

Joint Audit and Ethics Committee for the Police and Crime Commissioner for Lancashire and the Chief Constable for Lancashire Police

Progress Report and Update Year ended 31 March 2017

November 2016

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Introduction

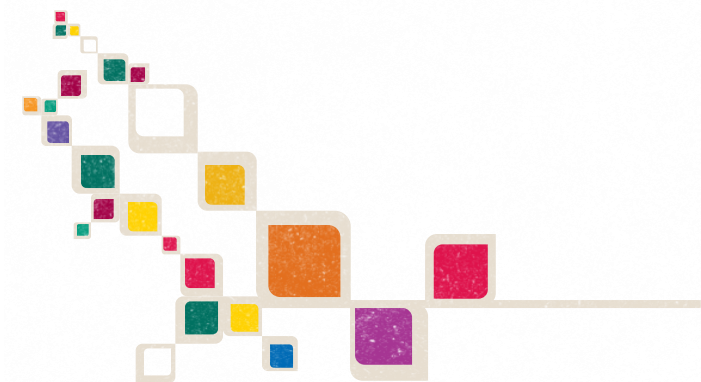
This paper provides the Joint Audit and Ethics Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Joint 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:

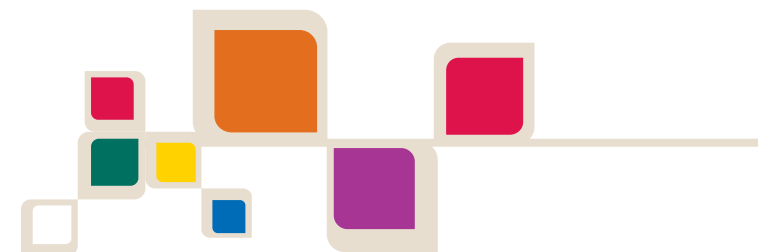
- Brexit: a public sector perspective: <http://www.grantthornton.co.uk/insights/brexit--a-public-sector-perspective>)
- Advancing Closure (August 2016): <http://www.grantthornton.co.uk/en/insights/advancing-closure-the-benefits-to-local-authorities/>
- Power check: Reviewing the effectiveness of Police accountability. (June 2016): <http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2016/power-check-pcc-and-pcp-police-report.pdf>

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.

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.

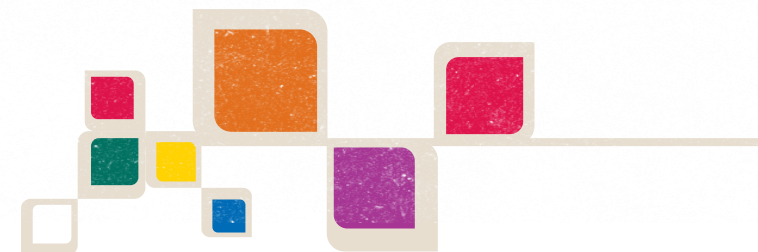


Progress to date



2016/17 work	Planned Date	Complete?	Comments
<p>Fee Letter</p> <p>We are required to issue a 'Planned fee letter' for 2016/17 to both the Police and Crime Commissioner and the Chief Constable.</p>	June 2016	Yes	The 2016/17 fee letters was presented to the June 2016 Audit Committee.
<p>Accounts Audit Plan</p> <p>We are required to issue a detailed accounts joint audit plan covering the audit for the Police and Crime Commissioner and the Chief Constable setting out our proposed approach in order to give an opinion on the Police and Crime Commissioner's group financial statements, including the statements of the Chief Constable in 2016/17.</p>	March 2017	Not yet required.	<p>We continue to assess the risks facing you and meet with Senior Officers to ensure that these risks are fully understood and our audit work is appropriate.</p> <p>This will be reported to the Audit Committee in early 2017.</p>
<p>Interim accounts audit</p> <p>Our interim fieldwork visits covers work on both the Police and Crime Commissioner and the Chief Constable arrangements, including:</p> <ul style="list-style-type: none"> • updating our review of the control environments • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion work. 	January – March 2017	Not yet required	<p>We will:</p> <ul style="list-style-type: none"> • engage with the finance team to streamline and improve the audit approach for 2016/17 where possible • Discuss any technical issues early • Undertake as much early testing as possible.
<p>Final accounts audit</p> <p>Covering the Police and Crime Commissioner's group financial statements, including the statements of the Chief Constable, we will :</p> <ul style="list-style-type: none"> • audit the 2016/17 financial statements • issue opinions on the 2016/17 financial statements 	June 2017	Not yet required	We will undertake work on your draft financial statements to provide an opinion by the statutory deadline. We are planning to complete our audit by 31 th July, as part of the transition to the earlier closedown and audit cycle from 2017.

Progress to date



2016/17 work	Planned Date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2016/17 VfM Conclusion requires conclusions on whether:</p> <p><i>"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</i></p>	February – August 2017	Not yet required	<p>We will consider the potential significant risks for our VfM conclusion and identify and report them in our Joint Audit Plan.</p> <p>Our work on the VfM Conclusion will include attending meeting with key Senior Officers and key document reviews. We are aiming to deliver this work ahead of the national timescales as a move towards the faster close from 2017/18.</p>
<p>Annual Audit Letter</p> <p>We will summarise all the work completed as part of our 2016/17 audit within one letter which will be issued after the opinion.</p>	December 2017	Not started	

Police Sector Accounting and other issues



Brexit: What happens next and what does it mean for you?

The people of the UK have made a decision to leave the EU. What happens next - and the implications for businesses and organisations in the UK - is less clear.

We have produced an analysis of what we know about the mechanics of leaving the EU, our assessment of some of the external factors that may affect organisations over the coming months and years, and a summary of the different models for trading relationships outside the EU. (<http://www.grantthornton.co.uk/insights/brexit--a-public-sector-perspective>)

In thinking about the impact organisations will want to consider not only legal and regulatory changes but also market reactions, consumer and business behaviours, and the wider political and economic environment. The Police and Crime Commissioner and Chief Constable will have a role in both shaping its own response and in helping organisations respond to a changing environment. We can expect three broad phases of reaction to Brexit:

- initial volatility
- medium term uncertainty and instability
- longer term transition

The impact of this will be different for every organisation. In looking at the threats and opportunities these phases create, and planning how the Police and Crime Commissioner and Chief Constable can create and protect value, you may wish to consider the short, medium and long term implications for issues like people and talent, strategic ambitions, financing, risk, operations and protecting investment.

We believe that in the coming weeks and months, dynamic organisations have a critical role to play in helping to shape the future of Britain. Grant Thornton is leading a campaign which explores how we can build a vibrant economy. You can find out more here: <http://vibranteconomy.co.uk/>

We would welcome views on what the priorities should be for government and the UK to create a new economy outside the EU.

Emerging issues

How is Policing responding to the outcome of the EU referendum?

Government introduces Policing and Crime Bill

The Home Office has introduced new legislation which will aim to finish the job of police reform. The purpose of the Policing and Crime Bill is to enhance the democratic accountability of police forces, and fire and rescue services, improve the efficiency and effectiveness of emergency services through closer collaboration and build public confidence in policing. It will strengthen the protections for persons under investigation by, or who come into contact with, the police; ensure that the police and other law enforcement agencies have the powers they need to prevent, detect and investigate crime; and further safeguard children and young people from sexual exploitation.

The main provisions of the Bill will:

- Place a duty on police, fire and ambulance services to collaborate and enable Police and Crime Commissioners (PCCs) to take on responsibility for fire and rescue services, where a local case is made.
- Reform the police disciplinary and complaints systems to ensure that the public have confidence in their ability to hold the police to account, and that police officers will uphold the highest standards of integrity.
- Better enable chief officers to make the most efficient and effective use of their workforce by giving them the flexibility to confer a wider range of powers on police staff and volunteers - whilst for the first time specifying a core list of powers that may only be exercised by warranted police officers - and conferring a power on the Home Secretary to specify police ranks in regulations, thereby affording the flexibility to introduce a flatter rank structure.
- Reform pre-charge bail to put a stop to people remaining on bail for lengthy periods with no independent judicial scrutiny of its continued necessity.
- Stop children and young people under 18 experiencing a mental health crisis being detained in police custody - and restricting the circumstances when adults can be taken to police stations - by reforming police powers under sections 135 and 136 of the Mental Health Act 1983.

Further details can be found at <https://www.gov.uk/government/news/government-introduces-policing-and-crime-bill>

Restricting the use of police cells for those experiencing a mental health crisis

The Home Office will take forward legislation to greatly restrict the circumstances when a police cell can be used. The Government has been clear that police cells are a poor environment for any person experiencing a mental health crisis. They can make service users feel criminalised and exacerbate levels of distress. This is especially true for those under the age of 18 - yet in 2014/15 more than 150 children and young people were detained in police cells.

Changes to the Mental Health Act will be made under the forthcoming Policing and Crime Bill. They include:

- Banning police cells as a “place of safety” for under-18s.
- Creating regulations to limit the circumstances in which police cells can be used a place of safety for adults.
- Reducing the maximum duration of detention for the purposes of an assessment under the Act from 72 to 24 hours.
- Widening the current definition of a place of safety to increase local capacity and flexibility.
- Extending police officers’ powers to act quickly to detain and remove people experiencing a mental health crisis from any place other than a private dwelling (for which a warrant would still be required).
- Requiring police officers to consult health professionals before detaining someone under the Act’s provisions.
- Clarifying that assessments under the Act can take place in a private dwelling.

A 2014 review of the sections 135 and 136 of the Mental Health Act found people were being detained in police cells because of a lack of available health-based places of safety, whether this was due to capacity issues, staffing levels or opening hours. In May 2015 Home Secretary Theresa May announced up to £15 million of funding to provide health-based alternatives to police cells. Additional provision will be focused on the areas of the country where use of police cells is highest.

The Government has already implemented a range of measures to improve the care people receive and to reduce the burden on police officers, including street triage, liaison and diversion, the Crisis Care Concordat and an alternative place of safety pilot in Sussex for people detained under Sections 135 and 136. These measures have contributed to an almost 50% reduction in the number of times police cells were used as a place of safety in England and Wales between 2011/12 and 2014/15, but progress is highly variable across the country with five police force areas accounting for more than half of all uses of police cells. This change in legislation will put an end once and for all to the practice of using police cells simply because there is no suitable alternative available and ensure that all suffers of mental health, no matter where they live, are cared for in the proper environment.

Grant Thornton Publications



Website Relaunch

We have recently launched our new-look website. Our new homepage has been optimised for viewing across mobile devices, reflecting the increasing trend for how people choose to access information online. We wanted to make it easier to learn about us and the services we offer.

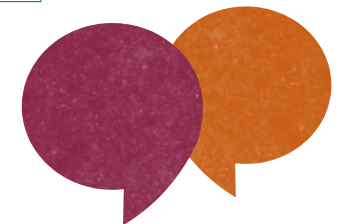
You can access the page using the link below – <http://www.grantthornton.co.uk/industries/public-sector/>



CFO Insights – driving performance improvement

CFO insights is an online analysis tool that gives those aspiring to improve the financial position of their public sector body, instant access to insight on the financial performance, socio-economy context and service outcomes of a variety of public sector bodies in England, Scotland and Wales.

The tool provides a three-dimensional lens through which to understand income and spend by category, the outcomes for that spend and the socio-economic context within which organisation operates. This enables comparison against others, not only nationally, but in the context of their geographical and statistical neighbours. CFO Insights is an invaluable tool providing focused insight to develop, and the evidence to support, financial decisions.



We are happy to organise a demonstration of the tool if you want to know more.

Power check: Reviewing the effectiveness of police accountability.

Frontline Consulting and Grant Thornton conducted a first term review of police and crime panels, looking at their effectiveness and the strength of their relationships with their Police and Crime Commissioners.

Our report shares the lessons from the first term to help panel members and PCCs build arrangements to continue to improve the effectiveness of police accountability in this new term.

Key findings from our report are:

- Panels and PCCs did not agree on the main barriers to effectiveness. 93% of panels cited limited powers as the top barrier to their effectiveness, while only 37% of PCCs rated it as important.

- Panel effectiveness and influence may be increased by greater public interest in the panel's work. Panels should ensure their work resonates with the public by selecting the right topics, responding swiftly to issues affecting the PCC and ensuring their challenge and support is insightful and adds value.
- Only around half of PCCs and panels felt panels got the right balance between challenge and support. PCCs considered panels were more effective in their support than their challenge. Only 42% of panel members viewed their proactive scrutiny work as being very or extremely successful.
- 61% of PCCs said that recommendations or observations from PCPs sometimes influenced or changed their decision-making, with only 18% saying their decision-making was always or mostly influenced by the panel's work.

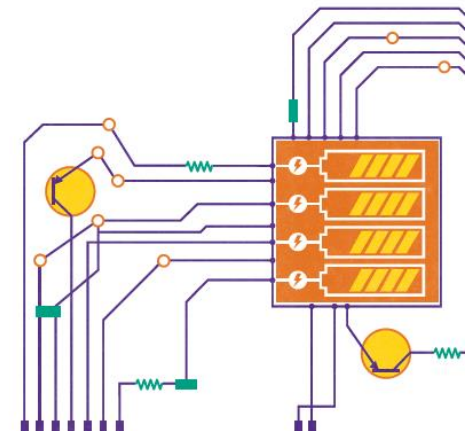
The report includes a series of recommendations to help strengthen the effectiveness of policing accountability.

Grant Thornton reports



Power check

Reviewing the effectiveness of police accountability: insights for the second term
June 2016



Advancing closure: the benefits to local authorities

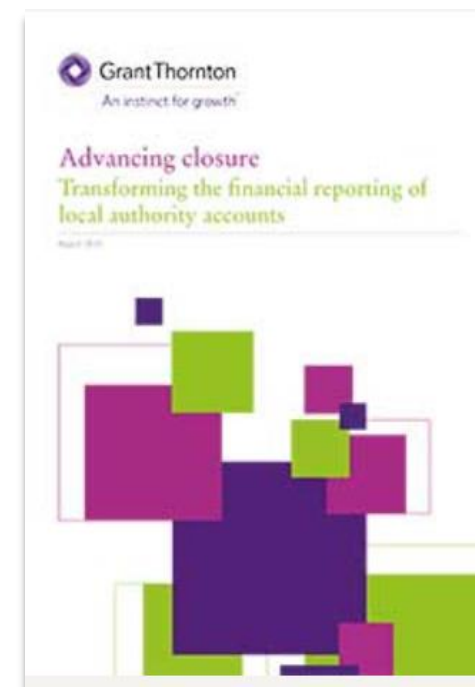
With new regulation bringing forward the required publishing date for accounts local authorities must consider the areas needed to accelerate financial reporting.

In February 2015, regulations were laid before parliament confirming proposals to bring forward the date by which local authority accounts (including Police Bodies) must be published in England. From 2017-18, authorities will need to publish their audited financial statements by 31 July, with Wales seeking to follow a similar approach over the next few years.

Many local government and police bodies are already experiencing the benefits of advancing their financial reporting processes and preparing their accounts early, including:

- raising the profile of the finance function within the organisation and transforming its role from a back office function to a key enabler of change and improvement across the organisation;
 - high quality financial statements as a result of improved quality assurance arrangements;
 - greater certainty over in-year monitoring arrangements and financial outturn position for the year, supporting members to make more informed financial decisions for the future;
 - improved financial controls and accounting systems, resulting from more efficient and refined financial processes; and
 - allowing finance officers more time to focus on forward looking medium term financial planning and transformational projects, to address future financial challenges.
- While there is no standard set of actions to achieve faster close there are a number of consistent key factors across the organisations successfully delivering accelerated closedown of their accounts, which our report explores in further details:
- Enabling sustainable change requires committed leadership underpinned by a culture for success
 - Efficient and effective systems and processes are essential
 - Auditors and other external parties need to be on board and kept informed throughout

Grant Thornton reports



<http://www.grantthornton.co.uk/en/insights/advancing-closure-the-benefits-to-local-authorities/>

Future events and workshops

New Government: New Home Office

7th December 2016 - Grant Thornton House, Melton Street, Euston Square, London, NW1 2EP

Prime Minister, Theresa May's sweeping changes to the political leadership and machinery of government will have a lasting impact on the policy direction of the new Government.

This seminar will help you to build successful relationships and influence policy through a better understanding of the new ministers and their advisers and the new policy direction they may wish to pursue.

For further information or to book your place, please contact your Audit Engagement Lead.

Grant Thornton events



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