



Audit Committee Update for Wiltshire Police and Crime Commissioner and Chief Constable

Year ended 31 March 2014

25 November 2013

Simon Garlick

Director

T 0117 305 7878

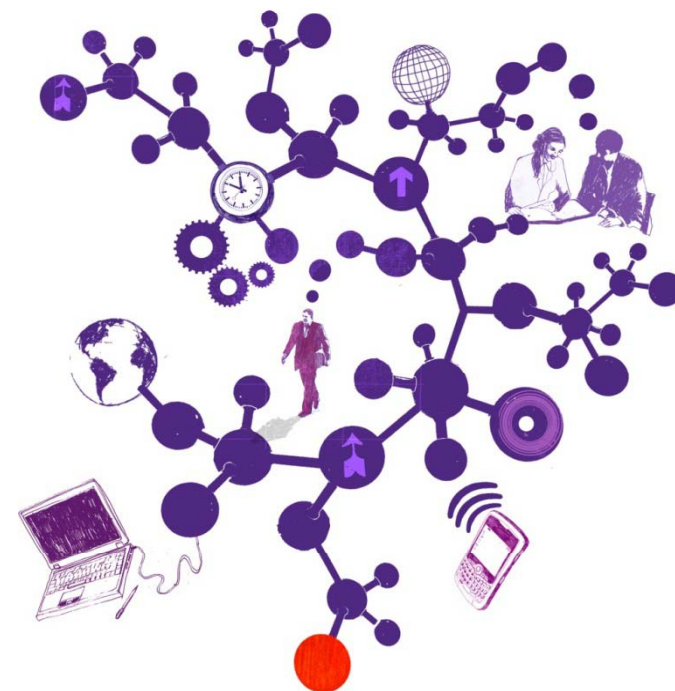
E simon.p.garlick@uk.gt.com

Chris Rockey

Audit Manager

T 0117 305 7849

E chris.rockey@uk.gt.com



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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as an Audit Committee supporting the Police and Crime Commissioner and the Police Constable
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

Progress at 25 November 2013

Work	Planned date	Complete?	Comments
<p>2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Police and Crime Commissioner and the Chief Constable setting out our proposed approach in order to give an opinion on Police and Crime Commissioner's (PCC) financial statements and the Chief Constable's 2013-14 financial statements.</p>	March April 2014	Not due	Provisional dates subject to final agreement
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> •updating our review of the PCC's and Chief Constable's control environments •updating our understanding of financial systems •review of Internal Audit reports on core financial systems •early work on emerging accounting issues •early substantive testing •Preliminary work on proposed Value for Money conclusion. 	March VFM various	Not due	Provisional dates subject to final agreement
<p>2013-14 final accounts audit Including:</p> <ul style="list-style-type: none"> •audit of the 2013-14 financial statements •proposed opinion on the PCC's financial statements and the Chief Constable's financial statements •proposed Value for Money conclusion. 	July / August	Not due	Provisional dates subject to final agreement

Progress at 25 November 2014

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2013/14 VfM conclusion comprises:</p> <ul style="list-style-type: none"> • Key indicators of financial performance • Strategic financial planning • Financial governance • Financial control • Prioritising resources • Improving efficiency and productivity • Management of natural resources 	Various dates during the year	Not Due	We intend to complete most of this during the year with a final update in summer 2014.
Other areas of work	NA		
Other activity undertaken			Grant Thornton Regional Police Seminar 2 December – Audit Committee Effectiveness

Emerging issues and developments

Grant Thornton

Potential for procurement fraud

The Chancellor's Spending Round announcement earlier this summer has forced Police and Crime Commissioners and Chief Constables to make further cuts to their budgets and operate under tighter constraints.

As Chris Clements, Head of Public Sector Forensics at Grant Thornton UK LLP, wrote in Local Government News, the National Fraud Authority estimates that in the wider public sector, the cost of fraud reached a staggering £19.9bn this year. Procurement fraud in local government accounted for £876m of this amount and therefore a properly functioning procurement process is key to mitigating much of this risk of loss.

'Helping ensure people are not in a position where they are tempted by an opportunistic gain is vital. Employees feeling undervalued – either financially or on account of other motivating factors – can breed an atmosphere of despondency which allows for procurement fraud. Sometimes all it takes is one exploratory incident by an individual to snowball into a culture wide acceptance of fraud, where employees not only rationalise the activity, but are spurred on by other actions.'

Challenge questions:

- Do the PCC and Chief Constable have a properly functioning procurement process, where duties are clearly segregated?
- Do the PCC and Chief Constable maintain an adequate whistleblowing mechanism for whistleblowing, whereby employees feel they are able to report their suspicions in a safe and secure manner?

If you have any queries on procurements processes and/or procurement fraud, talk to your audit manager to see how Grant Thornton could help.

Emerging issues and developments

Grant Thornton

Police Audit Committee workshop

Grant Thornton have organised a number of regional workshops which aim to give attendees insights into the key challenges faced by police audit committees following the transition to Police and Crime Commissioners (PCCs). We aim to provide a forum for committee members from different police areas to share experiences and learning to date.

The over-arching theme for the seminar is audit committee effectiveness in the police sector. Sessions will focus on:

- key aspects of what makes an effective audit committee
- key governance risks and challenges
- insights and lessons learnt to date
- future challenges and issues.

The day will include a mix of presentations and facilitated workshops.

Two of the workshops have already taken place. Those remaining are in Birmingham (19 November) and Exeter (2 December).

You have been invited to the December seminar.

Emerging issues and developments

Grant Thornton

Police and Crime Commissioners – One Year On

As part of our national review of the impact, challenges and achievements of the first year of Police and Crime Commissioners in England and Wales we have developed a 'One Year On' survey.

The survey was sent, in early September, to Police and Crime Commissioners, Chief Constables, including the MPS Commissioner, and their deputies, PCC chief officers, and PCC and CC chief finance officers in each of the 42 police areas where Police and Crime Commissioners were elected during 2012.

The survey is anonymous. It covers five thematic areas:

- 1 Governance, accountability and transparency
- 2 Delivery of Police and Crime Plans
- 3 Commissioning and collaboration
- 4 Preparedness for Stage 2
- 5 Public communications and accounting for the transition

The results of this survey, together with the research we are carrying out alongside it, will inform our national 'A Developing Picture' report to be published in early 2014.

The survey asks a maximum of 69 questions and should take no more than 20 minutes to complete. The deadline for completion is 31 December 2013.

As part of our research we are keen to identify areas of innovation and notable practice. There is an opportunity at the end of the survey to submit details of any notable practice, which could form the basis for case studies in the national report.

Challenge question:

- Have the Chief Financial Officers and other recipients, including the PCC and Chief Constable, completed the survey?

Emerging issues and developments

Accounting and audit issues

Consultation on Local Authority Accounting Code of Practice for 2014/15

CIPFA/LASAAC's consultation on the Local Authority Accounting Code of Practice for 2014/15 closed in October.

In our response we noted that the complexity of international financial reporting standards (IFRS) inevitably means that it is increasingly difficult to construct a Code that is comprehensive, of reasonable length and fit for purpose. We suggested that the Code of Practice follows the approach adopted by the Treasury in the Financial Reporting Manual under which bodies are required to follow the relevant accounting standard other than where there are specified formal adaptations or interpretations. This would result in a much shorter simpler Code with local authorities referring directly to the underlying standards themselves. This approach is consistent with that adopted in the NHS, where the accounting manuals do not seek to repeat text from accounting standards.

In respect of IFRS13 (fair value), our view is that the Code should follow the principles of IFRS 13 as closely as possible. We regard it as important that there is a common application of fair value by all bodies preparing accounts under IFRS.

Challenge question:

- Has your Chief Finance Officer reviewed the proposed amendments to the 2014/15 Code and assessed the potential impact?

Emerging issues and developments

Accounting and audit issues

Property plant and equipment revaluations

The 2013/14 Code of Practice on Local Authority Accounting changes the requirements for the frequency at which authorities (including PCCs and Chief Constables) are required to carry out valuations of property plant and equipment. Previously the Code permitted valuations to be carried out on a rolling basis over a maximum of 5 years. The 2013/14 Code now restricts this option by requiring:

- revaluations to be sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period
- items within a class of property, plant and equipment to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates.

However, the Code permits assets within the same class to be revalued on a rolling basis provided the revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date. There is no definition of 'a short period' but the Code's requirement to avoid reporting a mixture of costs and values as at different dates suggests that to comply with the Code, all assets within a particular class should be valued within the same financial year.

Challenge questions

- Are both your Chief Finance Officer and your professional advisors satisfied that your revaluation programme is sufficiently regular to ensure that the carrying amount of Property, Plant and Equipment at 31 March 2014 will not differ materially from that which would be determined using the fair value at that date?
- Has your Chief Finance Officer reviewed the changes to the 2013/14 Code and implemented a valuation process to ensure the PCC and Chief Constable comply with other aspects of the Code requirements?
- Where the PCC and/or Chief Constable is unable to comply fully with the Code in 2013/14, are you satisfied that any non-compliance is immaterial? Has an action plan been put in place to address non-compliance issues in future years?

Emerging issues and developments

Accounting and audit issues

Public briefing on the Local Audit and Accountability Bill

In September, the Audit Commission published a briefing note on the Local Audit and Accountability Bill. The Bill is currently going through Parliament.

The briefing provides background information on the Bill as well as a view on the areas where the Audit Commission believe that the Bill can be further improved. These areas are:

- collective procurement arrangements
- audit appointment arrangements
- the National Fraud Initiative
- small bodies
- supporting accountability to Parliament and the public
- reporting on arrangements to secure value for money
- updating the legislative framework governing local public audit.

Challenge question:

- Have you considered how the proposed audit arrangements under the Draft Local Audit Bill will affect you?

Emerging issues and developments

CoPaCC (Comparing Police and Crime Commissioners)

Police and Crime Commissioners – PCC Statutory Transparency

CoPaCC published its report 'PCC Statutory Transparency' on 11 November 2013. This report, sponsored by Grant Thornton, assesses how PCCs have met Home Office requirements to “publish certain information to allow the public to hold them to account”.

During October 2013 CoPaCC carried out a review to assess the extent to which PCCs were meeting their statutory requirements on transparency. The review assessed the extent to which PCCs were complying with the 25 primary transparency disclosure requirements as set out in the Elected Local Policing Bodies (Specified Information) Order 2011.

Key messages from the report:

- There was only one OPCC where all 25 primary statutory disclosures were available on the OPCC's website. The overall level of disclosure on OPCC websites is good, as on average 20 of the 25 primary disclosures were made on OPCC websites;
- All OPCC websites include a core amount of information which is useful to the general public; name and contact details of the PCC, plus a copy of their Police and Crime Plan and a record of their major decisions
- 64% of OPCCs had websites where 80% or more of the 25 primary disclosures were identified;
- 9% of OPCCs had websites where fewer than 60% of the primary disclosures were evident;
- At the time of carrying out the review the annual report could not be located on 10 OPCC websites.
- The majority of PCCs make key governance disclosures demonstrating their independence and objectivity in performing their role e.g. senior staff salaries (90% disclose), registers of interests (88% disclose) and registers of gifts, donations and hospitality (88% disclose);
- Areas where PCCs appear to perform less well tend to be in respect of the more detailed aspects of the organisation and the way it is managed – e.g. the identity of premises or land used by the PCC (57% disclose), copies of collaboration agreements (36% disclose) and the use of police force or local authority staff (29% disclose);
- PCCs are also required to publish a register of significant decisions. Significant variation was identified in the numbers of decisions published around the country.

Grant Thornton will be producing a benchmarking pack to show how the PCC compares against other PCCs.

Challenge question:

- Has the PCC/Chief Executive reviewed CoPaCC's report and identified areas for action?

Training

Closedown Workshops in Partnership with CIPFA FAN

Grant Thornton are again delivering our closedown workshops in partnership with CIPFA FAN and invitation have been issued.

The objectives of the workshop are:

- To provide delegates with a thorough overview of the key accounting issues and audit considerations in advance of the production of the 2013/14 final accounts, and an update on the anticipated changes for subsequent years.
- To provide the opportunity for delegates to share and discuss the practical considerations affecting the 2013/14 accounts and promote good practice across the sector as part of the on-going agenda to improve closedown processes and the clarity and relevance of the Accounts.
- To explore through practical exercises the concept of Substance over Form and the accounting and audit issues relating to the Movement in Reserves Statement.
- To consider how best to engage elected Members in the accounts approval process.



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