

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

*Annual Audit Letter*

2013/14

Government and  
Public Sector

October 2014

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## **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.*

An audit 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.

# Introduction

## The purpose of this letter

This letter summarises the results of our 2013/14 audit work for members of the organisations and Group.

We have already reported the detailed findings from our audit work to the Joint Audit Risk and Assurance Panel (JARAP) in the following reports:

- 2013/14 annual plan;
- Progress report;
- Audit opinion for the 2013/14 financial statements, incorporating conclusion on the proper arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- Report to those charged with Governance (ISA (UK&I) 260).

The matters reported here are the most significant for the Authority

## Scope of Work

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Our 2013/14 audit work has been undertaken in accordance with the Audit Plan that we issued in January 2014 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

We met our responsibilities as follows:

Audit Responsibility	Results
Perform an audit of the accounts and pension fund accounting statements in accordance with the Auditing Practice Board's International Standards on Auditing (ISAs (UK&I)).	<p>We reported our findings to the JARAP at its meeting on 23 September 2014 in our 2013/14 Report to those charged with governance (ISA (UK&amp;I) 260).</p> <p><b>On 29 September 2014 we issued an unqualified audit opinion.</b></p>
Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.	<p>We reported our findings to the National Audit Office on 29 September 2014.</p> <p>We were only required to issue an e-mail to confirm the audit threshold calculations and whether the entries in the consolidation pack for Property, Plant and Equipment and IAS 19 Pensions Liability are consistent with the financial statements, as your financial statements were below the audit threshold above which we would be required to conduct full procedures on the return.</p> <p><b>We had no issues to report.</b></p>

Audit Responsibility	Results	Audit Responsibility	Results
<p>Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.</p>	<p>We reported our findings to JARAP at its meeting on 23 September 2014 in our 2013/14 Report to those charged with governance (ISA (UK&amp;I) 260).</p> <p><b>On 29 September 2014 we issued an unqualified audit opinion</b></p>	<p>Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.</p>	<p><b>There were no issues to report in this regard.</b></p>
<p>Consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.</p>	<p>We reported our findings to JARAP at its meeting on 23 September 2014 in our 2013/14 Report to those charged with governance (ISA (UK&amp;I) 260).</p> <p><b>There were no issues to report in this regard.</b></p>	<p>Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.</p>	<p><b>We issued our audit completion certificate on 29 September 2014.</b></p>
<p>Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.</p>	<p><b>There were no issues to report in this regard.</b></p>		

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# Audit Findings

## Accounts

We audited the accounts in line with approved Auditing Standards and issued an unqualified audit opinion on 29 September 2014.

We reported the following significant findings from our audit in our report to the JARAP on 23 September 2014:

- the financial statements and supporting schedules were ready within the agreed timetable. The quality of the working papers and draft accounts were again of a high standard. The finance staff were helpful and co-operative throughout;
- our work on the systems identified no material weakness, with some recommendations reported for action; and
- no material errors or errors above the SUM reporting level were found in our work on the accounts.

The main accounting and auditing issues related to:

- the impact of the Police Reform and Social Responsibility Act 2011 on accounting in the first full year of the new arrangements; and
- the treatment of the conclusion of a legal case which concluded as a post balance sheet event..

## Transition to Police and Crime Commissioner - Accounting Arrangements

On 22 November 2012, a Police and Crime Commissioner (PCC) was elected and appointed for Leicestershire and the Police Authority was replaced. The PCC and Chief Constable

(CC) of Leicestershire became 'corporation sole' bodies.

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.

CIPFA and the Audit Commission identified inconsistent accounting nationally in the 2012/13 financial statements. 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.

As reported in detail in our ISA 260 report, we reviewed management's assessment, approach and accounting treatment adopted for the 2013/14 financial statements. This resulted in us agreeing with the overall approach that management had taken when producing the financial statements, which was in line with the revised guidance.

## Post Balance Sheet Event

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 and costs of £56,600 were awarded to Blaby District and Leicestershire County Councils. Given the size of the award, management were not minded to adjust the financial statements for this post balance sheet event.

This was discussed during our audit clearance meeting we agreed that this was clearly not material and was below our level for reporting.

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

### *Use of Resources*

We carried out sufficient, relevant work in line with the Audit Commission's guidance, so that we could conclude on whether you had in place, for 2013/14, proper arrangements to secure economy, efficiency and effectiveness in your use of the Authority's resources.

In line with Audit Commission requirements, our conclusion was based on 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.

To reach our conclusion, we carried out a programme of work that was based on our risk assessment.

We issued an unqualified conclusion on the ability of the organisation to secure proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The key conclusions reached were:

Following our review of the MTFS and coupled with the review and the findings of HMIC value for money review, we concluded there are strong arrangements in place at Leicestershire Police that help it achieve financial resilience and have a continued focus on delivering and securing value for money through strong financial management and drive in its vision of modern policing reform. Leicestershire are therefore well placed to meet and deliver and against the current and future pressures on funding and resources.

We would reaffirm the need for a continued drive on both delivery of your efficiency plans and change programme through increased and innovative working (primarily identified through IT as the key driver). Whilst you also recognise that maintaining and improving victim satisfaction levels as the key indicator to your overall performance.

### *Annual Governance Statement*

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

### *Whole of Government Accounts*

We undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the Audit Commission. The Authority's accounts were below the audit threshold above which we would be required to conduct full procedures on the return. Therefore, we were only required to report to the National Audit Office on some specific tests. This work was completed prior to giving our opinion on the



accounts on 30 September 2014 and our submission to the National Audit Office was before the national deadline

*Electors' questions and objections*

We did not receive any electors' questions or objections regarding the 2013/14 financial statements.

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# *Final Fees*

## *Final Fees for 2013/14*

We reported our fee proposals in our audit plan.

Our actual fees were in line with our proposals in the audit plan at £43,240 for the Police and Crime Commissioner and £20,000 for the Chief Constable.





In the event that, pursuant to a request which the group has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. The Group agrees to pay due regard to any representations which PwC may make in connection with such disclosure and the group shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, the group discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for the group and solely for the purpose and on the terms agreed through our contract with the Audit Commission. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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