrangement with Warwickshire Police. Our review has not identified any significant weaknesses in arrangements in this regard, although we have made some improvement recommendations.



Opinion on the financial statements

We propose to give an unqualified opinion on the Group & PCC and Chief Constable financial statements following the Joint Audit and Standards Committee on 20 December 2021 and the subsequent approval of the financial statements and completion of our audits.

Commentary on the PCC's and the Chief Constable's arrangements to secure economy, efficiency and effectiveness in their use of resources

All PCCs and Chief Constables are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The PCC's and Chief Constable's responsibilities are set out in Appendix A.

PCCs and Chief Constables report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the PCC and Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the PCC and CC can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the PCC and CC make appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the PCC and CC make decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the PCC and CC deliver their services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 5 to 19. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



How the PCC and Force ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

We considered how Warwickshire Police:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Overview of the Arrangements to ensure financial sustainability

The PCC and Force have faced significant financial challenges in 2020/21 and these will continue through to 2021/22. Despite this, a sustainable financial position has been achieved, subject to the achievement of planned savings and the successful mitigation of the financial risks. The Force have demonstrated a reasonable track record of delivering savings over the past 5 years. However the PCC has faced an overspend of £4m in 2020/21 which has been managed by the use of reserves. This has come as a result of the Uplift Programme which consisted of hiring 41 new officers, the investment in infrastructure to support a growing police establishment and the need to complete the withdrawal from the Strategic Alliance with West Mercia Police in areas such as IT infrastructure. In addition, a number of transformational projects and capital investments are in the process of being developed and delivered. In some respects, the overspend reflects an unusual set of circumstances specific to 2020/21, which will not necessarily apply in future years – however, future overspends and the implications for reserve levels will need to be closely managed.

The 2021/22 budget and Medium Term Financial Plan (MTFP) up to 2023/24 sets a balanced financial position and is not reliant on the use of reserves to finance routine revenue spending. The MTFP includes a significant in year contribution to build back reserves and strengthen the Force's ability to manage future financial risks. The MTFP is embedded within the annual budget setting cycle and provides a longer term view of priorities and demand for services. Council tax assumptions are a key element of planning and the OPCC are working closely with their Billing Authorities to understand assumptions around the Council Tax base and also the surplus/deficit on the Collection Funds. The Comprehensive Spending Review and Government Settlements are reviewed on an ongoing basis to try and model future resource envelopes that Warwickshire will operate in. As for all police bodies, annual settlements and the lack of longer term assurances over funding make financial planning more short-term in its focus. Indications from central Government of a longer term funding settlement would have helped bring further clarity around these planning assumptions in future budget rounds, however it appears increasingly likely that the 2022/23 settlement will be for a single year as well.

Our work has not identified any risk of significant weakness with regard to financial sustainability although we have raised some improvement recommendations.

Key Financial Assumptions

We have reviewed the key financial assumptions in the MTFP and found these to be reasonable. Funding from council tax and police grant is forecast to increase over the medium term which takes advantage of the increase in spending power available to the PCC under the funding settlement and is deemed necessary to support the Force's future financial sustainability. Central government grant is expected to increase by 1% p.a. across the life of the MTFP to fund the uplift in officer numbers each year. The MTFP acknowledges the risk that a review of the revenue grants funding formula may take place as part of a future comprehensive spending review and this is part of the risk management strategy reflected in the planned build up of reserves which is a prudent approach to planning.

Pay inflation is included at 1% per annum allowing for a pay freeze in 2021/22 and includes provision for increments and turnover, which is especially material to police officer pay. We feel that this is reasonable although when benchmarked against others, the pay inflation assumption is at the lower end of the scale that we have seen. This could create additional budget challenges should actual increases be ahead of those that are being budgeted.

Financial sustainability



How the PCC and Force ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

We considered how Warwickshire Police:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

General inflation is at the current agreed rates where there is a contractual commitment however a future rise in interests rates remains a risk that will need to be managed. We are satisfied that the OPCC and Force have appropriately considered the key pressures that the bodies will face, including costs of the additional 41 officers as part of the uplift programme. The budget also anticipates increased vetting income of £0.5m, which is anticipated to bounce back after a lull during Covid-19 lockdown.

Managing the financial position and use of reserves

For the financial year 2020/21 the PCC and Force saw an overall overspend on budget of £4m and general reserves had to deployed to balance the 2020/21 budget. The reserves position for the OPCC showed a significant reduction in balances over the period to March 2021, largely as a result of the local circumstances relating to the ending of the Strategic Alliance with West Mercia Police. We are satisfied that the overspend was primarily due to specific conditions related to the dissolving of the Strategic Alliance (including high levels of consultancy costs) and the impact of COVID-19, in areas such as force recruitment and retention projections.

The savings plan and MTFP identifies that the Force need to generate a minimum of an additional £1.5m of efficiencies in 2021/22, 2022/23 and 2023/24 as demand pressures on the budget increase beyond the anticipated increases in funding. Progress on achieving the first tranche of the Evolve 3 savings target in 2021/22 of £0.410m is monitored throughout the year.

Key risks identified in the MTFP include the possibility of savings targets not being met. In 2020/21, an earmarked reserve to manage this risk was created at an initial level of £0.5m. The Evolve 2 transformation team have delivered £4m of savings on 1 April 2021 and a plan is being developed for delivering future savings based on the MTFP and the fit for the future strategy. The previous history of significant underspending had been reversed in 2020/21, largely due to one off transitional and transformational costs being incurred, and the developing picture regarding the 'unpicking' of costs across the Strategic Alliance as services have been stood up in Warwickshire Police.

In 2021/22 we note that there have been some continuing cost pressures relating to the transition, notably in regard to set up costs for the ICT service outsourcing arrangement with West Mercia Police. Additional cost pressures relating to police establishment and overtime costs are also currently being offset by income in excess of budget, including from the vetting services and the safer roads partnership. As at Month 7 (October), there was a net overspend of £0.446m which had increased from £0.252m in month 5. This has the effect of reducing the contribution to reserves from the original budgeted level of £1.1m to £0.438m. While this pressure is being managed and does not significantly undermine financial sustainability at this time, it does impact on the OPCC and Force's ability to manage future risks.

In regard to the planning for 2022/23 the OPCC and Force should have a stronger understanding of the base budget costs than had been the case in the first year post alliance as a result of the new support function arrangements now being substantially implemented and to some extent embedded.

Improvement Recommendation

The OPCC and Force will need to consider how the current overspend can be managed and prevented from deteriorating further, to ensure that reserves can continue to be rebuilt in line with the MTFP in order to manage future financial risks. This may include consideration of additional savings. The extent to which current levels of excess income can be sustained in the short to medium term to offset police establishment pressures should form part of these considerations.

Financial sustainability



How the PCC and Force plans to bridge its funding gaps and identifies achievable savings

We considered how Warwickshire Police and OPCC:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Development of a sustainable MTFP through force transformation, benefits realisation and the delivery of savings

The PCC and the Chief Constable have undertaken a detailed review and prepared a savings plan that can be achieved whilst ensuring that Warwickshire Police can continue to meet the needs of their communities and keep people safe. The Force has a reasonably good track record of savings delivery, however the unusual conditions created by COVID-19 pandemic and the withdrawal from the Strategic Alliance with West Mercia Police has presented challenges. The MTFP notes that before 2020/21 the Force consistently achieved its annual efficiency target. The new Fit For the Future strategy has been set, which will continue to deliver transformational change within business as usual, deriving operational benefits and improved productivity and efficiency through the planned changes. These have been some significant successes including £4m of savings removed from the budget on 1st April 2021. Further savings are required over the MTFP and significant progress has been made to develop these through the Evolve team. Stakeholders, including local residents, are consulted during the development of savings plans in order to identify where service needs are most important. Other stakeholders include local MPs, business communities, staff representatives and partners.

Improvement Recommendation

In the context of the additional cost pressures experienced in 2020/21 and 2021/22 and the need to build reserves, the Force should consider how the Evolve programme and the wider savings plan can build in greater flexibility and consider the creation of additional headroom within the plan to reduce the reliance on mitigation measures such as excess income and the use of reserves.

Corporate Strategic Priorities – Capital Programme

The PCC is planning significant capital investment of £39.756m over the next five years with the majority of the activity and spend front loaded. The capital programme reflects the priorities of the PCC and includes significant investment in estates and ICT over the next 4 years. The Capital Programme for 2020/21 to 2022/23 has been reviewed and updated in consultation with the Chief Constable, the respective business areas and scrutinised by the PCC and his team. The Capital Programme reflects known priorities and commitments to meet business requirements of the Evolve Business Plan as well providing for a future which is still taking shape. The refined Capital Programme includes continuation of the investment in the stabilising and modernising the ICT infrastructure, migration of applications and transformation of forensics and HR and financial transactional services to these new operating environments. In lieu of the development of a revised estates strategy a provisional capital budget has been set aside for the Estates Programme while the detailed plans are developed. ICT services are delivered, moving away from a design and build approach to a service iCloud based approach, which in turn reduces the burden on capital financing. The ICT investment is balanced with the requirement for appropriate estates, vehicles and other equipment. The Emergency Service Network (ESN) is the national programme for providing communications in the future and is likely to be a significant cost, and timing of implementation is uncertain but an estimated cost has been included in the capital programme.

Financial sustainability



How the Force and PCC identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

We considered how Warwickshire Police:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Arrangements for incorporating risks into financial plans

The 2021/22 budget and MTFP was balanced and was not reliant on the use of reserves to finance routine revenue spending. It includes a significant contribution to reserves to strengthen the Force's ability to manage financial risk. The additional reserves are Earmarked for specific purposes and will be only used to manage risk and one-off costs to deliver policing services over the next five years.

The risk registers incorporate and address all risks, which are also included in the budget report/financial plans. Risks are fully addressed as part of the budget setting process. Risks are recorded on each of the strategic risk registers for the Force and PCC and are also assessed in the adequacy of reserves statement which forms part to the budget report. The Force takes into account uncertainty, potential volatility and financial risks through budget monitoring throughout the year. Reserves exist to underwrite specific risks in the event they come to fruition or cannot be mitigated in line with the stated reserves policy. There is also evidence of a sensitivity analysis being carried out to look at the consequences in variances in key financial assumptions.

Development of the finance function following the end of the strategic alliance

The newly established finance team will have a key role to play in delivering the Force Transformation programme, which includes both Evolve, and the Fit for the Future programme. Following the end of the Strategic Alliance with West Mercia Police, Warwickshire had to manage a rapid rebuild of the finance team and other support functions. Core services were in place by 1st of April 2020, with the remaining functions rolled out under a phased programme. There are four remaining support areas that continued to be delivered under a partnership with West Mercia Police including HR and Transactional Services (which transfer back from 1st October 2021), and ICT Digital Services and Forensic Services continuing to be delivered collaboratively into the medium term.

We note that the OPCC and Force have signed up to CIPFA's Achieving Financial Excellence in Policing (AFEP) scheme and as part of this the OPCC commissioned a review of the newly established finance function from CIPFA in July 2020 and this awarded the financial management three stars out of five. The main areas of concern were around the need to strengthen reporting and financial governance arrangements around transformation, greater focus on VfM, training and development, and documented policies and procedures. Progress against this improvements outlined by CIPFA are being monitored and appear to be progressing well.

We note that the new finance team has been able to deliver effective business as usual services throughout 2020/21 and in to 2021/22 which reflects a considerable achievement, notwithstanding the 2020/21 overspend that can be attributed to specific conditions including the transition from the strategic partnership and delivering services under COVID-19 conditions.

Improvement Recommendation

The newly established Finance Team, including the treasury and capital management function, procurement savings programme management and finance managers, are likely to be significantly tested over the next few years as they embed. The PCC will need to monitor progress to ensure that there is sufficient capacity and experience in the team and that risks such as cost control and slippage are being adequately managed and reported.

Improvement recommendations



Financial Sustainability

01 Recommendation	The OPCC and Force will need to consider how the current overspend can be managed and prevented from deteriorating further, to ensure that reserves can continue to be rebuilt in line with the MTFP in order to manage future financial risks. This may include consideration of additional savings. The extent to which current levels of excess income can be sustained in the short to medium term to offset police establishment pressures should form part of these considerations.
Why/impact	Continued overspends, such as that seen in 2020/21, could undermine the delivery of the medium term financial plan and reduce reserves to an unsustainable level.
Summary findings	An overspend in 2020/21 was mitigated through the use of reserves, and whilst there were a number of unique issues that contributed to this reported overspend, further overspends in 2021/22 could mean that planned increases in the level of reserves are not possible.
Management comment	XXX



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Financial Sustainability

02 Recommendation In the context of the additional cost pressures experienced in 2020/21 and 2021/22 and the need to build reserves, the Force should consider how the Evolve programme and the wider savings plan can build in greater flexibility and consider the creation of additional headroom within the plan to reduce the reliance on mitigation measures such as excess income and the use of reserves.

Why/impact Headroom in savings plans will allow un-forecast overspends or other budget pressures to be mitigated.

Summary findings The Evolve programme delivered significant savings from 1 April 2021. With budget overspends and other risks to the budget identified, further headroom and mitigation from savings programmes will provide additional mitigations to any future budget overspends.

Management comment

XXX



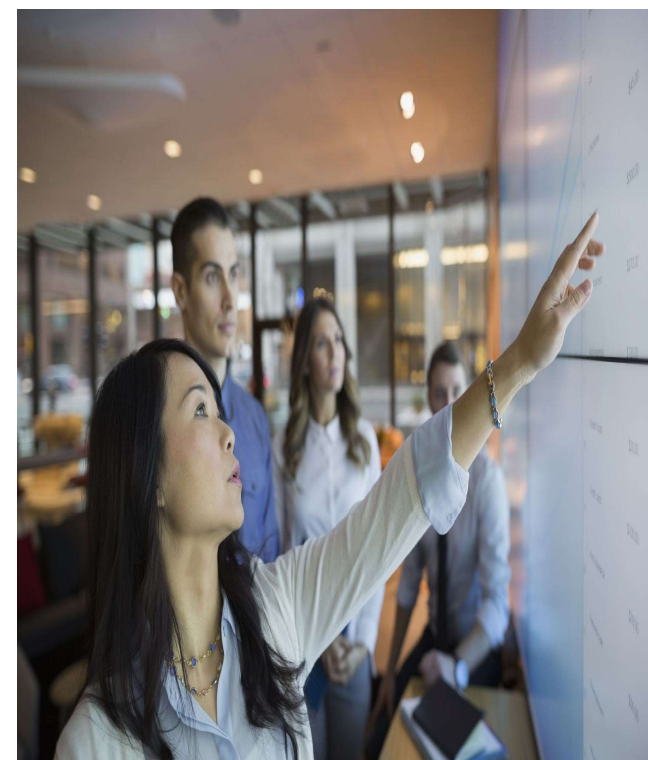
The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Financial Sustainability

02 Recommendation	The newly established Finance Team, including the treasury and capital management function, procurement savings programme management and finance managers, are likely to be significantly tested over the next few years as they embed. The PCC will need to monitor progress to ensure that there is sufficient capacity and experience in the team and that risks such as cost control and slippage are being adequately managed and reported.
Why/impact	As the finance team continue to embed in the organisation following the end of the Strategic Alliance, it will be important that they continue to be effective.
Summary findings	Following the end of the Strategic Alliance, partnership arrangements with West Mercia Police ended and the finance team was developed. The Achieving Financial Excellence in Policing (AFEP) scheme also commented on the finance function and identified some recommendations which continue to be implemented.
Management comment	XXX



The range of recommendations that external auditors can make is explained in Appendix C.

Governance



How the body approaches and carries out its annual budget setting process

We considered how West Mercia Police:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Overview of Governance Arrangements

The OPCC and Force have established effective governance arrangements around financial oversight, risk management and review. Our work has not identified any risks of significant weakness in arrangements with regards to governance.

Arrangements in place to identify strategic risks

The Force and OPCC have individual strategic risk registers. These are up to date and reviewed on a regular basis for updates, as evidenced by the changes that were made during the pandemic (see COVID-19 section). The risks are routinely discussed amongst the OPCC managers, executive managers and the Chief Constable on a quarterly basis.

The risk registers and Joint Audit and Standards Committee reports identify, describe and outline the impact of the risk as well as key planned actions and changes since the last update are also recorded. There is also evidence of risk scoring, with a original, current and target scores all recorded which are all RAG rated. The publicly available risk registers have outlined the following most recent key risks:

- 1 – That the PCC does not fulfil his statutory duties, including holding the Chief Constable to account
- 2 – Failing to manage our finances effectively across the MTFP
- 3 – Re-establishing a standalone policing service in Warwickshire
- 4 – Inadequate commissioning of services
- 5 – Managing our partnerships effectively, including their performance
- 6 – That the PCC fails to engage with the community
- 7 – Coronavirus

These appear to be in line with our expectations and relevant to the organisations, and we did not identify any significant omissions.

Monitoring and ensuring appropriate standards

There are various policies and procedures in place which monitor and ensure compliance with legislation and regulatory standards. The public website has a section with a list of policies, which include all key policies that we would expect to see, including an Anti-Fraud and Corruption policy. The Joint Audit and Standards Committee consider Standards compliance as part of their remit. No significant issues have been noted for the 2020/21 year.

Governance



How the Force and PCC ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

We considered how Warwickshire Police:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Risk reporting

There is evidence of a risk management framework in place which outlines the process of identifying a risk. The risk identification mentions that any member of staff can raise a risk - if they are aware of a risk they should initially discuss this with the Treasurer and/or Chief Executive, who will advise on the appropriate methodology for recording and monitoring that risk in line with this strategy.

All OPCC staff attend weekly team meetings where risk is a standing agenda item, and key OPCC staff are involved in the quarterly review process of the central operational risk register and to discuss risk management in general.

Arrangements in place for the finance team to engage with budget holders to review financial performance and identify actions to resolve adverse variances and develop financial skills

Continued attention to levels of spend in 2021/22 will be required to minimise the risk of future budget pressures. Funding continues to be tight, with little prospect of significant increases in the post COVID-19 environment. Reserves have diminished over recent years as noted in the financial sustainability section and remain relatively low which presents a risk exists that any overspends in future may not be able to be funded, though the MTFP sets out proposals to increase reserves. It will be critical for all budget managers to grasp spending decisions and manage those within the Force's means to ensure the organisations remain viable and successful into the future.

There is evidence within the budget management fact sheets which confirms that the finance business partners have monthly meetings with budget holders in which financial performances are reviewed. Furthermore, the budget management factsheet also outlines the roles of budget holders, and sections on managing the budget, expenditure and income. The budget reports include the medium term financial plan and details on revenue, expenditure, the capital programme, objective analysis and reserves.

Regular financial reporting to the PCC and Chief Constable is made via 'Money Matters' reports, which provide a comprehensive overview of budget performance to enable effective governance. The Force Management Statement also provides a comprehensive overview of financial governance outcomes, with monitoring standards are considered here. Actions arising from discussions at the Governance Board in relation to budget performance and mitigating actions are agreed between the PCC and the Chief Constable.

Financial Monitoring

Having assessed the financial monitoring reports and minutes, it can be seen that the monitoring reports are discussed at weekly committee meetings. The Chief Constable is held accountable by the PCC for a "Good & Balanced Budget", whereby the Chief Constable maintains day to day operational expenditure and income within budget. The Chief Constable has made savings promptly when required and through committee and Exec Board initiates actions to maintain a balanced budget.

Improving economy, efficiency and effectiveness



We considered how Warwickshire Police:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Overview of Arrangements for ensuring Economy, Efficiency and Effectiveness

The OPCC and Force has established arrangements to ensure economy, efficiency and effectiveness. Our work has not identified any risks of significant weakness in this area. However, we acknowledge that the supporting functions, including the capacity for developing financial and strategic business intelligence, and the ICT provision that supports this, are in the early stages of being developed and implemented and further work will be required to embed the processes required to drive value for money in the use of resources.

Partnership working

The Force ended its Strategic Alliance with West Mercia Police in March 2021. We specifically reviewed the way in which the Force managed its exit from this partnership in previous years as it had the potential to significantly impact upon the way that the Force operates. This was particularly the case given that the most recent HMICFRS report identified concerns around the ability of the Force to offer a full, uninterrupted range of public services once the alliance ended. However, the business case that was produced evidenced that the transition of services from a partnership arrangement to within Warwickshire alone was expected to be more economically efficient than attempting to continue the partnership and to date, costs have remained under control. In order to facilitate a smooth transition the Force have continued to have some joint working arrangements through Section 22 Agreements covering the Hosted and Shared Services with West Mercia Police. The Force have also appropriately used consultants in order to help manage the process, though we note in the financial sustainability section the financial impact that this had on budgets in 2020/21. Performance reporting has not noted any material drop in performance during the transition.

During 2021/22 we note that the OPCC and Force had outsourced Forensic Services (September 2021) and ICT (October 2021) to West Mercia Police under the Section 22 Agreements. There is some cost pressure arising in 2021/22 from the cost of the ICT transition process. As previously noted, this is being managed from within the Force's available financial resources.

Our work has identified that there is evidence that the Force has implemented appropriate steps to manage the exit from the alliance, however this will need to continue to be closely monitored through to completion and a post implementation report should be considered at that stage.

Improvement Recommendation

The OPCC and Force will need to continue to closely monitor the successful implementation of the new ICT and Forensic outsourced arrangements, with a particular focus on optimising business effectiveness as quickly as possible.

Improving economy, efficiency and effectiveness



We considered how Warwickshire Police:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Using financial and performance information to inform strategic planning

The Force displays a good relationship between the Chief Constable and the PCC who consider general performance at regular monthly meetings. The meetings focus on the pillars of the 'Fit For Future Strategy', namely

- Effective & Efficient
- Prevent & Protect
- Respond & Reassure

The performance of each pillar is summarised in a performance report and performance is assessed via operational, quality and financial focused KPI's, to ensure that the Force is on the right track. In order to ensure the integrity of the data provided within these performance reports, they are sent in advance of meetings, enabling scrutiny. Additionally, the accuracy of the financial data is ultimately determined by the 'Money Matters' reports, which are challenged by the Finance Business Partners, adding a further veneer of scrutiny. The Force also uses national statistics on various costs and reserve levels to consider financial performance. However, we noted that benchmarking isn't fully embedded in this process. HMICFRS value for money profiles are used and considered however some limitations exist, particularly concerning the Force's automation, meaning that the team have not yet shifted from data maintenance and management information production to the challenge and scrutiny of data, using technology, thus largely limiting benchmarking analysis to anecdotal and qualitative understanding.

From the work performed, we concluded that the Force was in a strong position to monitor performance and we saw evidence of robust challenge where necessary and have noted a recommendation below.

Improvement Recommendation

The OPCC and Force need to build up their business intelligence capability, particularly in regard to how this is fully incorporated and embedded in strategic financial planning and reporting. We recommend that the Force place more focus on the automation of processes within the finance team, in order to enable a more robust approach to scrutinising data and benchmarking against peers.

Improvement recommendations



Improving economy, efficiency and effectiveness

04 Recommendation	The OPCC and Force will need to continue to closely monitor the successful implementation of the new ICT and Forensic outsourced arrangements, with a particular focus on optimising business effectiveness as quickly as possible.
Why/impact	As key transformation programmes, the OPCC and Force need to ensure that the changes are implemented effectively and deliver the intended benefits.
Summary findings	There is a significant transformation programme and investment in place. Changes to ICT continue to be implemented, with some expected teething problems identified during 2021/22. Ensuring that these key operational and enabling services are effective as quickly as possible will be important in ensuring that the envisaged benefits are delivered as planned.
Management comment	XXX



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

03 Recommendation	The OPCC and Force need to build up their business intelligence capability, particularly in regard to how this is fully incorporated and embedded in strategic financial planning and reporting. We recommend that the Force place more focus on the automation of processes within the finance team, in order to enable a more robust approach to scrutinising data and benchmarking against peers.
Why/impact	Allowing finance teams to focus on data quality and benchmarking will allow them to support the OPCC and Force in strategic decisions and programmes rather than day-to-day business as usual activities.
Summary findings	Benchmarking is not fully embedded as part of the finance team's function, largely due to capacity given that a number of processes have to be manually undertaken. Automation of some of these processes would allow additional time and resource to support more strategic decision areas.
Management comment	



The range of recommendations that external auditors can make is explained in Appendix C.

COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how Police services are delivered.

We have considered how arrangements have adapted to respond to the new risks you are facing.

Overview of COVID-19 Arrangements

The risk registers provide evidence that COVID-19 has been included on both the Force and PCC strategic risk registers, and progress against these risks are monitored and updated regularly by senior staff in both organisations, and reported quarterly to the Joint Audit and Standards Committee (which continued to meet virtually throughout the pandemic).

Operationally the Force has continued to effectively police the county and deal with enforcement issues. The Force has done so by effectively implementing business continuity plans and successfully sourcing PPE. Financially, the cost pressures or loss of income have not been as significant as in other sectors, or within sub-sectors of the public sector, and Government funding has been made available which has meant there has been no significant financial risk from the immediate pandemic. The OPCC continues to operate, with 'home working' introduced for all staff members through the use mobile phones and laptops. The OPCC and Force remain in communication by email and telephone and continues to respond to all contact and correspondence received from the public and partners.

The PCC uses information gathered to raise issues of public concern with the Chief Constable. Information is gathered via several means, including a local media campaign to elicit questions from the public about policing and in particular Warwickshire's Police's operational response to the pandemic. These questions are asked of the Chief Constable during the PCC's weekly holding to account meeting and the questions and answers received are posted on the OPCC website to ensure transparency.

A formal weekly telephone conference call with all OPCC staff is held, with agenda, minutes and actions, in addition to the more informal daily contact that has been established. The OPCC Head of Communications continues to provide a service to effectively communicate the PCCs responsibilities and activities to provide openness, transparency and public accountability. This is coordinated with the Force to ensure that media messages are coherent and consisted. Two of the OPCC's Policy and Development Officers were seconded to work with the Force in the COVID-19 planning team in order to assist the Force in the initial stages of the response to the COVID-19 emergency. Having OPCC personnel embedded in the heart of the police operation also provides an advantage in terms of the PCC's effective scrutiny of Force performance and an understanding the detail of COVID-19 arrangements.

Opinion on the financial statements



Audit opinion on the financial statements

We propose to give unqualified opinions on the Group & PCC and Chief Constable financial statements following completion of our audit work and the Joint Audit and Standards Committee scheduled on 20 December 2021.

Joint Audit Findings Report

More detailed findings can be found in our Joint AFR, which was published and reported to the PCC's and CC's Joint Audit and Standards Committee on 20 December 2021.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA returns prepared by the PCC and Chief Constable. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

These instructions have yet to be issued and as such we cannot complete this work or formally certify the closure of our audits.

Preparation of the accounts

The PCC and CC provided draft accounts in line with the national deadline and provided a good set of working papers to support them.

Grant Thornton provides an independent opinion ensuring the accounts are:

- true and fair;
- prepared in accordance with relevant accounting standards; and
- prepared in accordance with relevant UK legislation.



Appendices

Appendix A - Responsibilities of the PCC and CC



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the PCC's and CC's ability to continue to operate as going concerns

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the PCC's and CC's ability to continue as going concerns and use the going concern basis of accounting unless there is an intention by government that the services provided by the PCC and CC will no longer be provided.

The PCC and CC are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B - Risks of significant weaknesses - our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the PCC's and CC's arrangements for securing economy, efficiency and effectiveness in their use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability was not identified as a potential significant weakness. See pages 5 to 11 for more details.	No additional procedures required	No significant weakness identified	Appropriate arrangements were in place. Three improvement recommendations raised.
Governance was not identified as a potential significant weakness. See pages 12 to 13 for more details.	No additional procedures required	No significant weakness identified	Appropriate arrangements in place.
Improving economy, efficiency and effectiveness was not identified as a potential significant weakness. See pages 14 to 17 for more details.	No additional procedures required	No significant weakness identified	Appropriate arrangements were in place. Two improvement recommendations raised.
COVID-19 was not identified as a potential significant weakness. See page 18 for more details.	No additional procedures required	No significant weakness identified	Appropriate arrangements were in place.

Appendix C - An explanatory note on recommendations

A range of different recommendations can be raised by the PCC's and CC's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the PCC and CC under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the PCC and CC to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the PCC and CC. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the PCC and CC, but are not a result of identifying significant weaknesses in the PCC's and CC's arrangements.	Yes	9, 10, 11, 16, 17

