

Informing the Audit Risk Assessment for Warwickshire Police 2022/23

Name: Meriel H Clementson
Title: Manager
T: +441212325436
E: meriel.h.clementson@uk.gt.com



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.

Table of Contents

Section	Page
Purpose	4
General Enquiries of Management	6
Fraud	10
Fraud Risk Assessment	11
Laws and Regulations	17
Impact of Laws and Regulations	18
Related Parties	21
Going Concern	23
Accounting Estimates	26
Accounting Estimates - General Enquiries of Management	27

Purpose

The purpose of this report is to contribute towards the effective two-way communication between Warwickshire Police's external auditors and Warwickshire Police's Joint Audit and Standards Committee , as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Joint Audit and Standards Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Joint Audit and Standards Committee . ISA(UK) emphasise the importance of two-way communication between the auditor and the Joint Audit and Standards Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Joint Audit and Standards Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Joint Audit and Standards Committee and supports the Joint Audit and Standards Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Police's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Warwickshire Police's management. The Joint Audit and Standards Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?</p>	<p>During 2022/23 the Force has launched its Empower programme under three workstreams – Place, People, and Technology. The Empower People programme will see a new operating model going live in April 2023 with 1,100 officers. Work has been ongoing throughout the year to ensure that the Force achieved, and exceeded, the Police Uplift target of 1,100 officers (1,113 @ 31/03/23). The Place workstream has seen further investment in the Force’s buildings as part of the planned programme to address backlog maintenance. The Technology workstream builds on the investment in the ICT infrastructure under the Evolve programme and seeks to fully utilise the opportunities that the new technology offers. All these areas have resulted in a capital spend of around £10m, which is higher than business as usual expectations.</p> <p>The Force has underspent on day to day operational costs, this is mainly related to police and staff pay and additional income (excl. vetting income). This is the result of challenges recruiting staff and income from mutual aid, reimbursement of ROCU related costs and the Home Office pay award specific grant. The Force has redirected vetting income and some of the underspend to fund capital expenditure the remainder will be transferred to reserves. (see Money Matters outturn report).</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Warwickshire Police? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>Yes, accounting policies are reviewed annually for appropriateness and in light of any new legislation. In addition our AS&I department conduct reviews and maintain a register of policies within Warwickshire Police, there are a small number that still need to be reworded from alliance versions to Warwickshire Police versions. There were no major changes to policies this year.</p> <p>Warwickshire Police will not be early adopters of IFRS16 so this will come into effect in 2024/25. Some preparation work has already begun, including updating the list of property leases and calculating lease liabilities as well as the previous preparatory work such as setting our low asset value amount at £5,000 and amending the contracts register to add data on whether or not the contract refers to a lease.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>We do not have any derivatives. The notes to our accounts for Financial Instruments sets out the cash, investments, and borrowing within the Force.</p>

General Enquiries of Management

Question	Management response
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	The Force received the second and final payment in February 2023 of £4.8m from the developer for the sale of a plot of unused land at Leek Wootton. This was accrued in 2021/22 so will have no effect on the 2022/23 SoAs.
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	We are not aware of any impairments at this time, our estate has been re-valued for the year-end accounts and no impairments have been identified by either the Estates team or Lambert Smith Hampton.
6. Are you aware of any guarantee contracts? If so, please provide further details	We have no guarantee contracts.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	We have no loss contingencies or un-asserted claims that may affect the financial statements.

General Enquiries of Management

Question	Management response
8. Other than in house solicitors, can you provide details of those solicitors utilised by Warwickshire Police during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>Warwickshire Police use Warwickshire County Council Legal Services – mainly for employment law, property law and commercial and contract law.</p> <p>Warwickshire OPCC also use Warwickshire County Council legal services for their general legal advice, and access other legal expertise through the SLA arrangement with them as necessary.</p> <p>Warwickshire Police also use insurance panel solicitors – DWF and Weightmans – for civil claim work, EL and PL work. In respect of fleet claims, our insurers tend to instruct Plexus Law (again as insurance panel solicitors).</p> <p>They will be working on open cases and matters which have been running for over a year.</p> <p>Warwickshire Police also use a range of specialist barristers on various matters throughout the year. (Usually we instruct 5 Essex Court – police specialist chambers) and also Serjeants Inn and occasionally local (Birmingham) chambers on more unusual or ad-hoc cases.</p>
9. Have any of the Warwickshire Police's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	<p>We are not aware of any such matters being raised with the CC or the OPCC.</p>

General Enquiries of Management

Question	Management response
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>We have used numerous barristers over the year – from a range of barristers chambers, but primarily 5 Essex Court and Serjeants Inn in London on complex operational matters (such as inquests, judicial reviews and disciplinary hearings). We also occasionally use more local counsel.</p> <p>We also use Warwickshire County Council Legal team for specialist advice on employment tribunals, and for property law issues and some commercial matters. Further, on litigated civil claim cases we outsource to panel solicitors approved by our insurers (primarily DWF, Weightmans and DAC Beachcroft).</p> <p>The Empower Programme has made use of consultants, mainly in the ICT area., these have been mainly provided by employment agencies.</p> <p>Throughout the year we have continued to use BDO for employment tax and VAT advice as well as Arlingclose for Treasury Management advice.</p>
<p>11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details</p>	<p>Our main financial assets are, Debtors, Cash bank and investments, where we have a contractual agreement on future cash flows.</p> <p>Warwickshire police have a conservative approach with such assets, and following advice from our independent financial advisors we limit our exposure to risk by only dealing with highly rated institutions and local authorities, and spreading the risk across several authorities in line with our Treasury strategy.</p> <p>We also limit the carrying amount of cash deposited in our bank accounts. Most of our investments are for very short periods of up to months, and the carrying values at the year end date are unlikely to have changed.</p> <p>We review our bad debts provision annually, and as our commercial income grows we are adopting a more commercial approach to reviewing these debts, since they are more likely to become bad debts than Government grants and precepts income. This is currently being reviewed as part of the year-end process.</p> <p>Our Long Term loans are from the PWLB. We do not consider these loans to be a high credit risk, they are believed to be less risky than a loan from a local authority or financial institution. No new PWLB loans were taken out in 2022/23.</p>

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Joint Audit and Standards Committee and management. Management, with the oversight of the Joint Audit and Standards Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Joint Audit and Standards Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Warwickshire Police's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Joint Audit and Standards Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Joint Audit and Standards Committee oversees the above processes. We are also required to make inquiries of both management and the Joint Audit and Standards Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Warwickshire Police's management.

Fraud risk assessment

Question	Management response
<p>1. Has Warwickshire Police assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Police's risk management processes link to financial reporting?</p>	<p>The risk has been assessed as low. The structure of the Finance Directorate has ensured that there are sufficient, professional resources in the team to minimise the risk of error in the financial statements.</p> <p>Fraud was not identified as part of the risk management process as a significant risk; it doesn't feature in the risk register. Internal controls are deemed to be adequate, with recognition of segregation of duties and dual authorisation of bank payments.</p> <p>Under experienced supervision anti-fraud measures are in place across the various functions of the finance department, and as such our processes naturally feed into the financial reporting.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The main risks are around:</p> <p>Unauthorised spending by an individual, which is prevented by our e-Proc process whereby electronic authorisations are required for all revenue and capital spending.</p> <p>Fraudulent notification of a change of bank details for suppliers, this is prevented by our payments process whereby we only accept changes on letter headed paper and we also use an existing phone number and contact name to confirm the changes.</p> <p>Diversion of fees and charges income especially in growing areas such as the vetting service, all income is notified by the vetting department, to finance who raise the invoice, and it is posted by the Accounts receivable team. Our Force bank details are clearly stated on the sales invoice for payment.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Warwickshire Police as a whole, or within specific departments since 1 April 2022? If so, please provide details</p>	<p>None</p> <p>The College of Policing Code of Ethics has been adopted by the force as part of the vision and values. Work has been undertaken to embed this in the organisation. The use of Strategic Business Partners, professional standards regular newsletters, and Ethical Dilemma emails promotes good business practice.</p>

Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Warwickshire has an independent Joint Audit and Standards Committee in place, who meet quarterly and have oversight on ethical and risk issues. One member has specific responsibility for ethical matters and reports back to the main panel group on any topical issues. They attend the internal ethical board meetings where possible, and work closely with OPCC staff to undertake dip sampling of complaints and receive updates on ethical issues.
5. Have you identified any specific fraud risks? If so, please provide details Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within Warwickshire Police where fraud is more likely to occur?	<p>Fraud was not identified as part of the risk management process as a significant risk; it doesn't feature in the risk register.</p> <p>We have no concerns at this time.</p> <p>There are no particular locations susceptible to fraud: our payroll is outsourced with our payroll provider, our Accounts Payable and Accounts Receivable functions follow clear segregation of duties guidelines, and systems access is only given to certain areas of the finance system according to that staff's role profile.</p>
6. What processes do Warwickshire Police have in place to identify and respond to risks of fraud?	<p>Internal audit systematically review the existence and operation of internal controls and weaknesses are addressed, for example the creation of new suppliers on the finance system (including adding bank account details) has been assigned to different posts that are not involved in processing invoices and preparing payment runs in the entity concerned – Segregation of duties. Warwickshire OPCC uses the same financial systems as Warwickshire Police, and internal audit work on OPCC processes and activities are undertaken as part of the audit plan each year.</p> <p>The Joint Audit and Standards Committee (JASC) ensure the Audit Plan provides adequate coverage and focuses on areas of greatest risk. The Internal Audit plan also addresses key risks for the OPCC and force separately, so would reflect any issues for each entity. The JASC also receives reports to each of its meetings on key strategic risks for the OPCC and the force, which includes any key changes.</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Warwickshire Police, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Internal audit, working under the direction of the PCC and CC, in conjunction with JASC assess the overall control environment and carryout audits on specific areas that may raise concern or inherently carry a greater risk. Where weaknesses are identified management respond and are accountable for putting in place measures to address agreed weaknesses in policy and procedure. Procedures are designed with adequate segregation of duties.</p> <p>As mentioned above we have controls in place for setting up new suppliers and employees and for making amendments to those details. We only accept bank details (new or amended) on a letterhead or from a recognised email address. If handwritten then the document needs to be signed. We check validity of the notification with the supplier by contacting them independently using a telephone number already held on file or taken from a previous invoice before we make any amendment.</p> <p>Employees complete a handwritten form on joining the force and have their own login details for updating personal information. Our payroll provider completes checks as part of their service to us.</p> <p>As with all processes we review them on regular basis especially when there are legislative changes or systems changes, and currently all processes satisfy our needs.</p> <p>Due to the level of segregation of duties and management reviews and controls we do not see this as a high risk area.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>Control accounts are in place and any issues would be raised to the line manager, we have no record of this being necessary and do not see it as a high risk. in addition we have close budget scrutiny in our monitoring reports, and variances are followed up expediently in case of coding errors or duplicated entries.</p>

Fraud risk assessment

Question	Management response
9. How does Warwickshire Police communicate and encourage ethical behaviours and business processes of it's staff and contractors?	<p>Staff are all required to complete training on various aspects of behaviour from data protection to behaviour in general, and our training system records when training is completed or over due. Overdue training is followed up and individuals are requested to complete as soon as possible. If this were to continue it would become a disciplinary matter, but is not usually necessary. This is not deemed to be a high risk area.</p> <p>All officers, staff and special constables are required to complete an annual integrity healthcheck which requires them to read and review policies around the Code of Ethics, Business Interests, Notifiable Associations, Gifts Gratuities and Hospitality, Systems Misuse, Drug and Alcohol misuse, Vetting (change of circumstances) and Unmanageable Debt – Warwickshire Police had 100% compliance rate in this process in 2022/23.</p> <p>The OPCC requires staff to complete a register of interests declaration annually. Those staff who participate on evaluating tenders complete separate conflicts of interest forms. The OPCC whistle blowing and gift and hospitality policies have recently been reviewed and have been reported to JASC for feedback prior to approval by the PCC. The OPCC structure has been reviewed and line management is now more clearly defined</p>
How do you encourage staff to report their concerns about fraud?	<p>The facility for employees to confidentially report concerns is available on the Intranet and are set out in the Professional Standards Reporting Procedure presented to JASC in March 2023. Employees have various methods of reporting concerns including either calling the Integrity line or completing an online reporting form, both methods are anonymous..</p>
What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details	<p>Staff are expected to report any concerns they may have to their line manager or senior member of staff, no significant issues have been reported.</p>

Fraud risk assessment

Question	Management response
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Due to our authorisation processes including purchasing through our e-Procurement system, we do not feel that we have any high risk posts.</p> <p>Chief officers purchase cards must be authorised by the Director of Finance, but other expenses are self input, with dip testing carried out by the payroll department.</p> <p>Sensitive posts are subject to a higher level of vetting, all management positions require Management Vetting instead of Standard Vetting.</p> <p>Purchase card transactions at the OPCC are approved by the Treasurer.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No; related party relationships and transactions are subject to disclosure. Related party transaction forms are completed and reviewed to detect any instances of fraud or issues that require disclosure. The growth of collaborations and partnerships increases the possibility of related party transactions and this is considered in the RPT questionnaire. Departmental Sponsorships are also considered in this process.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Joint Audit and Standards Committee ?</p> <p>How does the Joint Audit and Standards Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The facility for employees to confidentially report concerns is available on the Intranet. Employees can either call the Integrity line or complete an online reporting form, both methods are anonymous. Professional Standards would investigate any such reporting and follow up with the relevant committees. Any employee or member of the public can also contact the OPCC office and make a report. JASC member names are held on the OPCC website and staff wishing to report to them can do so through contacting the OPCC for details.</p> <p>Policies covering Gifts, Gratuities and Hospitality (along with PSD Reporting – otherwise known as Whistleblowing) have been examined at the Joint Audit and Standards Committee during this financial year.</p> <p>The Gifts Gratuities and Hospitality Register was made available for inspection by the JASC.</p> <p>The Business Interests Policy was also made available for inspection and scrutiny. These policies and the procedures are managed through the anti-corruption unit overseen by the Head of PSD.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>We are not aware of any actual whistle-blowing complaints.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>None that we are aware of.</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Joint Audit and Standards Committee, is responsible for ensuring that Warwickshire Police's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Joint Audit and Standards Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
1. How does management gain assurance that all relevant laws and regulations have been complied with?	<p>The Senior Leadership Team (SLT) meets weekly, the Head of Legal Services is a member of SLT as is the Director of Finance who gives a verbal finance update each week, this would include any concerns around potential non-compliance with laws and regulations, emerging issues and how the force would address such matters.</p>
What arrangements does Warwickshire Police have in place to prevent and detect non-compliance with laws and regulations?	<p>Weekly holding to account meetings and monthly Governance Board meetings are held with Chief Officers and the PCC, DPCC and key OPCC staff</p> <p>Our legal services and finance staff are professionally qualified and maintain their CPD.</p> <p>The corporate governance framework is kept up to date through an annual review process with all key stakeholders involved. The framework and associated documents, is reviewed annually, and also considered by the JASC prior to approval by the PCC. This document sets the governance arrangements including the contract procedure rules and financial regulations for the OPCC and force.</p> <p>Accounting staff attend regular CPD events and meetings, such as the annual final accounts meeting, to ensure their knowledge and understanding of changing events is the most current, and they would meet with the Director of Finance to discuss any changes required in working practises. This would include measures necessary for changes to Accounting Standards.</p>
Are you aware of any changes to the Police's regulatory environment that may have a significant impact on the Police's financial statements?	<p>No.</p>

Impact of laws and regulations

Question	Management response
2. How is the Joint Audit and Standards Committee provided with assurance that all relevant laws and regulations have been complied with?	<p>The Audit Committee receives regular updates on internal and external audit reports. They also have access to discuss issues privately with auditors prior to each of the regular meetings, and during intervening months as they wish. Annually both the Chief Constable and Police and Crime Commissioner present a draft Annual Governance Statement for review by the Audit Committee prior to approval by the PCC and Chief Constable. The committee also receive reports on the corporate governance framework and associated documents, in addition to reports on various financial strategies, including the Treasury management strategy, reserves strategy and the capital strategy..</p> <p>The Director of Finance who is responsible for legal Services and the Chief Executive Officer of the PCC (monitoring officer) attend JASC regularly.</p>
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial statements? If so, please provide details	No.

Impact of laws and regulations

Question	Management response
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	<p>Warwickshire Police are potentially affected by a claim (nationally) by serving officers that their transfer into the 2015 PPS (CARE) Scheme was unlawful on the grounds of discrimination. A similar action was brought by the Judiciary and Fire Service and the Court of Appeal found in their favour.</p> <p>This is an ongoing pensions issue nationally, and a remedy is being worked through by the Home Office and pension providers, we have set aside a reserve for this in our 2022/23 accounts.</p> <p>We have a few civil claims which are indicated at a reasonably significant quantum – death and personal injury claims in the main, both from external claimants and Employers Liability/motor claims – these total less than £2m, and a full list of cases over our de minimis of £5,000 will be reviewed with the main annual accounts.</p>
5. What arrangements does Warwickshire Police have in place to identify, evaluate and account for litigation or claims?	<p>Specific claims are received by the Force and investigated in conjunction with the Force Insurers, Legal Services and Professional Standards. A reserve is placed on the claim and reviewed annually as part of the process of producing the financial statements to determine whether a provision or contingent liability needs to be disclosed. Environmental scanning identifies general issues that might impact on the Force and these are evaluated in light of the evidence.</p>
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	<p>No.</p>

Related Parties

Matters in relation to Related Parties

Warwickshire Police are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Warwickshire Police and Crime Commissioner;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Police;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Police, or of any body that is a related party of the Police.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Police's perspective but material from a related party viewpoint then the Police must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Warwickshire Police's 2021/22 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Warwickshire Police whether Warwickshire Police has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>There were no changes in the 2022/23 forms returned.</p> <p>The JASC meeting requires those present to declare any RPT's at the start of each meeting, one committee member has a family connection to supplier SCC who provide ICT equipment and consultants.</p>
<p>2. What controls does Warwickshire Police have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Related party transactions disclosure forms are completed on an annual basis by all Senior Officers. Business interests of police officers and staff are updated on an annual basis. Related party disclosures are also completed by senior OPCC staff on an annual basis. A Register of Interests is also maintained for the CC by Professional Standards, and at the OPCC which is available on the internet.</p> <p>Annual accounts disclosures for related party relationships and transactions are required under The Code of Practice on Local Authority Accounting</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>All new contracts must go through our Contracts and Procurement department, any over £50K will be subject to tendering rules and regulations, whilst we don't specifically ask about related party transactions in the tendering process, there is a section including in the tender in reference to confidentiality and conflict.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>There is a governance process whereby any significant changes to processes or ways of working must be approved by various boards before finally the Executive board make their decision. Where the value for any such transactions is high, there may be separate meetings to discuss a framework of goods/services to be delivered within a specific timeframe.</p> <p>The OPCC has an approved decision making policy in place, this identifies what constitutes a key decision and those that must be approved by the Commissioner and published on the OPCC website.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Warwickshire Police will no longer continue?</p>	<p>Substantial changes to statutory services will not happen quickly there is a lead time and likely to be consultation, the networks and scanning in place will identify any significant changes at their conception or soon after. These are but not limited to:</p> <ul style="list-style-type: none"> • Environmental scanning (control). • Links into regional and national bodies, NPCC and NPCC working groups, PACCTS (control). • Links to the Minister for Policing (control). • Business Planning (process). • Medium Term Financial Plan (process). <p>Any discussions regarding statutory services would be subject to the holding to account process, and discussion between the PCC and Chief constable, and their respective senior teams.</p>
<p>2. Are management aware of any factors which may mean for Warwickshire Police that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>Areas that are being watched are:</p> <ul style="list-style-type: none"> • Review of the role of the PCC. • General powers of competence being awarded to the PCC. • The potential for Fire and Rescue Services being a mandated responsibility of the PCC. • Developments in the wake of national vetting failings that may impact on the National Commercial Vetting Service. <p>Slightly tangential to this we are watching the consultation and process that may lead to changes to the organisation of local government bodies in Warwickshire, unitary, two tier authorities etc.</p> <p>Over the coming years how police services are delivered and the application of technology will be more impactful then changes to statutory responsibilities, which impact on funding.</p>
<p>3. With regard to the statutory services currently provided by Warwickshire Police, does Warwickshire Police expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Warwickshire Police to cease to exist?</p>	<p>See the answer to Q2.</p> <p>There are no immediate plans to take on or exit from statutory responsivities at a local level.</p> <p>Forensic services continue to be performed through West Midlands Police.</p>

Going Concern

Question	Management response
<p>4. Are management satisfied that the financial reporting framework permits Warwickshire Police to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>We see no reason why this cannot be done. It is wholly appropriate to present the financial statements on a going concern basis. In terms of financial resilience the Force is in a good position. Having removed over £4.7m from the operating costs on 1 April 2021, the Force does not require to make any further savings in 2023/24, allowing a period of consolidation and planning for the post alliance operational world and the continuation of the Empower programme. Over the life of the MTFP a further £3m of savings are (potentially) required and further long-term workforce planning and scenario modelling may in fact remove the need for savings other than on an invest to save (self-sufficient) basis. Whilst we are aware of the potential for supply line shock leading to increases in the price of goods and services, the upward trajectory of pay inflation, the cost of energy and any further impacts of the war in the Ukraine, cost of living crisis and BREXIT, the Force has a healthy level of reserves and developed a commercial approach to the delivery of some services so as to reduce the reliance on government grant and precept to fund policing. The new technology will be used to drive out further efficiency and the review of the operational model (OP Empower), will identify strategic choices to invest or dis-invest in services.</p> <p>After a tumultuous few years in terms of the challenges faced by the force - transition, transformation and the pandemic and BREXIT - the current position for the force feels good in terms of sustainability and viability, the level of control we have over our services and associated cost. We have developed a robust service linked financial strategy (Good and Balanced Budget) and Medium Term Financial Plan that looks over ten years is based on sound assumptions and has been scenarios and stress tested to prove resilience. Planned additional one-off costs have been dealt with and we have emerged with a balanced budget and a good level of reserves.</p> <p>Overtime the reliance on government funding has reduced with increases in precept from the PCC's willingness to support the Force, which in part is a result of close working between OPCC and Chief Constable teams. This has been accompanied by a commercial strategy and approach being applied to those services with the ability to generate income to meet total cost exists, there is a unique selling point and low market risk and exit strategy.</p> <p>Further work will develop scenario planning further, including greater analytical work including benchmarking, pivotal to this will be a 5, 10 and 20 year workforce plan to explore the changing and evolving demographic of the workforce, (pay = 80% of cost).</p>

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body'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 body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body'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 Joint Audit and Standards Committee members:

- 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?

We would ask the Joint Audit and Standards Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Our main area of uncertainty is around Pensions and property valuations. This is because of the various assumptions and unknowns involved in arriving at the valuations. Our valuations will be challenged from many angles and we will need to drill down further on any underlying assumptions in them.
2. How does the Police's risk management process identify and address risks relating to accounting estimates?	Where necessary the Force uses experts in each area of accounting estimates for significant areas of the accounts such as pensions, PPE, and Fair value of Long-Term loans. The Force feels that the use of such experts gives us an element of comfort around the figures produced, but continues to challenge assumptions and differences between similar items in such reports, in order to satisfy ourselves of the reasonableness of the figures.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	The Actuary reports explains the assumptions used each year around pension valuations and we will challenge these where necessary.
4. How do management review the outcomes of previous accounting estimates?	<p>The PPE valuation report is sent to the OPCC and to Finance for review, we do not use the figures from the report until all parties are satisfied that the report has been challenged and seems to reflect what we know about the portfolio of the estate, and other external conditions. We carry out a year on year review of property compared to prior year's estimates as part of our normal year-end process, paying particular attention to significant changes in property prices.</p> <p>Pensions are also reviewed year on year for significant changes, and in recent years this has varied significantly due to progress on the McCloud case, which we know about and this will continue for the next 2-3 years, and the changes have reflected other intelligence that we have gathered on this matter.</p>
5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	Estimation processes are unchanged.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Management recognise the need for in-house expertise in the area of annual accounting and in particular regarding accounting estimates as they are can be subjective, and there is a need for close scrutiny and robust challenging of figures prepared by outside organisations and also in-house. This can only be carried out by staff with a high level of professional expertise and experience.</p> <p>Warwickshire Police participates in the CIPFA Achieving Finance Excellence in Policing Programme to ensure skills and knowledge remain up to date, and to facilitate networking opportunities with other forces and PCC offices.</p> <p>Our staff attend CIPFA workshops and other accounting workshops throughout the year, but especially around the time of annual accounts to ensure that they are updated with the latest changes in accounting policies and the rigour with which our annual accounts will be audited. They can also identify any trends of the direction of travel for public sector accounting, and build in additional controls and disclosures to assist user understanding of the accounts.</p> <p>The Force and OPCC also benefit form specialised Treasury management advice from Arlingclose to inform the development of the treasury management strategy and in year treasury activity.</p> <p>The OPCC Treasurer also attends training and update sessions as necessary, and attends regular network events including PACCTS meetings to ensure that skills and knowledge remain up to date.</p>
<p>7. How does the Police determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>The PCC and CC are advised by The Treasurer and The Director of Finance respectively with oversight and scrutiny applied through JASC. The statutory officers working with their teams will take actions and obtain assurances as appropriate and proportionate to the issues in hand and the experts being engaged.</p> <p>The Force has formal controls in place for all purchases, through their eFinancials system based procurement process, which requires electronic approval before a purchase order can be processed and placed with a supplier. Orders must be receipted in order to pay the invoices and at year-end this receipting process will allow the system to produce an auto accrual journal for posting.</p> <p>The PPE and Pensions estimates are based on expert reports which are examined and challenged before being used to calculate journals or make year-end adjustments.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>Through management review, scrutiny and challenge.</p> <p>We have a process which we follow at year end around preparation of GAD information for submission to gfs for the actuary report for Police pensions, the report is reviewed by the Director of Finance at executive level when it arrives, for reasonableness, and for any changes to previous reports. The report is also reviewed by the Financial Accounting team before the figures are prepared for the annual accounts. This will take into consideration matters such as the McCloud remedy, and any significant variances will be followed up.</p> <p>Similarly the LGPS report is reviewed by the same people, and checked for reasonableness in light of what other information they already know, such as the COVID19 likely negative impact on pension funds.</p> <p>The Financial Accounting team will query any anomalies with the actuaries, as they would with the property valuations. Smaller accounting estimates will be monitored by the Financial Accounting and Budget Monitoring teams.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>The PCC holds the CC to account through a monthly Governance Group meeting where financial performance reported through Money Matters will be scrutinised. The Treasurer to the PCC is not involved in preparing the Force Money Matters report and can apply scrutiny and challenge with expert insight. It is a comprehensive report which covers revenue, capital and reserves based on the forecast outturn position. The Treasurer discusses the report with the PCC and DPCC prior to monthly governance Board meetings. The Treasurer holds weekly finance meetings with the PCC and DPCC to keep them updated on topical financial matters and to feedback to them issues following informal meetings with the director of finance and other force finance staff.</p> <p>The Police & Crime Panel apply scrutiny and challenge to the PCC which includes the Budget, and in year financial reporting.</p> <p>The Money Matters report is also for senior management and this is reviewed at the monthly Executive Board. The Director of Finance will outline the report and give additional information and take questions so that any concerns may be addressed quickly or followed up after the meeting. If there are any recommendations in the report to the PCC, these are considered and actioned as appropriate by the PCC, and through a formal decision notice where considered necessary.</p> <p>During this process the finance team will calculate estimates for accruals and prepayments for accounting purposes, and these will be built in to their annual forecast figures except at year end when journals are produced for year-end accounting.</p> <p>The OPCC undertakes its own budget monitoring process, and is fed into the force finance team so that the final Money matters report covers all areas of spending.</p> <p>At year-end we receive formal reports for pensions and property valuations which enable us to prepare workings and journals for the annual accounts. These accounts are later audited before being published.</p> <p>JASC will undertake scrutiny of the Accounts in specific session and have the opportunity to ask questions of officers who have prepared the Accounts. JASC membership is such that it has a range of capabilities including members with a financial accounting background, which increases the level of scrutiny insight and assurance. Vacancies on the committee are usually advertised and The Chair will have the final decision on appointments.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in the Accounting Estimates management summary)? If so, what are they?	Yes; significant estimates that management are aware of are detailed in the Accounting Estimates document provided separately.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in the Accounting Estimates management summary, are reasonable?	See Accounting Estimates documents.
12. How is the Joint Audit and Standards Committee provided with assurance that the arrangements for accounting estimates are adequate ?	The S151 officers review the basis of the estimates as part of their review of the accounts prior to them being signed off. External audit report to the Audit Committee the findings of their audit of the financial statements.



Grant Thornton

grantthornton.co.uk

© 2022 Grant Thornton UK LLP

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.