

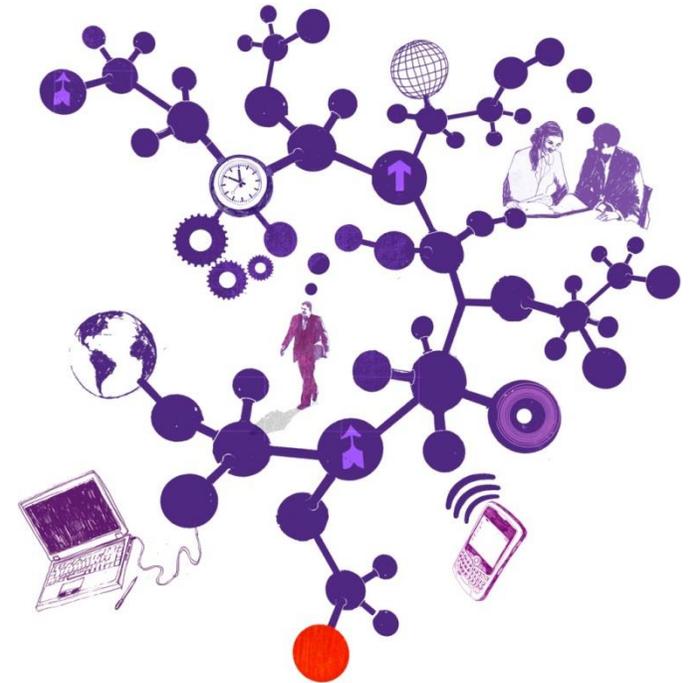
Audit Committee Update for Wiltshire Police and Crime Commissioner and Chief Constable

Year ended 31 March 2016

December 2015 Audit Committee

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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.

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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; and
- issues for consideration 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 (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Examining the evidence: How police audit committees can drive an effective governance agenda
- Making devolution work: A practical guide for local leaders

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 December 2015

Work	Planned date	Complete?	Comments
<p>2015-16 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 Police and Crime Commissioner and the Chief Constable's 2015-16 financial statements.</p>	March 2016	Not yet started	<p>The Audit Commission set the scale fees for audits for 2015/16. The scale fee for 2015/16 for the PCC and CC has been set at £31,733 and £15,000 respectively which compares to the audit fee of £42,310 and £20,000 respectively for 2014/15.</p> <p>Our 2015/16 fee letter was presented to the Audit Committee in June 2015.</p>
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Police and Crime Commissioner and the Chief Constable's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing. 	February to March 2016	Not yet started	<p>The findings from the results of our interim work are reported as part of our audit plan.</p>
<p>2015-16 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2015-16 financial statements • proposed opinion on the Police and Crime Commissioner and the Chief Constable's accounts. 	July to September 2016	Not yet started	<p>We will agree a timetable that ensures the audit deadlines are met. We will support the efficient production of the accounts with our series of accounts workshops and we will specify our working paper requirements in advance of the audit. We will maintain an on-going dialogue with your finance team throughout the year.</p>

Progress at December 2015

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2015/16 VfM conclusion comprises:</p> <ul style="list-style-type: none"> • undertaking an initial risk assessment; and • review of any risks identified 	<p>January to June 2016</p>	<p>Not yet due</p>	<p>The focus of our work will change as the Audit Commission's Code of Audit Practice has been replaced by that of the National Audit Office (NAO). The guidance was finalised in November 2015 and it identifies three criteria:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties. <p>The guidance sets out the NAO's illustrative significant risks as:</p> <ul style="list-style-type: none"> • Organisational change and transformation • Significant funding gaps in financial planning • Legislative/policy changes • Repeated financial difficulties, or persistently poor performance • Other sources (where an independent inspectorate or other review agency identifies significant concerns about the quality of services provided).

Accounting and Audit issues

National Audit Office: Code of Audit Practice

Under the Local Audit and Accountability Act 2014 the National Audit Office are responsible for setting the Code of Audit Practice which prescribes how local auditors undertake their functions for public bodies, including local authorities.

The NAO have published the Code of Audit Practice which applies for the audit of the 2015/16 financial year onwards. This is available at <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Final-Code-of-Audit-Practice.pdf>

The Code is principles based and will continue to require auditors to issue:

- Opinion on the financial statements
- Opinion on other matters
- Opinion on whether the PCC/CC has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the "VFM conclusion".)

The NAO plan to supplement the new Code with detailed auditor guidance in specific areas.

The NAO has supplemented the new Code with detailed auditor guidance in specific areas. The NAO published audit guidance in November 2015. The guidance includes the following:

- Definitions of "proper arrangements" for securing economy, efficiency and effectiveness in the use of resources
- The approach to be followed by auditors in relation to risk assessment, with auditors only required to carry out detailed work in areas where significant risks have been identified
- Evaluation criteria to be applied
- Reporting requirements.

Accounting and Audit Issues

Local Audit and Accountability Act 2014

New Audit timetable

- A key challenge is the change in the local government accounts deadline - all 2017/18 local government including Police audits to be finished by 31 July 2018.
- This requires a step change in approach by both our clients and by ourselves as auditors.
- It is important that we begin to make this transition now - with your support we plan to make the first change for the 2015/16 accounts.
- We aim to set 31 August 2016 as the date for the completion and reporting of local government audits in 2016. We are putting in place a number of changes to support the move to a 31 August 2016 completion.
- This will put us in a strong position to make a further change for 2016/17 to a completion date of 31 July 2017.
- We will discuss and agree any changes with officers before implementing.

Accounting and Audit Issues

Local Audit and Accountability Act 2014

Appointment of Auditors

- The Act provided that from financial year 2017/18 onwards audited bodies will be responsible for appointing their own “local auditors”,
- But Local Government audits extended to 2018/19 under PSAA regime
- Appointments up to every 5 years (can re-appoint), subject to eligibility:
 - Independence and qualification requirements
 - Overseen by ICAEW and FRC
 - Section 17 LAAA allows for collective procurement through a sector led body

Auditor panels

- Audited body (PCC only) must set up “auditor panel” by December 2016: (2017?)
- Auditor panel advises on maintenance of an independent relationship with its auditor, appointment and selection of auditors etc.
- Majority of members must be independent

Exercise of public rights

- The Accounts and Audit Regulations 2015 set out new arrangements for the exercise of public rights from 2015/16 onwards
- RFO now responsible for setting the date for exercise of public rights
- Final approval of the statement of accounts by an authority prior to publication cannot take place until after the conclusion of the period for the exercise of public rights
- The thirty working day period for the exercise of public rights must include the first ten working days of July in 2016, authorities will not be able to approve their audited accounts or publish before 15 July 2016.

Local Criminal Justice Partnerships

HMIC

Local criminal justice partnerships (LCJPs), whose purpose is to contribute to improving the efficiency and effectiveness of the criminal justice system at a local level, are failing to improve and resolve complexity in the criminal justice system, according to a report published by HMIC, HMCPSI and HMI Probation. The report calls for the national Criminal Justice Board to provide greater direction, and a fresh approach to collaboration by criminal justice agencies at all levels.

The report was based on an inspection which included detailed interviews in six police force areas ((Kent, Dyfed Powys, London, Durham and Cleveland, **Wiltshire**, and Northamptonshire) and a national survey of all local areas in England and Wales.

Inspectors found:

- despite a broad membership (including representatives from the police, CPS, the Court Service, prisons, youth offending services, probation services and Police and Crime Commissioners) LCJPs are not making a sufficiently positive difference;
- LCJPs do not agree their local priorities in any rigorous way, for example by looking at risks;
- examples where, despite a partnership being in place, the action of one agency was having an adverse effect on the ability of other agencies to serve victims and manage offenders;
- where there is progress, it is generally driven by a national programme, and usually involves only a few of the agencies, bypassing the LCJP. While this might be the most efficient way of doing things in some instances, there is a risk that if all issues are handled in this way, there will be further unforeseen negative consequences; and

The report recommends that, within six months of the Criminal Justice Board establishing an operating framework, leaders of local criminal justice agencies acting together, and in co-operation with the PCC, should undertake a fundamental review of local partnership arrangements to assess whether they are fit for purpose to lead improvements to the efficiency and effectiveness of the CJS at local level.

Issue for consideration

Is the Local Criminal Justice Partnership considered to be effective?

Firearms licensing

HMIC

The current inconsistent and inadequate firearms licensing regime puts the public at risk, according to a report published by Her Majesty's Inspectorate of Constabulary (HMIC).

The inspection on which the report is based gathered information from all 43 police forces in England and Wales, as well as looking in detail at the practices for firearms licensing in 11 representative forces (Dorset, Durham, Dyfed Powys, Essex, Sussex, Warwickshire, West Mercia, Lincolnshire, Surrey, Cumbria and North Yorkshire). Inspectors looked at the policies and procedures in the management and provision of over 150,000 section 1 firearms licences that are on issue, covering over half a million firearms and over half a million shotgun certificates that are on issue, covering almost 1.5 million shotguns.

The current arrangements to assess the medical suitability of a firearms certificate holder or applicant are substantially less effective than for applications for a public service vehicle licence. The report recommends that the Home Office should ensure that licensing does not take place without a current medical report from the applicant's GP, and that the police are notified of any relevant changes of medical circumstances.

Inconsistency was a key theme in the report's findings. The report found, for instance, that of the 11 forces inspected, seven did not deal correctly with expired licences, leaving firearms holders in possession of their firearms without certification. One of these forces had over 1,200 temporary permits on issue as of May 2015.

The report requires that clearer and more authoritative guidance must be put in place to properly protect the public. This includes definitive guidance on contacting referees and on the police's obligations around visiting prospective and current licence holders to inspect how the firearms and ammunition are stored. Additionally the police must be given a legal right of entry to an applicant's premises; something they do not currently have.

Issue for consideration

Has the Chief Constable identified any action that needs to be taken locally?

PEEL – Police efficiency 2015

HMIC

The police service faces major challenges in the years ahead from reduced budgets, fewer officers and more complex crime, according to a report from Her Majesty's Inspectorate of Constabulary (HMIC).

The report, based on an inspection of all forces, looked at how well forces understand the demand for their service and how well they match their resources to that demand and provides an assessment of their efficiency. The report is accompanied by separate reports on each force, based on inspections carried out from March to June 2015 and data provided by forces on their spending plans for future years. HMIC graded five forces as 'outstanding', 29 were 'good', eight as 'requires improvement' and for the first time, one force has been found to be 'inadequate'.

The report notes that:

- Most forces have a good understanding of the current demand for their service and they know their current capacity (the costs and numbers of their workforce). Too many forces have a weak understanding of their current capabilities (that is, the skills their workforces have).
- Forces have little understanding of their future demand and the capability they need to meet it. The future planning and modernisation that is taking place in forces is driven by capacity – how much money forces will have and how many people they can afford to employ, rather than what forces are likely to have to do.
- Forces need to improve their understanding of future demand and link it to their financial and organisational planning, so that they are in a fit shape to face their future challenge.
- Forces' IT needs to improve considerably – HMIC has commented on this in previous reports. Too many systems are weak and ageing, and the service is not optimising the use of IT to make them it efficient.

Forces are planning large reductions in their budgets and workforce, but at the time of the inspection both the outcome of the Spending Review and the Government's consultation on changes to the police funding formula were unknown. The robustness of forces' financial planning varies considerably and forces are planning large reductions in their reserves in the years ahead.

Wiltshire Summary

HMIC found that Wiltshire Police is well prepared to face its future financial challenges. The force has successfully reduced its spending over the last spending review period, improved its understanding of the demand on its services, is trialling a new operating model and is planning effectively for future financial challenges. It has done this through robust financial management and a commitment to continuously improving services.

Police Innovation Fund

Home Office

New and creative ideas to make policing more effective are to be encouraged through changes to the Police Innovation Fund. For 2016/17 the fund will consider proof-of concept bids as well as implementation-ready bids in a move designed to reward more breakthrough ideas than ever before. The change will mean police forces will be able to seek funding to assess an innovative idea, as well as fully worked through proposals. This will allow for more funding to be targeted at ideas coming from the grassroots of policing at a much earlier stage.

Among projects previously supported by the Police Innovation Fund are:

- Kent Police working with partners to develop solutions to tackle online child sexual exploitation;
- A single public contact and command-and-control centre used by Warwickshire and West Mercia Police and Hereford and Worcester Fire and Rescue Service;
- The Met's Police Now recruitment scheme, which helps to attract the brightest and best graduates to policing; and
- The rolling-out of body-worn camera to eight forces.

By supporting increased efficiency and collaboration between different police forces, it is hoped that the Police Innovation Fund will help forces save around £250m over the next five years and thousands of hours of police time.

The assessment criteria for this year's bids have been revised to reflect the increased emphasis on bids which improve outcomes and can be scaled nationally.

Issue for consideration

Has consideration been given to making a bid for funding?

Enabling closer working between the emergency services consultation

Home Office and Department for Communities and Local Government

In its election manifesto the Government committed to enabling fire and police services to work more closely together and to develop the role of elected and accountable Police and Crime Commissioners. The Department for Communities and Local Government, in partnership with the Home Office and Department for Health, has been working on proposals to support the commitment which seeks to drive a greater level of joint working between the emergency services, and deliver more effective and efficient services for communities.

A joint consultation paper containing the proposals was published on 11 September 2015. [Enabling Closer working between the Emergency Services consultation paper](#) is seeking views on proposals to drive greater collaboration between the emergency services and to enable closer working between police and fire and rescue services.

It also set out the proposals as follows:

- introducing a new duty on all three emergency services to actively consider collaboration opportunities with one another to improve efficiency and effectiveness;
- enabling Police and Crime Commissioners to take on the duties and responsibilities of fire and rescue authorities, where a local case is made;
- where a Police and Crime Commissioner takes on the responsibilities of a Fire and Rescue Authority, enabling him or her to create a single employer for police and fire staff, facilitating the sharing of back office functions and streamlining management;
- in areas where a Police and Crime Commissioner has not become responsible for fire and rescue services, enabling them to have representation on their local Fire and Rescue Authority; and
- abolishing the London Fire and Emergency Planning Authority and giving the Mayor of London direct responsibility for the fire and rescue service in London, as will be the case in Greater Manchester.

The aim of the proposals is to deliver real change and improvement in the accountability and service delivery across the emergency services. The proposals and eventual legislation will affect England only.

Issue for consideration

Did the PCC respond to the consultation?

Spending review 2015 and police funding reform

Treasury and Home Office

The Spending Review on 25 November 2015 changed previously expected funding reduction proposals for the Police.

The government will protect overall police spending in line with inflation – an increase of £900 million by 2019-20. Additional funding will be provided for forces who have strong proposals to support efficiency and reform. The National Crime Agency's budget will also be protected in cash terms to help cut organised crime.

This funding will also allow forces to adapt to changing crime threats and train more firearms officers to make sure the country can be protected from terrorist threats.

£1 billion will also be spent on 4G communications for police forces and other emergency services, allowing officers to take mobile fingerprints and electronic witness statements. This will free up officers' time, saving around £1 million a day when fully operational.

Police funding reform

In July 2015 Policing Minister Mike Penning announced plans to reform the current arrangements for allocating central government funding to the 43 police forces in England and Wales. He described the current police funding model, the Police Allocation Formula (PAF), as “complex, opaque and out of date” as he launched consultation on the new proposals, which would enable funding to be provided sustainably to, and divided fairly between, Police and Crime Commissioners (PCCs).

The Home Office identified that the latest version of the formula, which would have left 31 of the 42 forces worse off than expected, was based on “incorrect data”. The police minister, Mike Penning, apologised to MPs on 9 November for the “wrong figures” and said the distribution of Whitehall grants to the police would now be based on the existing formula for an extra financial year, with the 2016-17 allocations announced in December. The new system will now come into effect 12 months late in April 2017.

Making devolution work: A practical guide for local leaders

Grant Thornton market insight

Our latest report on English devolution is intended as a practical guide for areas and partnerships making a case for devolved powers or budgets.

The recent round of devolution proposals has generated a huge amount of interest and discussion and much progress has been made in a short period of time. However, it is very unlikely that all proposals will be accepted and we believe that this the start of an iterative process extending across the current Parliament and potentially beyond.

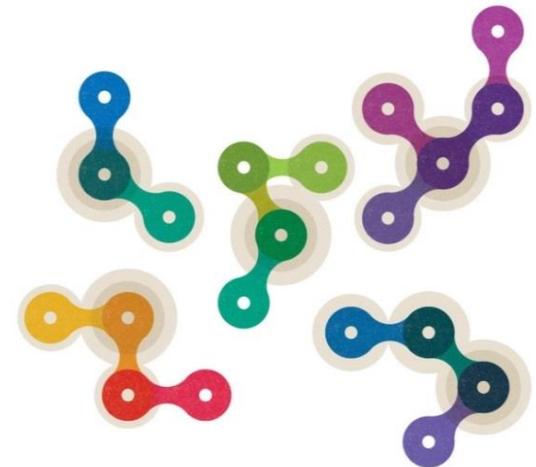
With research partner Localis we have spent recent months speaking to senior figures across local and central government to get under the bonnet of devolution negotiations and understand best practice from both local and national perspectives. We have also directly supported the development of devolution proposals. In our view there are some clear lessons to learn about how local leaders can pitch successfully in the future.

In particular, our report seeks to help local leaders think through the fundamental questions involved:

- what can we do differently and better?
- what precise powers are needed and what economic geography will be most effective?
- what governance do we need to give confidence to central government

The report 'Making devolution work: A practical guide for local leaders' can be downloaded from our website:

<http://www.grantthornton.co.uk/en/insights/making-devolution-work/>



Supporting members in governance

Grant Thornton and the Centre for Public Scrutiny

We have teamed up with the Centre for Public Scrutiny to produce a member training programme on governance. Elected members are at the forefront of an era of unprecedented change, both within their own authority and increasingly as part of a wider local public sector agenda. The rising challenge of funding reductions, the increase of alternative delivery models, wider collaboration with other organisations and new devolution arrangements mean that there is a dramatic increase in the complexity of the governance landscape.

Members at local authorities – whether long-serving or newly elected – need the necessary support to develop their knowledge so that they achieve the right balance in their dual role of providing good governance while reflecting the needs and concerns of constituents.

To create an effective and on-going learning environment, our development programme is based around workshops and on-going coaching. The exact format and content is developed with you, by drawing from three broad modules to provide an affordable solution that matches the culture and the specific development requirements of your members.

- Module 1 – supporting members to meet future challenges
- Module 2 – supporting members in governance roles
- Module 3 – supporting leaders, committee chairs and portfolio holders

The development programme can begin with a baseline needs assessment, or be built on your own understanding of the situation.

Further details are available from your Engagement Lead and Audit Manager





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