

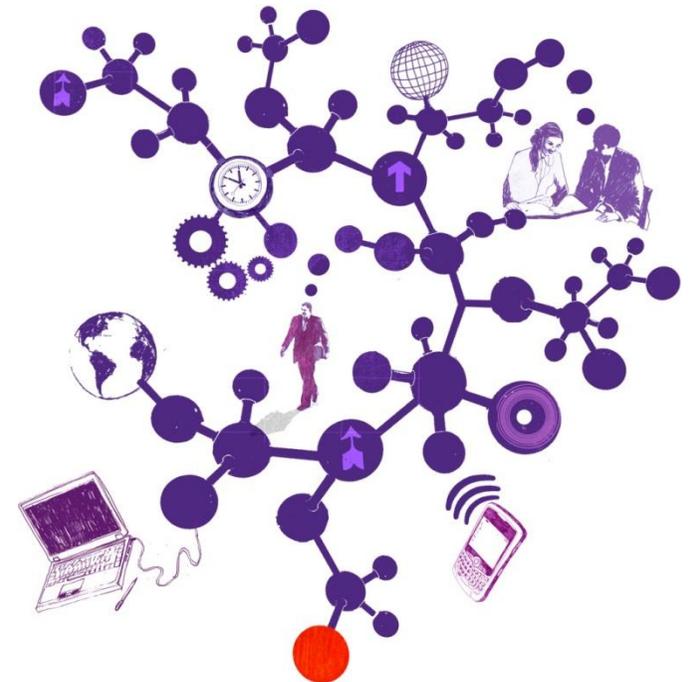
Audit Committee Update for Police and Crime Commissioner & Chief Constable for Wiltshire

Year ended 31 March 2013

Simon Garlick
Director
T 0117 305 7 878
E simon.p.garlick@uk.gt.com

Chris Rockey
Manager
T 0117 305 7849
E chris.rockey@uk.gt.com

Jackson Murray
Associate
T 0117 305 7859
E jackson.murray@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.

Contents

Section	Page
Introduction	4
Progress at 5 March 2013	5
Emerging issues and developments	
Accounting and audit issues	7
Grant Thornton	9
Local government guidance	10

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 a police body
- 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, for instance - 'Local Government Governance Review 2012', '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 February 2013

Work	Planned date	Complete?	Comments
<p>2012-13 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Police and Crime Commissioner (PCC) and the Chief Constable (CC) setting out our proposed approach in order to give an opinion on the PCC 's and the CC's 2012-13 financial statements.</p>	April 2013		<p>There is presently much debate about the format of the PCC and CC accounts and which elements should go into each. CIPFA have produced LAAP bulletin 75 and run seminars for police bodies. The PCC and CC will need to consider the relationship and substance of transactions in determining whether to recognise income, expenditure, assets and liabilities in their respective financial statements We will take account of the proposals in our plan.</p>
<p>Interim accounts audit Our interim fieldwork visit will include the following:</p> <ul style="list-style-type: none"> • review of the PCC's and CC's control environment • update understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing. 	March 2013		
<p>2012-13 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2012-13 financial statements • proposed opinion on the PCC's and CC's accounts 	July/August 2013		<p>We have arranged a seminar for south west police bodies on 8 March . The over-arching theme for the seminar is the change in accounting and governance requirements following the transition to PCCs. Sessions will focus on:</p> <ul style="list-style-type: none"> • key aspects of the new accounting framework • key governance risks and challenges • insights and lessons learnt from London • future challenges and issues.

Progress at 5 March 2013

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2012/13 VFM conclusion comprises reviews of the following areas:</p> <ul style="list-style-type: none"> • Governance – including transition planning and management, delivery of current responsibilities, leadership and scrutiny. • Service transformation and collaboration – considers whether police bodies have a transformational approach to service delivery and examines collaborative arrangements to deliver savings. • Financial management – including financial monitoring, financial control and financial reporting during transition. • Asset and information management – including the transfer of staff, asset records, estates and information management and disposal. • Workforce management – including workforce planning, HR and legal requirements 	February – August 2013		We will assess which of these risks we need to address in more detail. If we need to address these risks we will be apply the relevant questions in the Audit Commission local review guide in the fist instance.
<p>Other areas of work</p> <p>None at present</p>			

Emerging issues and developments

Accounting and audit issues

Provisions

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', the criteria for recognising a provision is that there is:

- a current obligation as a result of a past event;
- a transfer of economic benefit is probable; and
- a reliable estimate of the liability can be made.

We wish to highlight the following matters to you for consideration where a provision may be required:

- Redundancy costs –the recognition point for termination benefits fall under IAS 19 'Employee Benefits'. This is generally earlier than the IAS 37 recognition criteria for restructuring which requires that a valid expectation has been raised in those affected. The requirement in IAS 19 is that the entity is 'demonstrably committed'.

Challenge question:

- Has your Chief Finance Officer/Director of Finance considered whether any additional provisions should be made for the above matters?

Emerging issues and developments

Accounting and audit issues

LAAP Bulletin 95 – Accounting for the impact of Police Reform

Two new bodies have been created under the Police Reform and Social Responsibility Act 2011. In December 2012, CIPFA published [LAAP bulletin 95](#) which sets out guidance on accounting for the creation of Police and Crime Commissioners and the Chief Constable.

It outlines two approaches to accounting for the transfer of functions:

- Approach A (the preferred method) - The financial statements restate the financial performance, position and cash flows of the entities involved as if the service or function performed had always taken place in these entities. Assets and liabilities are transferred at their carrying values.
- Approach B – New bodies account from the day of inception with the Police Authority accounting up to the date of transfer. Assets and liabilities are transferred at carrying values but there are no comparators for the new bodies.

The LAAP bulletin also notes that the Police and Crime Commissioner (and by implication the Chief Constable) will need to consider their relationship and substance of transactions in determining whether to recognise income, expenditure, assets and liabilities in their financial statements.

These issues will be discussed at our seminar for Police bodies on 8 March 2013.

Emerging issues and developments

Grant Thornton

'Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities '

Although this report was produced on the basis of information from local authorities, the messages in this report are still relevant to you.

In December 2012, Grant Thornton published ['Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities'](#). This financial health review considers key indicators of financial performance, financial governance, strategic financial planning and financial controls to provide a summary update on how the sector is coping with the service and financial challenges faced. The report provides a summary of the key issues, trends and good practice emerging from the review.

Challenge questions:

- Have you considered the findings of the report?
- Are there any issues that relate to your organisation and are you going to take any action?

Emerging issues and developments

Local government guidance

'Auditing the Accounts 2011/12' report

In December, the Audit Commission published ['Auditing the Accounts 2011/12'](#). The report summarises the results of auditors' work on the financial statements of both principal and small bodies. The key finding in the report is that bodies have improved the quality and timeliness of their financial reporting in 2011/12.

Challenge questions:

- Has your Treasurer identified the key risks for the organisation in preparing the 2012/13 financial statements? (This is also linked to the earlier section on LAAP Bulletin 95)

Emerging issues and developments

Local government guidance

'Protecting the public purse 2012'

Although this report was produced on the basis of information from local authorities, the messages in this report are still relevant to police bodies.

In November, the Audit Commission published ['Protecting the public purse 2012: Fighting fraud against local government'](#). The report provides the results of the Audit Commission's annual survey of English local government bodies. It finds that local government bodies are targeting their investigative resources more efficiently and effectively. Local government bodies detected more than 124,000 cases of fraud in 2011/12 totalling £179m. It also reports that new frauds are emerging in areas such as business rates, Right to Buy housing discounts and schools.

The report includes a checklist for those charged with governance to use to review their counter-fraud arrangements.

Challenge questions:

- Have you considered the findings of the report?
- Are there any issues that could relate to your organisation and how are these being dealt with?
- Have you reviewed your existing arrangements for tackling fraud?

If you have any fraud queries, talk to your audit manager to see how Grant Thornton could help.



© 2013 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk