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Office of the Police and Crime Commissioner for Leicestershire and Office of the Chief Constable for Leicestershire

Report to those charged with governance

Report to the Joint Audit Risk and Assurance Panel (JARAP) on the audit for the year ended 31 March 2014 *(ISA (UK&I)) 260)*

Government and Public Sector

August 2014

pwc

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

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An audit of the Statement of Accounts is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters. We have issued a number of reports during the audit year, detailing the findings from our work and making recommendations for improvement, where appropriate.

Executive summary

Background

This report tells you about the significant findings from our audit. We presented our plan to you in March 2014; we have reviewed the plan and concluded that it remains appropriate subject to the updating of our materiality levels for the actual 2013/14 financial results.

Audit Summary

- We have completed the majority of our audit work and expect to be able to issue an unqualified audit opinion on the Statement of Accounts in advance of the national deadline of 30th September 2014.

- The key outstanding matters, where our work has commenced but is not yet finalised, are:
  - receipt of outstanding bank and investment confirmations (Nationwide);
  - completion of our valuations work on the year end revaluations of land and buildings: review of the final output from our internal valuations team after discussions with your own valuer and receipt of managements formal impairment assessment for other material categories of assets;
  - final review of the work required for our value for money conclusion;
  - completion of our checks on the final, post audit, set of accounts;
  - approval and receipt of the approved Statement of Accounts and letters of representation; and
  - completion procedures including subsequent events review.

- There are some key judgments which require the attention of JARAP as 'those charged with governance' – further details are set out within the significant audit and accounting matters section of this report. The main items relate to presentation of the single entity and group financial statements and also the treatment of an adjusting post balance sheet event in the PCC single entity financial statements and Group.

The following reports have been issued to those charged with governance in 2013/14:

- ☐ 2013/14 Audit Plan – March 2014
- ☐ External Audit Progress Report – May 2014
- ☐ ISA 260 report to those charged with governance – September 2014.

Please note that this report will be sent to the Audit Commission in accordance with the requirements of its standing guidance.

We will provide a verbal update to you on progress on these matters at the meeting in September.

We look forward to discussing our report with you on 23rd September. Attending the meeting from PwC will be Ed Cooke and Maggie Gibbs.

Audit approach

Our audit approach was set in our audit plan which we presented to you in March 2014.

We have summarised below the significant risks we identified in our audit plan, the audit approach we took to address each risk and the outcome of our work.

Risk	PCC	CC	Audit approach and results of work performed
	Impact area		
Management override of controls ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. In every organisation, management may be in a position to override the routine day to day financial controls. Accordingly, for all of our audits, we consider this risk and adapt our audit procedures accordingly.	Financial Statements	Financial Statements	We updated our understanding of the Group's controls over manual journals and access to systems. Our final accounts procedures included testing of: • the appropriateness of journals processed during the year; • key year-end control account reconciliations, including the bank reconciliation; • transactions recorded after the year-end; • the existence of equipment items (unpredictable); and • significant management estimates. No issues were identified during this work.

Risk	PCC	CC	Audit approach and results of work performed
	Impact area		
Fraud risk in income and expenditure recognition Under ISA (UK&I) 240 there is a presumption that there are risks of fraud in revenue recognition. We extend this presumption to the recognition of expenditure in local government.	▶ Financial Statements	Financial Statements	We sought to understand and evaluate the controls relating to income and expenditure, liaising with and seeking to place reliance upon the testing performed by Internal Audit wherever possible. During the final audit visit we evaluated the accounting policies for income and expenditure recognition and tested: • the appropriateness of journal entries and other adjustments; and • accounting estimates for provisions, accruals, expenditure and income. No issues were identified during this work.

Other audit plan risks (not considered significant)

Risk	PCC	CC	Audit approach and results of work performed
	Impact area		
Stage 1 and Stage 2 transfers New accounting arrangements, including the production of single entity and group financial statements, were implemented in 2012/13. The single entity financial statements are driven by the governance Arrangements established within individual policing areas (reflecting the relative roles and responsibilities of the PCC and the CC). Confirmation has been received From the Home Office that the Stage 2 transfers will take place on 1 April 2014. The impact of the transfer will need to be considered when producing the 2013/14 financial statements.	▶ Financial Statements	Financial Statements	We have understood and reviewed your approach for the accounting in 2013/14 single entity and group financial statements. We have considered your approach taken in relation to the latest guidance issued via CIPFA LAAP bulletins and also Audit Commission interpretations and clarifications. We have no concerns to report in relation to the accounting in the single entity and group financial statements for 2013/14 and the presentations and disclosure of material transactions and balances.

Risk	PCC	CC	Audit approach and results of work performed
	Impact area		
Going Concern / Financial Climate: Short / Medium Term Financial Strategy and Financial Standing During 2011/12 and 2012/13 you continued to deliver significant savings. However, significant challenges continue around reducing costs over the next few years. The scale of the challenge within Leicestershire Police is to remove circa £25m of operating budget expenditure by 2015/16.	Value for Money	Value for Money	We have reviewed your latest MTFS and understood your key assumptions and risks. We have utilised the work of HMIC in the latest value for money report issued in July 2014 to inform our views and assessment. Further details can be found in the Economy, efficiency and effectiveness section later on in this report. We anticipate issuing an unmodified value for money conclusion.

Intelligent scoping

In our audit plan presented to you in March 2014 we reported our planned overall materiality which we used in planning the overall audit strategy. Our materiality levels were updated on receipt on the 13/14 draft financial statements.

Our revised materiality levels are as follows:

	GROUP	PCC	CC
	£	£	£
Overall materiality	5,550,820	3,844,640	4,066,580
Clearly trivial reporting de minimis	250,000	192,000	203,000

Overall group materiality has been set at 2% of actual expenditure for the year ended 31 March 2014.

ISA (UK&I) 450 (revised) requires that we record all misstatements identified except those which are “clearly trivial” i.e. those which we do expect not to have a material effect on the financial statements even if accumulated. We agreed the de minimis threshold with the Audit Committee at its meeting in March 2014 to be set at 5% of overall materiality and capped at £250,000 which is the ‘clearly trivial’ level applied by the NAO for Whole of Government Accounts. The ‘clearly trivial’ levels for the PCC and CC were updated to the values shown above upon receipt of the draft financial statements.

Significant audit and accounting matters

Auditing Standards require us to tell you about relevant matters relating to the audit of the Statement of Accounts sufficiently promptly to enable you to take appropriate action.

Accounts

We have completed our audit, subject to the following outstanding matters:

- receipt of outstanding bank and investment confirmations (Nationwide);
- completion of our valuations work on the year end revaluations of land and buildings: review of the final output from our internal valuations team after discussions with your own valuer and receipt of managements formal impairment assessment for other material categories of assets;
- final review of the work required for our value for money conclusion;
- completion of our checks on the final, post audit, set of accounts;
- approval and receipt of the approved Statement of Accounts and letters of representation; and
- completion procedures including subsequent events review.

Subject to the satisfactory resolution of these matters, the finalisation of the Statement of Accounts and their approval of them we expect to issue an unqualified audit opinion.

Accounting issues

Transition to Police and Crime Commissioner – Accounting Arrangements (PCC (and Group) and CC)

On 15 September 2011 the Police Reform and Social Responsibility Act 2011 received Royal Assent in Parliament, introducing a significant change in the way the police forces in England and Wales are governed and held accountable. On 22 November 2012, a Police and Crime Commissioner (PCC) was elected and appointed for Leicestershire and the Police Authority was abolished. The PCC and Chief Constable (CC) of Leicestershire became 'corporation sole' bodies at that date.

The 2012/13 audit required new accounting arrangements to be implemented with single entity and group financial statements being produced for the first time. The single entity financial statements were driven by the governance arrangements established between the PCC and the CC.
It was identified by CIPFA and the Audit Commission that varying approaches were taken in the accounting treatments used in the 2012/13 financial statements for different police bodies and that further clarification and guidance was being sought. CIPFA therefore released further guidance in March 2014 for police bodies to consider.

As a consequence of the updated legislation and additional guidance and interpretations issued by CIPFA and the Audit Commission, it was decided by management that the financial statements should be revisited and updated to reflect the fact that the majority of the employee related costs relate to operational policing matters and therefore fall under the single entity financial statements of the Chief Constable rather than the Police and Crime Commissioner.

We have reviewed management's assessment and disclosure in the group and single entity financial statements and conclude that the presentation and disclosure is materially fairly stated in the financial statements.

Pensions Liability

The most significant estimate in the Statement of Accounts is in the valuation of net pension liabilities for employees in the Local Government Pension Scheme and the Police Pension Schemes. The net pension surplus/liability at 31 March 2014 was £1,607 million (2013 - £1,577 million).

We reviewed the reasonableness of the assumptions underlying the pension liability, and we are comfortable that the assumptions are within an acceptable range.

We utilised the work of actuarial experts to assess the assumptions applied by the Group for its Police Pension schemes and local government pension scheme.

We validated the data supplied to the actuary on which to base their calculations.

Changes to IAS 19: Employee Benefits

From 2013/14 there have been changes to the accounting for defined benefit schemes and termination benefits. These changes have been reflected in the Group's financial statements with no issues noted.

Post Balance Sheet Events

At the balance sheet date, there was legal action issued by the OPCC against Blaby District Council asking for a judicial review of a housing development approved by the Council. There was no provision or contingent liability disclosed in the 2013/14 financial statements, as the results of the judicial review were not known and there was no evidence to the outcome of the review.

In May 2014 the judicial review found in favour of Blaby District Council. The Police are therefore liable for the costs incurred by Blaby District and Leicestershire County Councils.

The costs awarded were £56,600 (for both Blaby District and Leicestershire County Councils). Given the magnitude of the figures involved, management are not minded to adjust the financial statements for this adjusting post balance sheet event.

This was discussed during our audit clearance meeting and we concluded that given the values are under our 'clearly trivial' levels, we are not minded to disagree with management's assessment not to amend the financial statements.

The cost will go through the 2014/15 budget as additional in year spend.

Misstatements and significant audit adjustments

We have to tell you about all uncorrected misstatements we found during the audit, other than those which are trivial. We are pleased to say we have not found any uncorrected misstatements (or indeed corrected misstatements) above the agreed reporting levels.

Significant accounting principles and policies

Significant accounting principles and policies are disclosed in the notes to the Statement of Accounts for both the PCC (and Group) and the CC. We have noted that the policies of the PCC (and Group) and the CC are consistent. We will ask management to represent to us that the selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the Statement of Accounts have been considered.

Judgments and accounting estimates

The Authority is required to prepare its financial statements in accordance with the CIPFA Code. Nevertheless, there are still many areas where management need to apply judgement to the recognition and measurement of items in the financial statements. The following significant judgements and accounting estimates were used in the preparation of the financial statements:

- Pensions Liability
- Property, Plant and Equipment - Depreciation and Valuation
- Bad Debt Provision
- Accruals

Our conclusions on these judgments are as follows:

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Group with expert advice about the assumptions to be applied.

The accounts include a non-current liability at 31 March 2014 of £1,607 million (31 March 2013: £1,577 million) in respect of the Groups' overall liability to the Leicestershire Local Government Pension Scheme and the Police Pension Schemes.

We have assessed the assumptions used by the scheme actuary and reviewed them against independent sources, and did not find any issues or concerns with the assumptions used. As is our usual practice, we will be requesting that the Group confirms the appropriateness of these assumptions in the letter of representation.

Property, Plant and Equipment: Valuation and Useful Economic Lives

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.

The valuation of non-current assets is a further area of significant judgment within the accounts. We have considered the assumptions used by the Authority's external valuers (Leicestershire County Council) for the 2013/14 financial statements. The valuation covers all land and building assets. We expect to finally conclude that the assumptions used were reasonable and not likely to result in a material misstatement of the carrying value of your land and buildings.

We have updated our understanding of the processes adopted by the Group as part of its assessment for determining the useful economic lives of its asset base and significant components, which is principally through ongoing dialogue and discussions with its valuer and industry expectations. We have not found any issues or concerns with the process adopted and the lives assigned to each significant asset class or component.

Management have been requested to carry out a further impairment review to formally assess if there are any indicators of impairment on its other material PPE asset categories. We have reviewed the principles of the assessment and expect to formally conclude that management have satisfied themselves that there are no material impairments that should be reflected in the 2013/14 financial statements.

Accruals

Accruals for expenditure and income are raised where an invoice has not been received or raised at the year-end, but the Group knows that there is a liability to be met which relates to the current year. This involves a degree of estimation. Detailed testing was performed on significant accruals. No issues were noted from this work.

Allowance for doubtful debts

We reviewed the process the Authority has in place to determine its allowance for doubtful debts when preparing the accounts. We considered the assumptions used and concluded that there was not a risk of material misstatement arising from the estimation technique used.

Disagreements with management

There were no disagreements with management, individually or in aggregate, which could be significant to the entity's Statement of Accounts or our audit report.

Whole of Government Accounts

As part of our work on the Statements of Accounts we have also examined the Whole of Government Accounts schedules submitted via the Data Collection Tool (DCT).

Guidance issued by the National Audit Office (NAO) states:

"Although Police and Crime Commissioners (PCCs) and Chief Constables (CCs) are separate reporting entities; it is only the group position that is being collected for WGA purposes consequently the PCC will complete a DCT on behalf of the group."

The NAO has updated its approach to the audit of WGA; the key change for 2013/14 is that the audit threshold for component auditors has been raised to **£350 million** (from £300 million in 2012/13). On this basis we are required to undertake only limited specific procedures.

We expect to have completed this work by 30 September 2014.

Management representations

The final draft of the representation letter that we ask management to sign is attached as a separate paper to this report.

Related parties

In forming an opinion on the financial statements, we are required to evaluate:

- whether identified related party relationships and transactions have been appropriately accounted for and disclosed; and
- whether the effects of the related party relationships and transactions cause the financial statements to be misleading.

We did not identify any matters during the course of our work.

We also undertook some procedures to gain assurance over completeness of related parties, these included:

- Checking a listing of supplier spend against related parties disclosed in the accounts and related parties disclosed by senior management. We found no inconsistencies.
- Internet searches on top ten suppliers for any potential undisclosed related parties. We found no inconsistencies or matters to report.
- Review a selection of new suppliers set up in year for any undisclosed related parties. We found no inconsistencies or matters to report.

Audit independence

We are required to follow both the International Standard on Auditing (UK and Ireland) 260 (Revised) "Communication with those charged with governance", UK Ethical Standard 1 (Revised) "Integrity, objectivity and independence" and UK Ethical Standard 5 (Revised) "Non-audit services provided to audited entities" issued by the UK Auditing Practices Board.

Together these require that we tell you at least annually about all relationships between PricewaterhouseCoopers LLP in the UK and other PricewaterhouseCoopers' firms and associated entities ("PwC") and the Group that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity.

Relationships between PwC and the Group

We are aware of the following relationships that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity and which represent matters that have occurred during the financial year on which we are to report or up to the date of this document.

Relationships and Investments

We have not identified any potential issues in respect of personal relationships with the Authority or investments in the Group held by individuals.

Employment of PricewaterhouseCoopers staff by the Group

We are not aware of any former PwC partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management position covering financial, accounting or control related areas.

Business relationships

We have not identified any business relationships between PwC and the Group.

Services provided to the Group

The audit of the Statement of Accounts is undertaken in accordance with the UK Firm's internal policies. The audit is also subject to other internal PwC quality control procedures such as peer reviews by other offices.

We have undertaken no additional non audit work in relation to the audit of the Statement of Accounts for 2013/14.

Fees

The analysis of our audit and non-audit fees for the year ended 31 March 2014 is included within our fees update section later on in this report.

Services to Directors and Senior Management

PwC does not provide any services e.g. personal tax services, directly to directors, senior management.

Rotation

It is the Audit Commission's policy that engagement leaders at an audited body at which a full Code audit is required to be carried out should act for an initial period of five years. The Commission's view is that generally the range of regulatory safeguards it applies within its audit regime is sufficient to reduce any threats to independence that may otherwise arise at the end of this period to an acceptable level. Therefore, to safeguard audit quality, and in accordance with APB Ethical Standard 3, it will subsequently approve engagement leaders for an additional period of up to no more than two years, provided that there are no considerations that compromise, or could be perceived to compromise, the auditor's independence or objectivity.

We wrote to both the OPCC and the OCC on 8 July 2014, to inform both bodies of a change in engagement leader due to Mark Jones taking a full time secondment in a senior position in the health service. The secondment will be a full time commitment leaving little or no time for Mark to meet his existing PwC commitments.

Richard Bacon, lead Partner responsible for all PwC's Public Sector Assurance work in the Midlands and Audit Commission work nationally has taken over as engagement leader during Mark's current secondment and has additional manager support from Edward Cooke.

Gifts and hospitality

We have not identified any significant gifts or hospitality provided to, or received from, a member of Group's, senior management or staff.

Conclusion

We hereby confirm that in our professional judgement, as at the date of this document:

- we comply with UK regulatory and professional requirements, including the Ethical Standards issued by the Auditing Practices Board; and
- our objectivity is not compromised.

We would ask the Committee to consider the matters in this document and to confirm that they agree with our conclusion on our independence and objectivity.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: "Delivering Good Governance in Local Government". The AGS was included in the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA / SOLACE "Delivering Good Governance in Local Government" framework and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Economy, efficiency and effectiveness

Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

The Audit Commission guidance includes two criteria:

- The organisation has proper arrangements in place for securing financial resilience; and
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We determine a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

We anticipate issuing an unqualified value for money conclusion. We have identified the following matters which we wish to bring to your attention are:

We review your MTFS covering the period 2014/15 to 2016/7. The key assumptions as reported at the January Police and Crime Panel are:

- council tax increase of 1.5% and increases of 2% from 2015/16, and that the council tax base grows at 0.8% per annum;
- there is no new council tax freeze grant after 2015/16;
- all existing council tax freeze grants are baselined and continue;
- Government funding reductions are 3.2% in 2015/16 and 5% in 2016/17;
- the collecting authorities' LCTS schemes deliver a cash neutral position when combined with the council tax support grant from the Government;

- pay and price increases are assumed at realistic levels;
- no additional, unfunded responsibilities are given to the PCC;
- the BER (Budget Equalisation Reserve) can fund any necessary invest to save projects and further borrowing beyond the capital programme is not required;
- the sum of £2m over three years will be set aside by the PCC to support the force to prioritise community and neighbourhood safety and targeted to sustaining and developing levels of neighbourhood policing and numbers of PCSOs, particularly concentrating on anti-social behaviour (ASB) hotspots; and
- the force is committed to deliver a Volunteer Strategy which is intended to increase Volunteers by 1,000 over three years.

We could comment that although the track record of Leicestershire in delivering savings has been strong (which is supported by previous and recent HMIC work as well as our own views), there must be continued focus to ensure plans remain realistic following any change of direction in assumptions leading up to and post the general election in 2015.

Overall, we have no concerns to report over the assumptions and modelling used in your MTFS. As you recognize:

- there is only a firm Government announcement of funding for 2014/15;
- the impact of the new LCTS is unpredictable,;
- there is at least another CSR in the time frame covered; and
- there is a formula review to be undertaken.

Any one of these makes funding predictions challenging and in combination there is prospect of further volatility.

We would support your view that the MTFS needs to be kept under close review.

Other regulatory reviews and findings

HMIC have issued the latest Value for Money Inspection report in July 2014, 'Responding to Austerity'.

The inspection focussed on three key themes:

- to what extent is the force taking the necessary steps to ensure a secure financial position for the short and long term?
- to what extent has the force an affordable way of providing policing? and
- to what extent is the force efficient?

HMIC issued an overall judgement of 'Good' and 'Good' for all of the criteria listed above. This is one of two positive statements that HMIC issue in their inspection reports.

'Leicestershire Police has made good progress in its response to the spending review challenge, and continues to develop its plans to address the future while protecting its communities.'

The key overall messages were:

- Leicestershire Police is on track to achieve its required savings of £36.1m over this spending review period. Achieving these savings depends on the future success of the force's change programme, the implementation of the new operating model, increased collaboration, and removing cost from processes.

- In 2015/16 and 2016/17 the plans to address the budget gap are based on further modernisation, leading to further reductions in the workforce, a continued decrease in the size of the estate, additional savings from the centralisation of budgets, and expanding upon potential collaboration opportunities.

- The force has a strong track record of achieving significant savings from its non-pay costs and investing these in the provision of frontline policing. It uses robust workforce modelling, supported by good governance, to ensure that planned changes are made appropriately and that associated savings are achieved.
- Leicestershire Police has put in place a more sustainable approach to making savings, which includes moving to a model of policing based on affordable workforce numbers. The force understands the issues it faces, and is achieving the required savings today while planning for the future.

Specific messages within the HMIC report are consistent with our own views and therefore not repeated in detail for each specific theme.

Conclusion

Overall, following our review of the MTFS and coupled with the review and the findings of HMIC value for money review, we concluded there are robust arrangements in place at Leicestershire that help it achieve financial resilience and have a continued focus on delivering and securing value for money through good financial management its change programme to deliver operational and financial savings.

Leicestershire police are therefore well placed to meet and deliver against the backdrop of current and future pressures on funding and resources.

We would reaffirm the need for a continued drive on both delivery of efficiency plans through continued strong collaborative arrangements and the delivery of its change programme alongside maintaining and improving on overall victim satisfaction levels as the key indicator to your overall performance.

Internal controls

Accounting systems and systems of internal control

Management are responsible for developing and implementing systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. As auditors, we review these arrangements for the purposes of our audit of the Statement of Accounts and our review of the annual governance statement.

We have not identified any significant weaknesses in internal controls which require to be brought to your attention. However, we have discussed our Information Technology General Controls (ITGC) findings with management and wish to draw this to your attention also, however these did not impact our audit approach and therefore are not repeated in detail as part of this report.

Risk of fraud

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

Auditors' responsibility

Our objectives are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

Management's responsibility

Management's responsibilities in relation to fraud are:

- to design and implement programmes and controls to prevent, deter and detect fraud;
- to ensure that the entity's culture and environment promote ethical behaviour; and
- to perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.

Responsibility of the Joint Audit, Risk and Assurance Panel (JARAP)

Your responsibility as part of your governance role is:

- to evaluate management's identification of fraud risk, implementation of anti-fraud measures and creation of appropriate "tone at the top"; and
- to investigate any alleged or suspected instances of fraud brought to your attention.

Your views on fraud

In our audit plan presented to the JARAP in March 2014 we enquired:

- Whether you have knowledge of fraud, actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistle-blower lines) are in place in the entity?
- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, actual, suspected or alleged?

In presenting this report to you we ask for your confirmation that there have been no changes to your view of fraud risk and that no additional matters have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud is included in the letter of representation.

Conditions under which fraud may occur

Management or other employees have an incentive or are under pressure

Opportunity	Rationalisation/attitude
Circumstances exist that provide opportunity – ineffective or absent control, or management ability to override controls	Culture or environment enables management to rationalise committing fraud – attitude or values of those involved, or pressure that enables them to rationalise committing a dishonest act

Fees update

Fees update for 2013/14

We reported our fee proposals in our plan.

Our fees for the year are expected to be:

Audit fee - Statement of Accounts - Value for Money Conclusion - Whole of Government Accounts	**2013/14 expected outturn**	**2013/14 fee proposal**
Audit Fee PCC and Group *	43,240	43,240
Audit Fee CC	20,000	20,000
TOTAL	**63,240**	**63,240**

*At the time of writing this report, we have not received any requests from other auditors regarding specific procedures on EMSOU.

Appendices

Appendix 1: Summary of uncorrected misstatements

We are pleased to report that the audit found no unadjusted misstatements (or indeed corrected misstatements), above the agreed reporting levels.

The summary of uncorrected misstatements level for the Group, PCC and CC single entity accounts are detailed earlier in this report are £250,000, £192,000 and £203,000 respectively.

There are no material disclosure omissions that we wish to bring to your attention.

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