

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

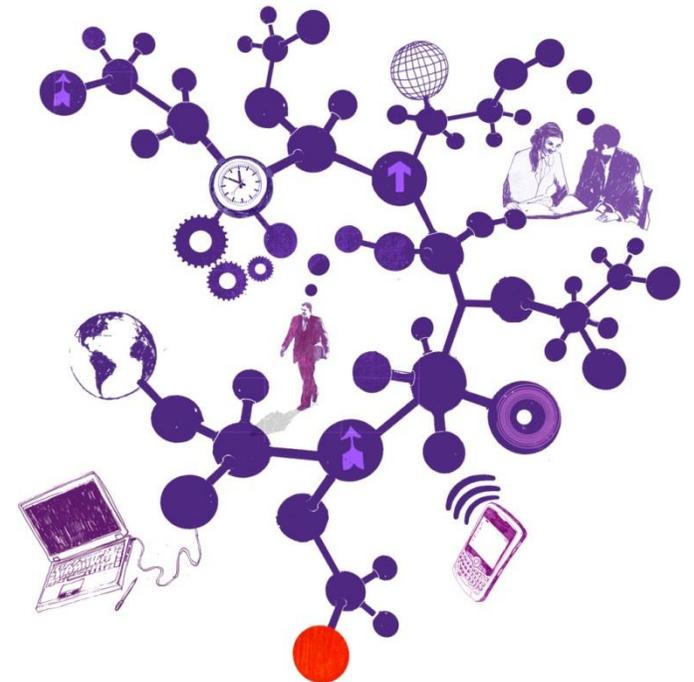
Year ended 31 March 2016

February 2016

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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.

Contents

Section	Page
Introduction	4
Progress February 2016	5-6
Emerging issues and developments	
HMIC	7-9
Central government (inc Home Office)	10-12
National Audit Office	13
Grant Thornton	14-16

Introduction

This paper provides the Joint Audit and Ethics Committee (JAEC) 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.

Members of the Joint Audit and Ethics 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
- All aboard? our local government governance review 2015
- Stronger futures: development of the local government pension scheme.

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 February 2016

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 and the Chief Constable setting out our proposed approach in order to give an opinion on the Police and Crime Commissioner (PCC) and Group and the Chief Constable's 2015/16 financial statements.</p>	7 March 2016	Yes	The Audit Plan will be presented to the 7 March 2016 Joint Audit and Ethics Committee. We continue to assess the risks facing both organisations and meet with senior officers to ensure that these risks are fully understood and our audit work is appropriate. Any changes to our plan between our initial risk assessment and the delivery of your opinion we be reported in our Audit Findings Report.
<p>Interim accounts audit Our interim fieldwork visits include:</p> <ul style="list-style-type: none"> • updating our review of the PCC and 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 • Interim work on the Value for Money conclusion. 	February to March 2016	In progress	<p>Page 16 of the Audit Plan, also on this agenda, includes a summary of the results of our interim work completed to date.</p> <p>We will continue to engage with the finance team to discuss any emerging issues. We plan to undertake as much early testing as possible.</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 (PCC) and Group and the Chief Constable's 2015/16 accounts • proposed Value for Money conclusions. 	Mid June – late July 2016	Not started	<p>We will discuss with the senior finance staff any key accounting and audit issues to assist the smooth running of the final accounts audit.</p> <p>We will undertake work on your draft financial statements to provide our opinions by the statutory deadline.</p> <p>We have agreed with officers that we plan to complete our work by 31 July 2016, ahead of the national timetable, in preparation for the earlier deadlines in 2017/18.</p>

Progress at February 2016

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 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 outcomes for taxpayers and local people."</i></p> <p>The sub-criteria we will use to consider this conclusion are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties. 	January – July 2016	In progress	We will undertake work on the VFM risks identified, including attending meetings with key officers. We will provide our conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources by the statutory deadline. We plan to complete our work by 31 July 2016.
<p>Annual Audit Letter</p> <p>A summary of all work completed as part of the 2015/16 audit.</p>	October 2016	Not started	We will summarise our findings from the 2015/16 audit and report to the 12 December 2016 Joint Audit and Ethics Committee.

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.

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.

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.

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 efficient.

HMIC found that '*Lancashire Constabulary is exceptionally well prepared to face its future financial requirements. It has a good understanding of the main elements of demand and uses its resources well. It is taking clear and effective steps to tailor its future workforce plans to meet longer term changes in demand, as well as future organisational and financial requirements. It has an excellent track record of robust financial management to achieve planned savings and had developed plans for future savings. In last year's value for money inspection, which considered how forces had met the challenge of the first spending review period, Lancashire was judged to be outstanding.*'

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.

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.

Spending review 2015 and police funding reform

Treasury and Home Office

On 22 July 2015 the Chancellor of the Exchequer formally commissioned 'Spending Review 2015' which will make an initial allocation of what the government spends in the years from 2016/17 to 2020/21.

The document *A country which lives within its means* stresses the priority that the government attaches to growth and productivity including the local growth fund and the Northern Powerhouse. It reaffirms the commitment to radical devolution in England through further deals and integration of public services and confirms that departments will be asked to set out their contribution to the public sector land programme as part of their Spending Review bids in order to realise the government's housing ambitions.

You will also see from the document that HM Treasury has invited government departments to set out plans for reductions to their Resource budgets. In line with the approach taken in 2010, HM Treasury is asking departments to model two scenarios, of 25% and 40% savings in real terms, by 2019/20. In addition representative bodies, interest groups and individuals were invited to submit written representations to HM Treasury by 4 September 2015. The Spending Review was announced on 25 November 2015.

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).

Following a comprehensive review of the PAF, which is almost 10 years old, the Home Office believes that the formula should be replaced by a simplified model as soon as it is appropriate to do so. The proposed new model would use population levels, the underlying characteristics of that population and environmental characteristics to determine how money is allocated. The intention is to create a fairer and more transparent method of allocating financial resources.

Code of Audit Practice

National Audit Office

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 Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the "VFM conclusion".)

The NAO have supplemented the Code with detailed auditor guidance in specific areas. The audit guidance on the auditor's work on value for money arrangements in Police Bodies was issued in November 2015.

Knowing the Ropes – Audit Committee Effectiveness Review

Grant Thornton

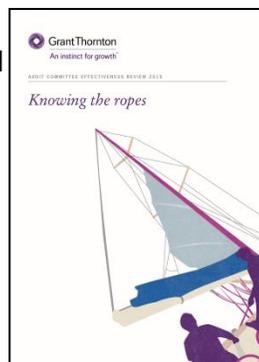
This is our first cross-sector review of audit committee effectiveness encompassing the corporate, not for profit and public sectors. It provides insight into the ways in which audit committees can create an effective role within an organisation's governance structure and understand how they are perceived more widely. It is available at <http://www.grantthornton.co.uk/en/insights/knowning-the-ropes--audit-committee-effectiveness-review-2015/>

The report is structured around four key issues:

- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

It raises key questions that audit committees, board members and senior management should ask themselves to challenge the effectiveness of their audit committee.

Our key messages are summarised opposite.



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.

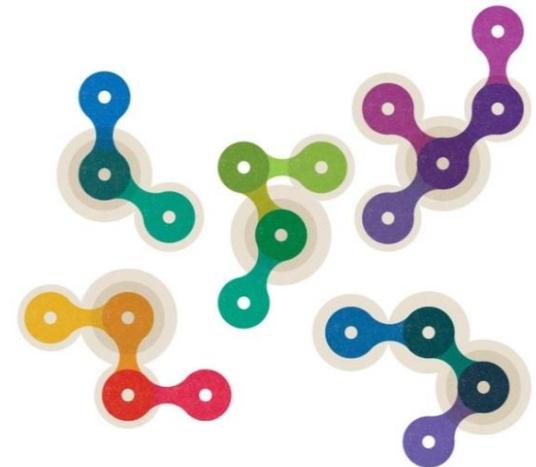
With research partner Localis we have spent recent months speaking to senior figures across local and central government to get under the bonnet of devolution negotiations and understand best practice from both local and national perspectives. We have also directly supported the development of devolution 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/>



Growing healthy communities: The Health and wellbeing index

Grant Thornton market insight

Our Place Analytics team reveals how collaboration between local authority stakeholders can help address health quality determinants (social, economic and environmental) and result in improved health outcomes (quality of lifestyle and health conditions).

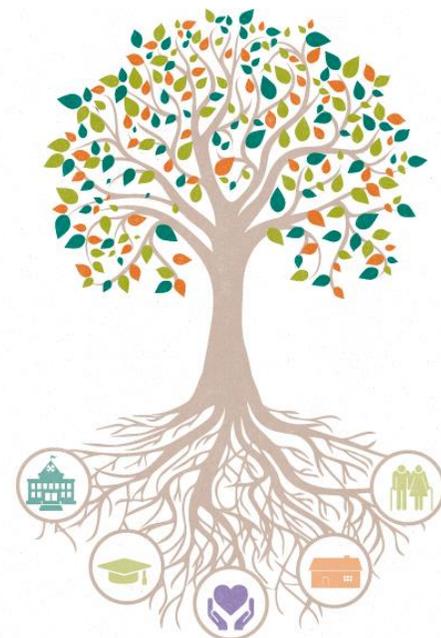
It has long been recognised that the health of a population is strongly linked to the circumstances in which people live. Our index assesses 33 key health determinants and outcomes of health for the 324 English local authorities, to provide a coherent, national story on health and wellbeing. It highlights the scale and nature of inequality across the country and reiterates the need for a local, place-based approach to tackling health outcomes.

The purpose of this report is to help stakeholders – NHS providers and clinical commissioning groups (CCGs), local authorities, health and social care providers, housing associations, fire authorities and the police – to improve collaboration through a better understanding of the correlation between the economic, social and environmental health determinants and the health outcomes within their locality. It includes a concluding checklist of questions to help facilitate discussions in the light of joint service needs assessments.

The data behind the index also allows segmentation which reveals areas around the country with similar health determinants, but better outcomes. This underscores the need to work in collaboration with peers that may not be 'next door' if there is an opportunity to learn from 'others like us'.

Our report, Growing healthy communities: Health and Wellbeing Index, can be downloaded from our website: <http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2015/growing-healthy-communities-health-and-wellbeing-index.pdf>

Hard copies of our report are available from your Engagement Lead and Audit Manager





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