

Audit Progress Report and Sector Update

Devon and Cornwall Police and Crime Commissioner and Chief Constable
Dorset Police and Crime Commissioner and Chief Constable

Year ending 31 March 2019

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Contents and Introduction



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This paper provides the Independent Audit Committee with a report on progress in delivering our responsibilities as your external auditor.

The paper also includes a summary of emerging national issues and developments that may be relevant to you.

Members of the Independent Audit Committee can find further useful material on our website where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the following link to be directed to the website <https://www.grantthornton.co.uk/>.

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 Engagement Manager.

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PSAA Contract Monitoring

The PCC and Chief Constables for Devon and Cornwall and Dorset opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which starts with the 2018/19 audit. PSAA appointed Grant Thornton as auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, www.psa.co.uk.

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us. We have set out commitment to deliver a high quality audit service in the document at Appendix A. We hope this is helpful. It will also be a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.

Progress at 19 March 2019

Financial Statements Audit

We have started planning for the 2018/19 financial statements audit and have issued detailed audit plans, setting out our proposed approach Group, PCC and Chief Constable 2018/19 financial statements for Dorset and Devon & Cornwall respectively.

We commenced our interim audits in March 2019. Our interim fieldwork visit includes:

- Review of the control environment
- Understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing.

The statutory deadline for the issue of the 2018/19 opinions is 31 July 2019. We will discuss our plans and timetable with officers.

The final accounts audits will take place in June and July with findings reported to you in the Audit Findings Report by the deadline of 31 July 2019

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties.

Details of our initial risk assessments to determine our approaches are included in our Audit Plans. These are included as separate agenda items.

We will report our work in the Joint Audit Findings Reports and give our Value For Money Conclusions by the deadline of 31 July 2019.

Other areas

Meetings

We met with Finance Officers in February as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

Our annual accounts workshops took place in February 2019 and key members of your finance team attended this. The workshop provided an update on the changes to accounting standards and allowed finance colleagues to network with their peers.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Accounts Joint Audit Plans We are required to issue detailed accounts joint audit plans to the Independent Audit Committee setting out our proposed approach in order to give a opinions on the Group, Police and Crime Commissioner and Chief Constable 2018/19 financial statements for Dorset and Devon and Cornwall.	March 2019	Complete
Interim Audit Findings We will report to you the findings from our interim audits within our Progress Report.	April 2019	Not due yet
Joint Audit Findings Reports The Joint Audit Findings Reports will be reported to the July Independent Audit Committee.	July 2019	Not due yet
Auditors Reports These are the opinions on your financial statements, annual governance statements and value for money conclusions.	July 2019	Not due yet
Joint Annual Audit Letters These letters communicate the key issues arising from our work.	August 2019	Not due yet

Sector Update

Policing services are rapidly changing. Increased demand from the public and more complex crimes require a continuing drive to achieve greater efficiency in the delivery of police services. Public expectations of the service continue to rise in the wake of recent high-profile incidents, and there is an increased drive for greater collaboration between Forces and wider blue-light services.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider Police service and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from sector specialists](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and police sections on the Grant Thornton website by clicking on the logos below:

[Public Sector](#)

[Police](#)

Public Sector Audit Appointments – Report on the results of auditors’ work 2017/18

This is the fourth report published by Public Sector Audit Appointments (PSAA) and summarises the results of auditors’ work at 495 principal local government and police bodies for 2017/18. This will be the final report under the statutory functions from the Audit Commission Act 1998 that were delegated to PSAA on a transitional basis.

The report covers the timeliness and quality of financial reporting, auditors’ local value for money work, and the extent to which auditors used their statutory reporting powers.

For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 431 (87 per cent) audited bodies received an audit opinion by the new deadline.

The most common reasons for delays in issuing the opinion on the 2017/18 accounts were:

- technical accounting/audit issues;
- various errors identified during the audit;
- insufficient availability of staff at the audited body to support the audit;
- problems with the quality of supporting working papers; and
- draft accounts submitted late for audit.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

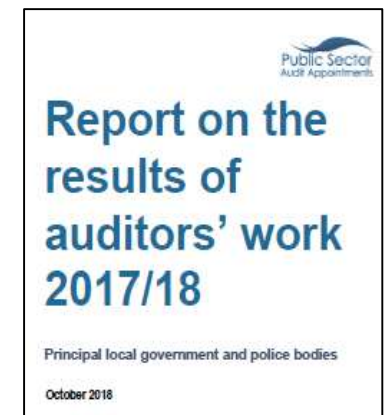
The most common reasons for auditors issuing qualified VFM conclusions for 2017/18 were:

- the impact of issues identified in the reports of statutory inspectorates, for example Ofsted;
- corporate governance issues;
- financial sustainability concerns; and
- procurement/contract management issues.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts.

The report is available on the PSAA website:

<https://www.psa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>



National Audit Office – Local auditor reporting in England 2018

The report describes the roles and responsibilities of local auditors and relevant national bodies in relation to the local audit framework and summarises the main findings reported by local auditors in 2017-18. It also considers how the quantity and nature of the issues reported have changed since the Comptroller & Auditor General (C&AG) took up his new responsibilities in 2015, and highlights differences between the local government and NHS sectors.

Given increasing financial and demand pressures on local bodies, they need strong arrangements to manage finances and secure value for money. External auditors have a key role in determining whether these arrangements are strong enough. The fact that only three of the bodies (5%) the NAO contacted in connection with this study were able to confirm that they had fully implemented their plans to address the weaknesses reported suggests that while auditors are increasingly raising red flags, some of these are met with inadequate or complacent responses.

Qualified conclusions on arrangements to secure value for money locally are both unacceptably high and increasing. Auditors qualified their conclusions on arrangements to secure value for money at an increasing number of local public bodies: up from 170 (18%) in 2015-16 to 208 (22%) in 2017-18. As at 17 December 2018, auditors have yet to issue 20 conclusions on arrangements to secure value for money, so this number may increase further for 2017-18.

The proportion of local public bodies whose plans for keeping spending within budget are not fit-for-purpose, or who have significant weaknesses in their governance, is too high. This is a risk to public money and undermines confidence in how well local services are managed. Local bodies need to demonstrate to the wider public that they are managing their organisations effectively, and take local auditor reports seriously. Those charged with governance need to hold their executives to account for taking prompt and effective action. Local public bodies need to do more to strengthen their arrangements and improve their performance.

Local auditors need to exercise the full range of their additional reporting powers, where this is the most effective way of highlighting concerns, especially where they consider that local bodies are not taking sufficient action. Departments need to continue monitoring the level and nature of non-standard reporting, and formalise their processes where informal arrangements are in place. The current situation is serious, with trend lines pointing downwards.

The report is available on the NAO website:

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>



ICAEW Report: expectations gap

The Institute of Chartered Accountants in England and Wales (ICAEW) has published a paper on the 'expectation gap' in the external audit of public bodies.

Context:

The expectation gap is the difference between what an auditor actually does, and what stakeholders and commentators think the auditors obligations might be and what they might do. Greater debate being whether greater education and communication between auditors and stakeholders should occur rather than substantial changes in role and remit of audit.

What's the problem?

• **Short-term solvency vs. Longer-term value:**

- LG & NHS: Facing financial pressures, oversight & governance pressures

• **Limited usefulness of auditors reports:** 'The VFM conclusion is helpful, but it is more about the system/arrangements in place rather than the actual effectiveness of value for money'

• **Other powers and duties:** implementing public interest reports in addition to VFM

• **Restricted role of questions and objections:** Misunderstanding over any objections/and or question should be resolved by the local public auditor. Lack of understanding that auditors have discretion in the use of their powers.

• **Audit qualification not always acted on by those charged with governance:** 'if independent public audit is to have the impact that it needs, it has to be taken seriously by those charged with governance'

• **Audit committees not consistently effective:** Local government struggles to recruit external members for their audit committees, they do not always have the required competencies and independence.

• **Decreased audit fees:** firms choose not to participate because considered that the margins were too tight to enable them to carry out a sufficient amount of work within the fee scales.

• **Impact of audit independence rules:** new independence rules don't allow for external auditors to take on additional work that could compromise their external audit role

• **Other stakeholders expectations not aligned with audit standards**

- **Increased auditor liability:** an auditor considering reporting outside of the main audit engagement would need to bill their client separately and expect the client to pay.

Future financial viability of local public bodies

Local public bodies are being asked to deliver more with less and be more innovative and commercial. CFOs are, of course, nervous at taking risks in the current environment and therefore would like more involvement by their auditors. They want auditors to challenge their forward-looking plans and assumptions and comment on the financial resilience of the organisation..

The ICAEW puts forward two solutions:

Solution a) If CFO's want additional advisory work, rather than just the audit, they can separately hire consultants (either accountancy firms not providing the statutory audit or other business advisory organisations with the required competencies) to work alongside them in their financial resilience work and challenging budget assumptions.

Solution b) Wider profession (IFAC, IAASB, accountancy bodies) should consider whether audit, in its current form, is sustainable and fit for purpose. Stakeholders want greater assurance, through greater depth of testing, analysis and more detailed reporting of financial matters. It is perhaps, time to look at the wider scope of audit. For example, could there be more value in auditors providing assurance reports on key risk indicators which have a greater future-looking focus, albeit focused on historic data?

More information can be found in the link below (click on the cover page)



HMICFRS - Public perceptions of policing in England and Wales 2018



Public perceptions of policing in England and Wales 2018

HMICFRS commissioned BMG Research to undertake a large-scale survey of the public to better understand its views about:

- satisfaction with local police force;
- perception of crime and police handling of crime;
- confidence in police;
- police visibility;
- contact with the police;
- legitimacy of the police;
- engagement with the police; and
- police responsibilities and priorities.

Overall, the report found that satisfaction with local police is relatively high. Over three-fifths of respondents (61%) say that they are satisfied, and only 12% are dissatisfied. Confidence in the police to deal effectively with a range of situations is high, with respondents most confident that police would be effective in dealing with an emergency.

When asked to choose from a list of crimes police should prioritise respondents were most likely to select:

- dealing with terrorism / extremism (49%);
- child sexual exploitation / abuse (46%); and
- and violent crime (41%).

The research also found that:

- more respondents would speak highly of the police (40%) than would be critical of them (18%);
- around two-thirds of respondents agree that their local police force would treat them fairly if they needed to contact them; and
- although the majority of respondents have seen a police officer or PCSO on foot at least once in the past year, a sizeable proportion (36%) have not.

While praising the work already done, the report makes recommendations to further improve performance. These include recommendations regarding the identification and investigation of cases involving disability hate crime, and of the coordination of

work between the police and CPS in these matters. It is also recommended that a number of changes are made to better highlight and explain cases to the court and defence where an increase in sentencing is required due to the offence being motivated wholly or in part by hostility towards a disability.

The report can be accessed by [clicking on this link](#).

HMICFRS consulted on the proposed policing inspection programme for 2019/20.

The 2019/20 programme includes:

- national thematic inspections;
- joint inspections;
- integrated PEEL assessments;
- inspections of other national law enforcement agencies;
- commissions from the Home Secretary, and police and crime commissioners and other local policing bodies; and
- HMICFRS's work on super-complaints

Respondents were invited to answer the following questions:

1. Are there any significant new or emerging problems in or for policing which HMICFRS should take into account in its effectiveness, efficiency and legitimacy inspections?
2. Do the proposed thematic inspections of counter-terrorism, older people in the criminal justice system, cyber-crime, child protection and crime data integrity cover areas that are of most concern to you at the moment?
3. How else could HMICFRS adapt the way in which it acquires information, to take account of current circumstances and risks to public safety?

The deadline for responses was 17:00 on 11 March 2019.

Other police sector news

Home Office - Final 2019-20 funding settlement announced

On 13 December 2018 the Home Office published the final police funding settlement for 2019-20. The funding settlement, first announced in provisional form in December 2018, was better than many in the Police sector had anticipated. In particular, it addressed the immediate pressures to revenue budgets faced as a result to changes in employer pension contributions and also allowed greater flexibility for more funds to be raised locally via precept.

The better than anticipated settlement has allowed many areas to look for opportunities to increase both officer numbers and make investments in a number of priority areas which were curtailed due to financial constraints. This represents a paradigm shift for the police sector in the UK, with many forces taking a more optimistic view about what this means in the short and medium term.

The longer term funding picture remains unclear. The economic impact of the UK's withdrawal from the EU coupled with the Comprehensive Spending Review expected later in 2019 creates uncertainty for all public service providers, including the police. This uncertainty is increased for police bodies by the likely reform of the police funding formula during the next spending round which means that the medium-term financial future remains uncertain.

The final Police Grants Report for 2019-20 can be accessed by clicking the Home Office logo below.



Home Office

It is now over two years ago since police chiefs and police and crime commissioners launched a vision for policing in 2025 that saw a better use of digital technology, better integration with other agencies to prevent crime and effective service delivery to provide best value for money for the public.

Developed by the Association of Police and Crime Commissioners (APCC) and the National Police Chiefs' Council (NPCC) in consultation with the College of Policing, National Crime Agency, staff associations and other policing and community partners, all chief constables and PCCs signed up to the vision. The vision included five priorities for reform:

- **Local policing** will be aligned, and where appropriate integrated, with other public services to improve outcomes for citizens and protect the vulnerable.
- **Specialist capabilities.** To better protect the public, we will enhance our response to new and complex threats, we will develop our network and the way we deliver specialist capabilities by reinforcing and connecting policing locally, nationally and beyond.
- **Workforce.** Policing will be a profession with a more representative workforce that will align the right skills, powers and experience to meet challenging requirements.
- **Digital policing** will make it easier and more consistent for the public to make digital contact, improve our use of digital intelligence and evidence and ensure we can transfer all material in a digital format to the criminal justice system.
- **Enabling business delivery.** Police business support functions will be delivered in a more consistent manner to deliver efficiency and enhance interoperability across the police service.

Two years since its launch, and with the opportunity of the better than expected funding settlement allowing some investment within the sector, PCCs and Chief Constables can again consider the five priorities for reform that are set out within the vision and determine how investment can be made to further these priority areas.

The Policing Vision 2025 can be accessed by [clicking this link](#).

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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