

The Joint Audit Plan for Wiltshire Police and Crime Commissioner and Chief Constable

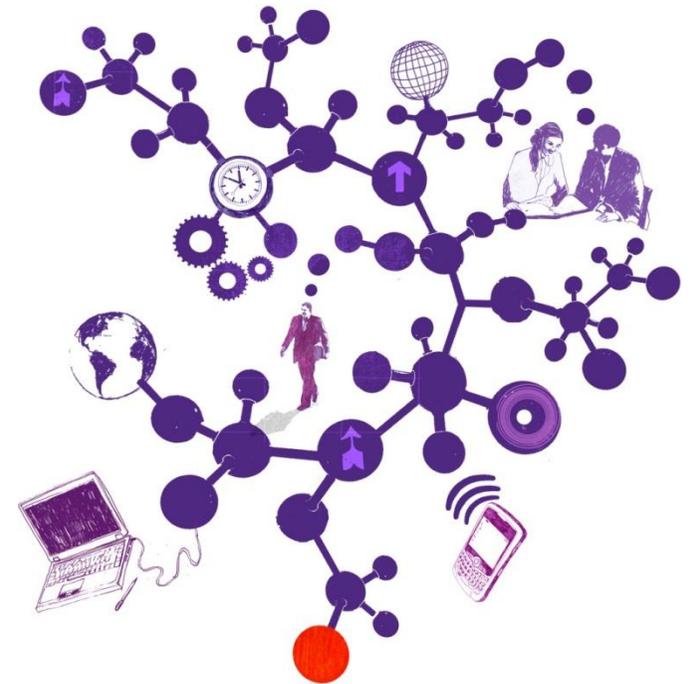
Year ended 31 March 2014

4 June 2014

Simon Garlick
Engagement Lead
T 0117 305 7784
E simon.p.garlick@uk.gt.com

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

Ian Loveys
Executive
T 0117 305 7864
E ian.l.loveys@uk.gt.com



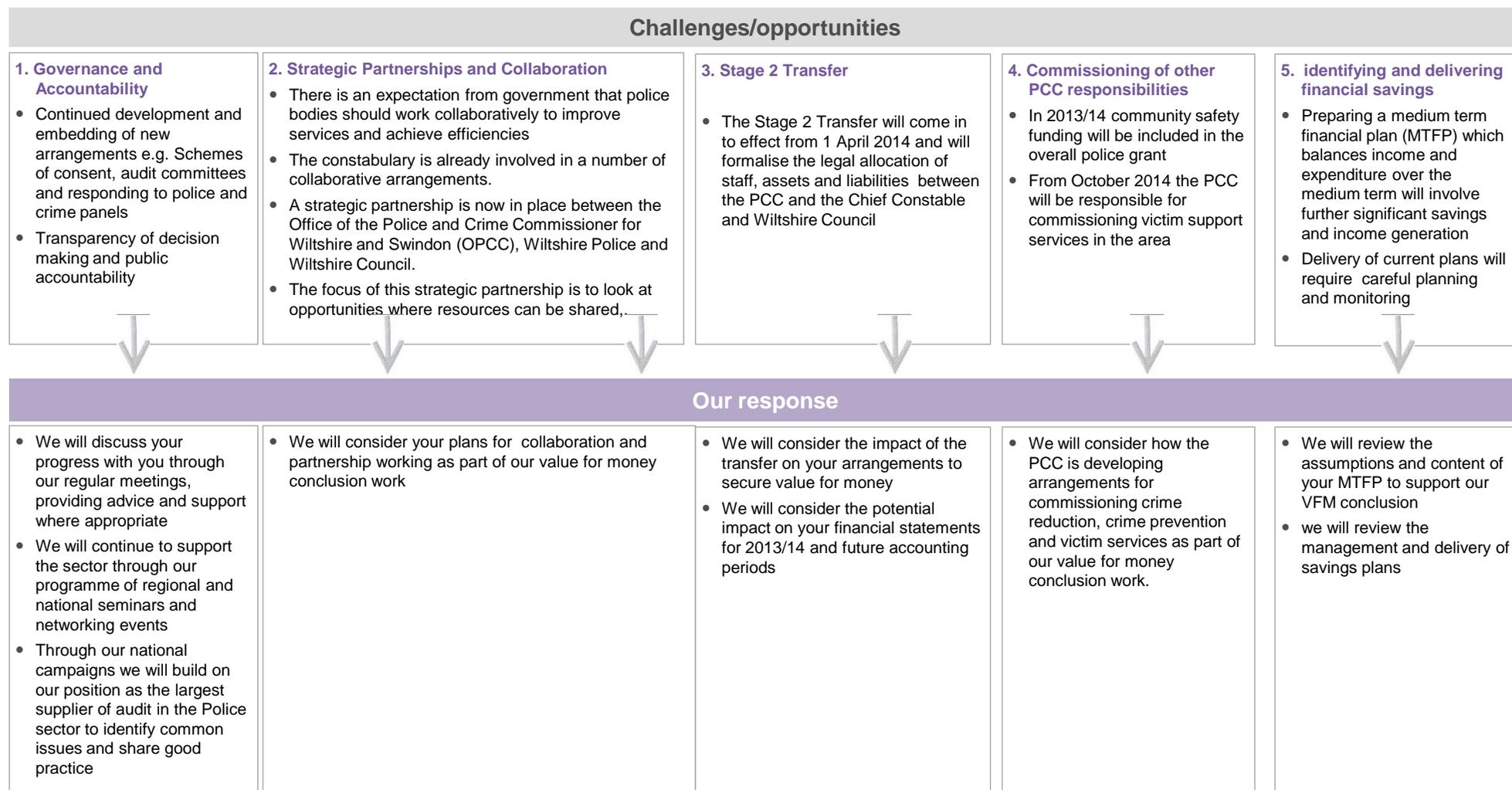
The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council 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
1. Understanding your business	4
2. Developments relevant to your business and the audit	5
3. Our audit approach	6
4. Significant risks identified	7
5. Other risks	8
6. Group scope and risk assessment	9
7. Planned interim work	10
8. Value for Money	11
9. Logistics and our team	12
10. Fees and independence	13
11. Communication of audit matters with those charged with governance	14

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Police and Crime Commissioner (PCC) and the Chief Constable are facing. We set out a summary of our understanding below.



Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

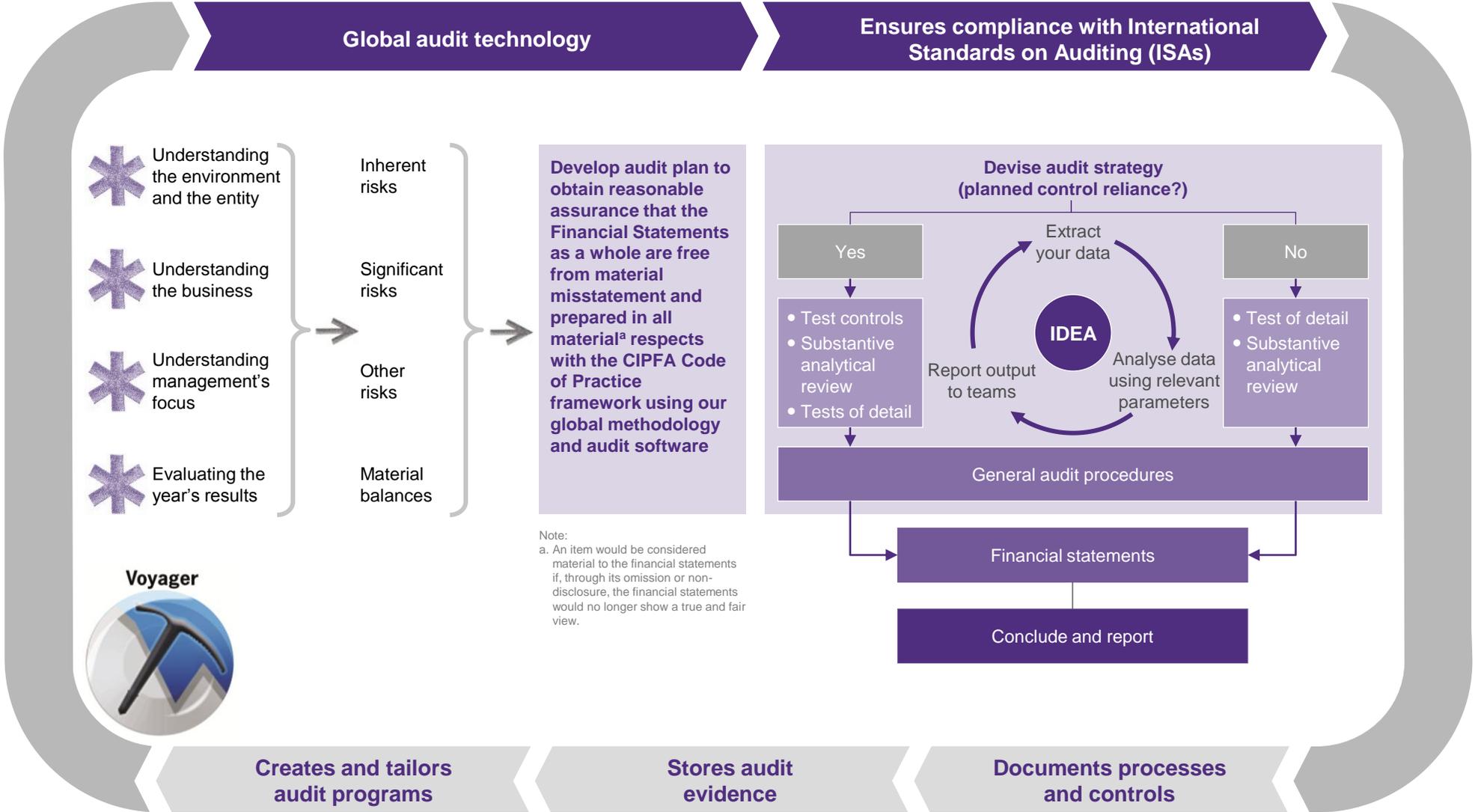
Developments and other requirements

1. Financial reporting	2. Legislation	3. Corporate governance	4. Pensions	5. Financial Pressures	6. Other requirements
<ul style="list-style-type: none"> • Changes to the CIPFA Code of Practice • Clarification of Code requirements around PPE valuations • In a recent letter to Police CFOs, CIPFA indicated that it plans to issue further guidance on police accounting for 2013/14 	<ul style="list-style-type: none"> • As currently drafted, the Anti-Social Behaviour, Crime and Policing Bill will apply some provisions of the Local Government Act 2003 to Chief Constables. This will mean that Chief Constables will be able to utilise local authority statutory overrides in their accounts. • Police Funding settlement 	<ul style="list-style-type: none"> • Annual Governance Statement (AGS) • Explanatory foreword 	<ul style="list-style-type: none"> • The impact of 2013/14 changes to the Local Government pension Scheme (LGPS) which will affect the pensions of police staff. 	<ul style="list-style-type: none"> • Managing service provision with less resource • Progress against savings plans 	<ul style="list-style-type: none"> • The PCC is required to submit a Whole of Government accounts pack based on the group accounts on which we provide an audit opinion

Our response

<ul style="list-style-type: none"> • We will work with you to assess whether the PCC and the Chief Constable comply with the requirements of the CIPFA Code of Practice • CIPFA has confirmed that it's view continues to be that police bodies should make an assessment of control when deciding whether to account for items in the PCC or Chief Constable financial statements and all associated costs should be properly reflected. Your 2012/13 accounts were presented on this basis and we anticipate limited impact on your accounting treatment as a result of this guidance. 	<ul style="list-style-type: none"> • We will discuss the impact of legislative changes with the PCC and the Chief Constable through our meetings with them and senior management, providing a view where appropriate • If the Anti-Social Behaviour, Crime and Policing Bill receives royal assent in its current form we will work with you to consider the impact on the Chief Constable's accounts and provide an audit view where appropriate 	<ul style="list-style-type: none"> • We will review the arrangements the PCC and the Chief Constable have in place for the production of their AGSs • We will review both AGSs and the explanatory forewords to consider whether they are consistent with our knowledge and with your accounts 	<ul style="list-style-type: none"> • We will review how the PCC and the Chief Constable deal with the impact of the 2013/14 changes through our meetings with senior management 	<ul style="list-style-type: none"> • We will review the PCC's and the Chief Constable's performance against the 2013/14 budget, including consideration of performance against the savings and policing plan • We will undertake a review of Financial Resilience as part of our Value for Money conclusion 	<ul style="list-style-type: none"> • We will carry out work on the WGA pack in accordance with requirements
--	---	--	--	---	--

Our audit approach



Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below.

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<ul style="list-style-type: none">• Review and testing of revenue recognition policies• Testing of material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<ul style="list-style-type: none">• Review of accounting estimates, judgments and decisions made by management• Testing of journal entries• Review of unusual significant transactions

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work to be undertaken during interim audit	Further work planned
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> • Identification of controls that address the risk • Walk through of those controls 	<ul style="list-style-type: none"> • Undertake analytical procedures to identify unrecorded liabilities. • Review of a sample of creditors/accruals to confirm they have been appropriately accounted for. • Review of subsequent year payments and sample check for unrecorded liabilities.
Property plant and equipment	<p>PPE activity not valid</p> <p>Revaluation measurement not correct</p>	<ul style="list-style-type: none"> • Walkthrough of the PPE system • Review of the qualifications of the valuer 	<ul style="list-style-type: none"> • Testing of PPE additions and depreciation charges • As outlined on page 5, CIPFA has clarified the requirements around PPE valuations. As the PCC will be undertaking a full revaluation this year, no further evidence will be required this year. In future years information must be gathered to provide confirmation that the carrying value does not differ materially from fair value at the year end.
Employee remuneration	Employee remuneration accrual understated	<ul style="list-style-type: none"> • Identification of controls that address the risk • Walk through of those controls 	<ul style="list-style-type: none"> • Review a sample of employee remuneration expenses to confirm they have been appropriately accounted for. • Undertake trend analysis of monthly payroll figures
Pensions benefits payable	Benefits improperly computed/ Claims liability understated	<ul style="list-style-type: none"> • Identification of controls that address the risk • Walk through of those controls 	<ul style="list-style-type: none"> • Overall analytical review of balances. • Review of large and unusual items and agreeing to supporting evidence.

Group audit scope and risk assessment

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

For accounting purposes the Chief Constable is considered a subsidiary of the Police and Crime Commissioner. As such, the financial information of the CC is consolidated within the PCC group accounts. We will comply with the requirements of ISA 600 in carrying out our audit of the CC financial statements and of the group.

Interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below

	Work to be performed	Conclusion
Internal audit	We have reviewed internal audit's work on the PCC's and Chief Constable's key financial systems to date.	Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
Walkthrough testing	We will complete walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.	Our work has not identified any other weaknesses which impact on our audit approach.
Review of information technology controls	Our information systems specialist will perform a high level review of the general IT control environment, as part of the overall review of the internal controls system. The timing of this work is to be agreed.	Our review has not yet been finalised.
Journal entry controls	We will review the PCC's and Chief Constable's journal entry policies and procedures as part of determining our journal entry testing strategy.	Further journal testing will occur to ensure that testing on the journals in the last four months of the period will be completed and that all unusual journals are tested.
Early substantive testing	We will undertake substantive testing of operating expenses and employee remuneration. This work will be completed as part of our final accounts audit.	No issues have been identified with the testing that has been completed to date. Further testing will need to be undertaken to cover the remainder of the year.

Value for money

Value for money

The Code requires us to issue conclusions on whether the PCC and the Chief Constable have each put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources. These are known as Value for Money (VfM) conclusions. We issue separate conclusions for the PCC and for the Chief Constable.

Our VfM conclusions for the PCC and the Chief Constable are based on the following criteria specified by the Audit Commission:

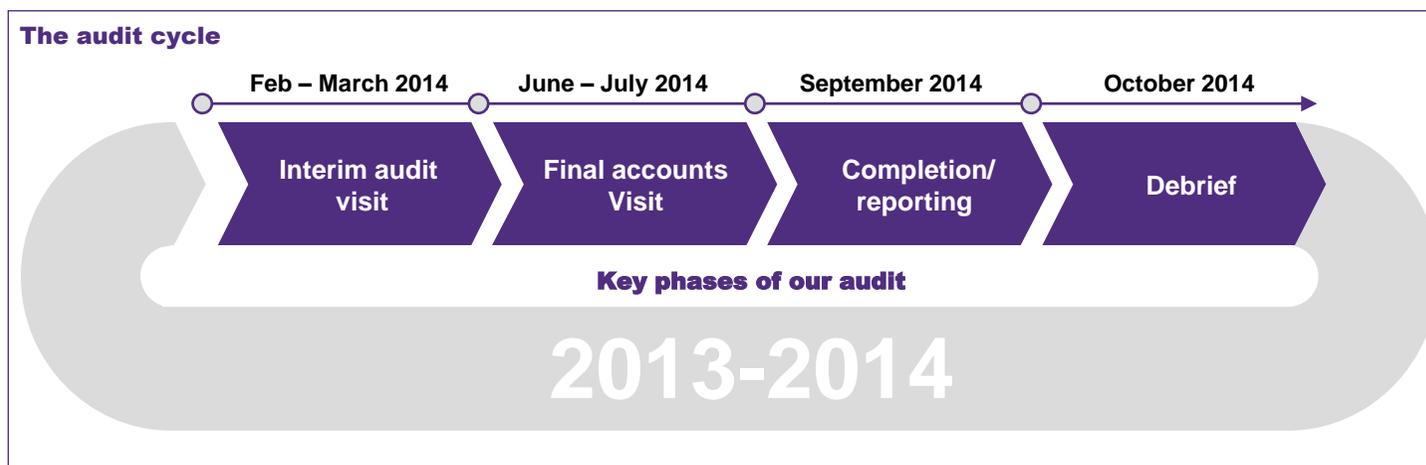
VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusions. We will undertake work in the following areas to address the risks identified which are relevant to the conclusions of both the PCC and the Chief Constable:

- strategic financial planning i.e. developing the medium term financial plan
- financial governance, which includes the adequacy of budget reporting for both revenue and capital budgets
- financial control, including development and delivery of savings plans and capital plans
- prioritising resources, including options analysis
- improving efficiency and effectiveness, including service redesign and effectiveness of key resources

The results of our VfM audit work and the key messages arising will be reported in our joint Audit Findings report to the PCC and the Chief Constable and in the Annual Audit Letters. We will also issue a separate report in relation to financial resilience.

Key dates



Date	Activity
January – March 2014	Planning
March 2014	Interim site visit
June 2014	Presentation of audit plan to Audit Committee
June 2014	Present audit plan to PCC and the Chief Constable as Those Charged with Governance
21 July to 15 August 2014	Year end fieldwork
August 2014	Audit findings clearance meeting with the PCC's and the Chief Constable's Chief Finance Officers
18 September 2014	Report audit findings to the Joint Audit Committee (including presenting audit findings to the PCC and the Chief Constable as Those Charged with Governance prior to their approval of their accounts)
By 28 September 2014	Sign financial statements opinion

Fees and independence

Fees

	£
Police and Crime Commissioner Audit	42,310
Chief Constable Audit	20,000
Total fees for the Group (excluding VAT)	62,310

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the PCC and the Chief Constable and their activities, have not changed significantly
- The PCC and the Chief Constable will make available management and accounting staff to help us locate information and to provide explanations.

Fees for other services

Service	Fees £
None	nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to the PCC's and the Chief Constable's attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

	Audit plan	Audit findings
Our communication plan		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



© 2014 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