

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

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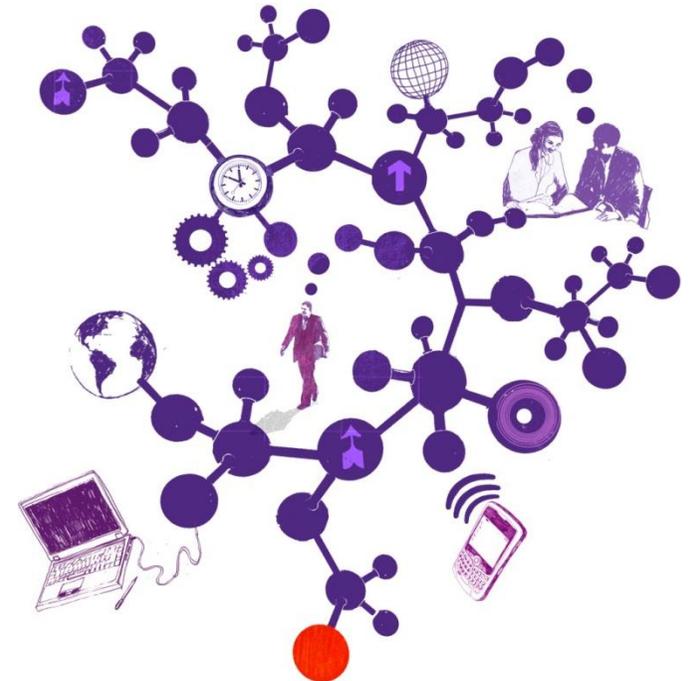
**Year ended 31 March 2014**

4 June 2014

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# Contents

<b>Section</b>	<b>Page</b>
Introduction	4
Progress at May 2014	5
Emerging issues and developments	
Local government guidance	7
Accounting and audit issues	8
Grant Thornton	12

# 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; and
- 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](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Working in tandem, local government governance review 2014, our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current, summary findings from our third year of financial health checks of English local authorities
- Local Government Pension Schemes Governance Review, a review of current practice, best case examples and useful questions to assess governance strengths

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.

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# Progress at 4 June 2014

Work	Planned date	Complete?	Comments
<p><b>2013-14 Accounts Audit Plan</b>            We are required to issue a detailed accounts audit plan to the PCC/CC setting out our proposed approach in order to give an opinion on PCC/CC's 2013-14 financial statements.</p>	June 2014	Y	Presented at this committee
<p><b>Interim accounts audit</b>            Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>•updating our review of the PCC/CC's control environment</li> <li>•updating our understanding of financial systems</li> <li>•review of Internal Audit reports on core financial systems</li> <li>•early work on emerging accounting issues</li> <li>•early substantive testing.</li> </ul>	March / April 2014	Y	<p>Our review has not identified any weaknesses which impact on our audit approach as set out in our audit plan.</p> <p>We have been discussing the impact of changes to IAS 19 on the presentation of the 2013/14 financial statements.</p>
<p><b>2013-14 final accounts audit</b>            Including:</p> <ul style="list-style-type: none"> <li>•audit of the 2013-14 financial statements</li> <li>•proposed opinion on the PCC/CC's accounts</li> <li>•proposed Value for Money conclusion.</li> </ul>	July /August 2014	N	<p>Our final audit visit is due to take place between 21 July and 13 August.</p> <p>Our VFM work will take place between April and September.</p>

# Progress at 4 June 2014

Work	Planned date	Complete?	Comments
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work to inform the 2013/14 VfM conclusion comprises:</p> <ul style="list-style-type: none"> <li>• The organisation has proper arrangements in place for securing financial resilience</li> <li>• The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness</li> </ul>	April to August 2014	N	The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.
<b>Other areas of work</b>			None planned
<p><b>Other activity undertaken</b></p> <p>We have issued a national report to the PCC/CC 'Police reform: a developing picture'</p>	May 2014	Y	<p>'Police reform: a developing picture' looks at how the sector is responding to the biggest shake-up of police governance and accountability in a generation, set against the backdrop of budget reductions of around 30% and increasing public scrutiny of standards of police conduct.</p> <p>It set out some suggestions for how police and crime panels and audit committees can support good performance.</p>

# Understanding your accounts – member guidance

## Accounting and audit issues

### Guide to local authority accounts

Local authority audit committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. However, local authority financial statements are complex and can be difficult to understand. We have prepared a guide for members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position.

The guide considers the :

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at 31st March; and
- other statements and additional disclosures

Supporting this guide we have produced two further documents to support members in discharging their responsibilities

- helping local authorities prepare clear and concise financial statements
- approving the minimum revenue provision

Copies of these are available from your engagement lead and audit manager

# Accounts – our top issues

## Accounting and audit issues

### Top 9 issues for the 2013/14 closedown

Based on the queries we have received from practitioners and auditors, here is a list of the to issues to consider for the 2013/14 closedown.

1. Do your accounts tell the overall story of your authority's financial performance and financial position? Are they clear, concise and easy to follow? Is detailed information on the most important information easy to find? Have duplicated text, non-material notes and zero entries been removed?
2. Are your accounts internally consistent? In particular, does the movement in reserves statement agree to the detailed notes?
3. Is your programme of revaluations is sufficiently up to date to ensure that the carrying value of property, plant and equipment does not differ materially from the fair value at 31 March 2014?
4. Have you accounted for provisions in accordance with IAS 37?
  - Have you considered provisions for business rates, and equal pay?
  - Are your provisions the best estimate of the liability (rather than a prudent estimate or an amount that is convenient for budget purposes)?
  - Is there a robust evidence based methodology to support the estimate?
  - Are there any instances in which a provision has not been made because a reliable estimate cannot be made? If so, Is their robust evidence to support the judgement that a reliable estimate is not possible? Has a contingent liability been disclosed?
5. Is your PFI accounting model up to date? Do your accounts disclose:
  - the fair value of PFI liabilities?
  - information on the impact of inflation on PFI commitments?
6. Have you addressed the new accounting requirements in 2013/14 for the presentation of IAS 19 pension costs and a new service line for Public Health been addressed? Have comparatives been restated?

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# Accounts – our top issues

## Accounting and audit issues

7. In the pension accounts, have the following disclosures required by the Code been included that are in addition to those set out in the CIPFA example pension fund accounts:

- the relationship between net assets available for benefits and the present value of promised retirement benefits
- an accounting policy for measurement of assets held at amortised cost.

8. In the group accounts, are the accounts of subsidiaries, associates and joint ventures robust? Have accounting policies been brought in line with those of the authority? Have all intra-group transactions and balances been eliminated?

9. Have you agreed a detailed closedown plan with your auditors? Does this include:

- how to deal with known major issues?
- a protocol for dealing with new issues as they arise?
- a date for a post-implementation review?

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# Accounts – CIPFA bulletin

## Accounting and audit issues

### LAAP Bulletin 98: Closure of the 2013/14 accounts and related matters

In March, CIPFA's Local Authority Accounting Panel issued [LAAP Bulletin 98](#). The bulletin provides further guidance and clarification to complement CIPFA's 2013/14 Guidance Notes for Practitioners and focuses on those areas that are expected to be significant for most authorities. Topics include:

- non-domestic rates – provision for appeals against the rateable value of business properties
- component accounting
- accounting for pension interest costs in relation to current service cost and pension administration costs .

With regard to future accounting periods, the Bulletin also provides an update on issues affecting 2014/15 and on the measurement of transport infrastructure assets in 2016/17.

# Assessing the costs and benefits of local partnerships

## Local government guidance

The government published its cost benefit analysis guidance for local partnerships on 2 April 2014.

Developed as part of the Greater Manchester 'whole place' Community Budget pilot, it was the first Treasury-approved assessment of the costs and benefits of joining-up and reforming public services in local areas.

The framework was developed by New Economy, the economic strategy unit of the Greater Manchester Combined Authority. John Holden, acting director of economic strategy at the agency, led the team that devised the methodology. He said

"this model provides a framework to start thinking about more holistic projects that deliver long-term outcomes but also produce short-term cashability [savings]"

The guidance sets out a standard process to determine the benefit of reforms, based on the unit cost of services, their impact and the savings that result. In providing Treasury backing for the cost benefit analysis framework – it has been included in Whitehall's Green Book for policy appraisal and evaluation – it has been added to the government's assessment process for the latest £320m round of the Transformation Challenge Award, which provides funding to councils to implement reforms.

### Challenge question

Has the authority considered the applicability of the government's cost benefit analysis guidance in considering the cost-benefits of local service delivery options?

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# Events

## Grant Thornton

### Events

We are involved in organising and supporting various events for our local government clients including the following.

- We are sponsoring the Centre for Public Scrutiny (CFPS) annual Scrutiny Camp Conference in London on 11 June
- For the third year running we are sponsoring the conference drinks reception at CIPFA's Annual Conference, taking place in London on 2 July
- Paul Grady, Grant Thornton's Head of Police, will be speaking at the third Annual National Conference on Police and Crime Commissioners on 10 July, in Nottingham
- We are hosting an Alternative Delivery Models seminar at our Birmingham office in 16 July where practitioners will share experiences of setting up and operating various alternative delivery models.



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