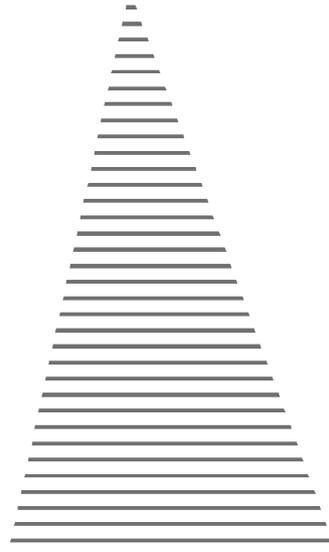


# The Police and Crime Commissioner for Leicestershire and Chief Constable for Leicestershire

Ernst & Young LLP

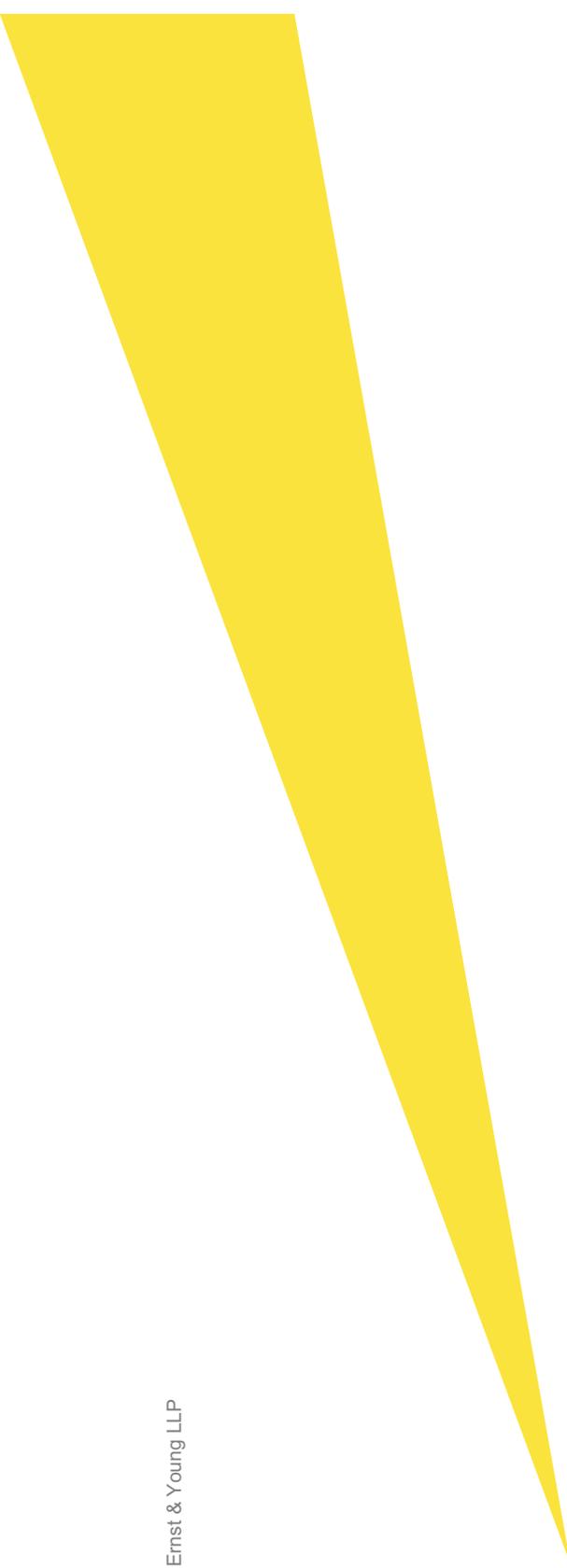
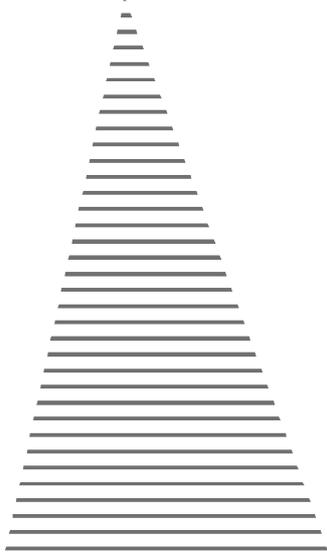
Annual Audit Letter for the year ended 31 March 2016

October 2016



Building a better  
working world

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies 2015-16". It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk))

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment from 1 April 2015' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



## Executive Summary

## Executive Summary

We are required to issue an annual audit letter to the Police and Crime Commissioner for Leicestershire (PCC) and the Chief Constable (CC) for Leicestershire following completion of our audit procedures for the year ended 31 March 2016.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the PCC, CC, Group and Pension Fund's:	We have issued an unqualified opinion for the PCC, CC, Group and Pension Fund – the financial statements give a true and fair view of the financial position of each entity as at 31 March 2016 and of its expenditure and income for the year then ended
<ul style="list-style-type: none"> <li>▶ Financial statements</li> <li>▶ Consistency of other information published with the financial statements</li> </ul>	<p>Other information published with the financial statements was consistent with the Annual Accounts</p> <p>We concluded that you have put in place proper arrangements to secure value for money in your use of resources</p>
Concluding on the PCC and CC's arrangements for securing economy, efficiency and effectiveness	
Area of Work	Conclusion
Reports by exception:	
<ul style="list-style-type: none"> <li>▶ Consistency of Governance Statement</li> <li>▶ Public interest report</li> <li>▶ Written recommendations to the PCC and CC, which should be copied to the Secretary of State</li> <li>▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014</li> </ul>	<p>The Governance Statement was consistent with our understanding of the PCC and CC</p> <p>We had no matters to report in the public interest</p> <p>We had no matters to report</p> <p>We had no matters to report</p>

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the PCC and CC's Whole of Government Accounts return (WGA).	We had no matters to report

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the PCC and CC communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 19 September 2016.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 23 September 2016.

We would like to take this opportunity to thank the Office of the Police and Crime Commissioner's staff and the staff of the Chief Constable for their assistance during the course of our work.

Stephen Clark  
Partner  
For and on behalf of Ernst & Young LLP

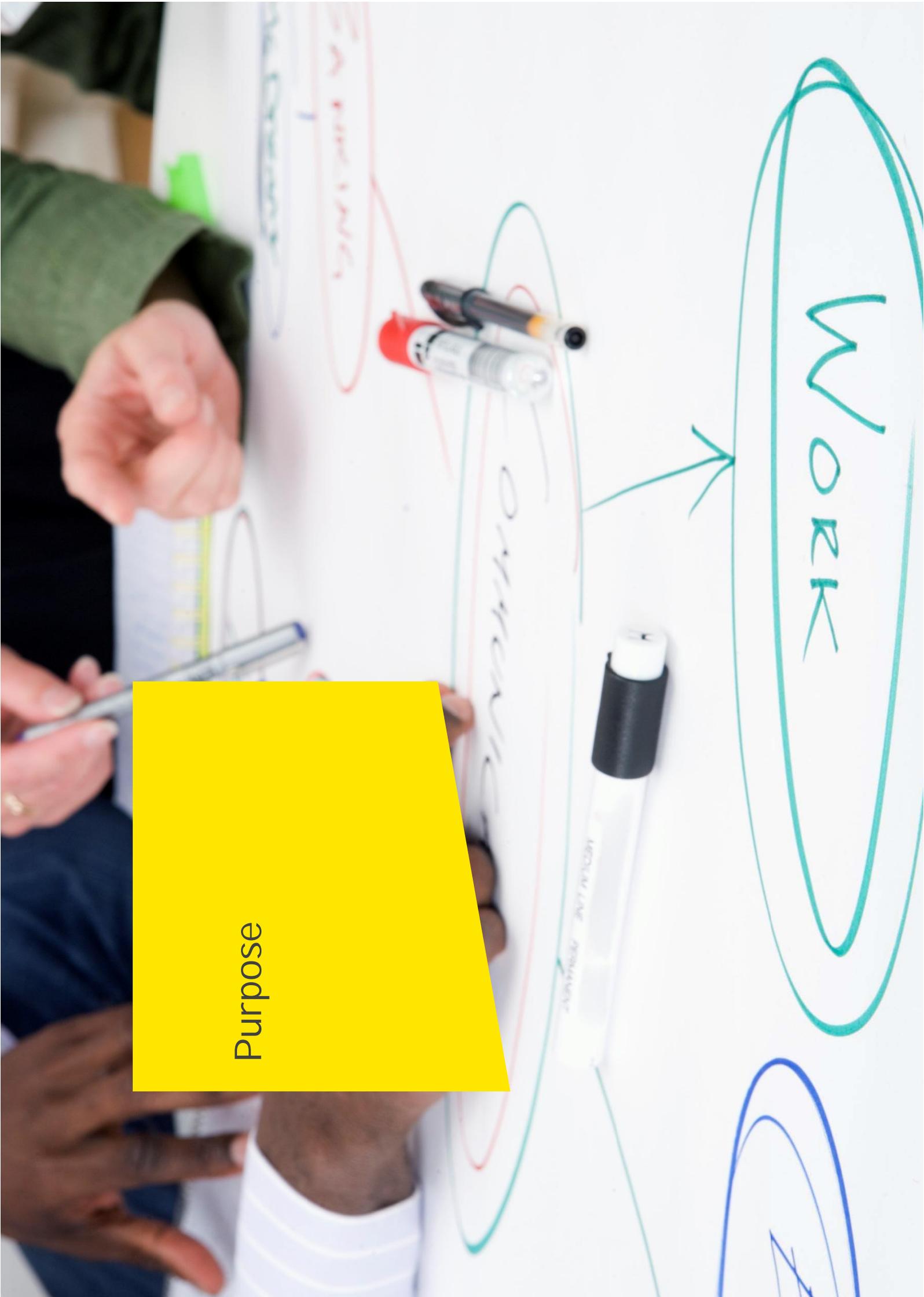
Work



Ownership

Ownership

Purpose



## Purpose

### The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the PCC and CC.

We have already reported the detailed findings from our audit work in our 2015/16 Audit Results Report to the 19 September 2016 JARAP Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the PCC and CC.



# Responsibilities

## Responsibilities

### Responsibilities of the Appointed Auditor

Our 2015/16 audit work has been undertaken in accordance with the Audit Plan that we issued on 23 February 2016 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2015/16 financial statements; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the PCC and CC has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the annual governance statement is misleading or not consistent with our understanding of the PCC and CC;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the PCC and CC, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

## Responsibilities of the PCC and CC

The PCC and CC are responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the PCC and CC reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The PCC and CC are also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

# Financial Statement Audit



## Financial Statement Audit

### Key Issues

The PCC and CCs Statement of Accounts is an important tool to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the PCC, CC, Group and Pension Funds Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 23 September 2016.

Our detailed findings were reported to the 19 September JARAP Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Management override of controls</p> <p>A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p>	<p>We tested the appropriateness of journal entries recorded in the general ledger along with the other adjustments made in the preparation of the financial statements, using the criteria we set. We reviewed accounting estimates most susceptible to management bias and evaluated the business rationale for any significant unusual transactions.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the PCC or CC's normal course of business</p>
<p>Revenue and expenditure recognition</p> <p>Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation.</p>	<p>We reviewed and tested revenue and expenditure recognition policies. We then reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias. We developed a testing strategy to test</p>

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We respond to this risk by reviewing and testing material revenue and expenditure streams and revenue cut-off at the year end.

material revenue and expenditure streams. We reviewed and tested cut-off at the period end date.

Our testing has not revealed any material misstatements with respect to revenue and expenditure recognition.

Overall our audit work did not identify any issues or unusual transactions which indicated that there had been any misreporting of the PCC and CC's financial position.

---

#### Joint Arrangements

The PCC/Group participates in collaborative arrangements with Nottinghamshire, Derbyshire, Lincolnshire and Northamptonshire.

We reviewed the underlying allocation of expenditure in the financial statements against agreements in place. We have tested transactions to ensure that they are correctly recorded in the financial statements and costs are correctly apportioned to other Local Police Bodies as appropriate.

Our testing has not revealed any material misstatements with respect to the balances.

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A close-up, vertical view of a stack of old, worn metal coins. The coins are layered, with some showing clear inscriptions like 'WYF' and 'WY'. The metal has a yellowish-brown patina, suggesting age. The lighting is dramatic, highlighting the textures and edges of the coins.

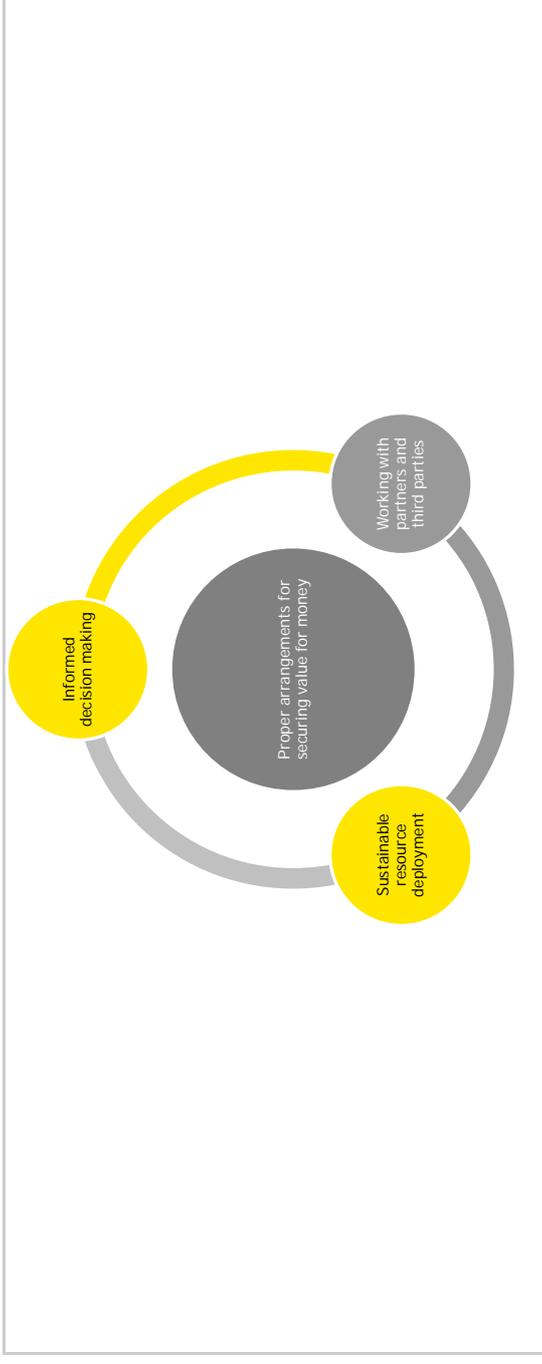
Value for Money

## Value for Money

We are required to consider whether the PCC and CC has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

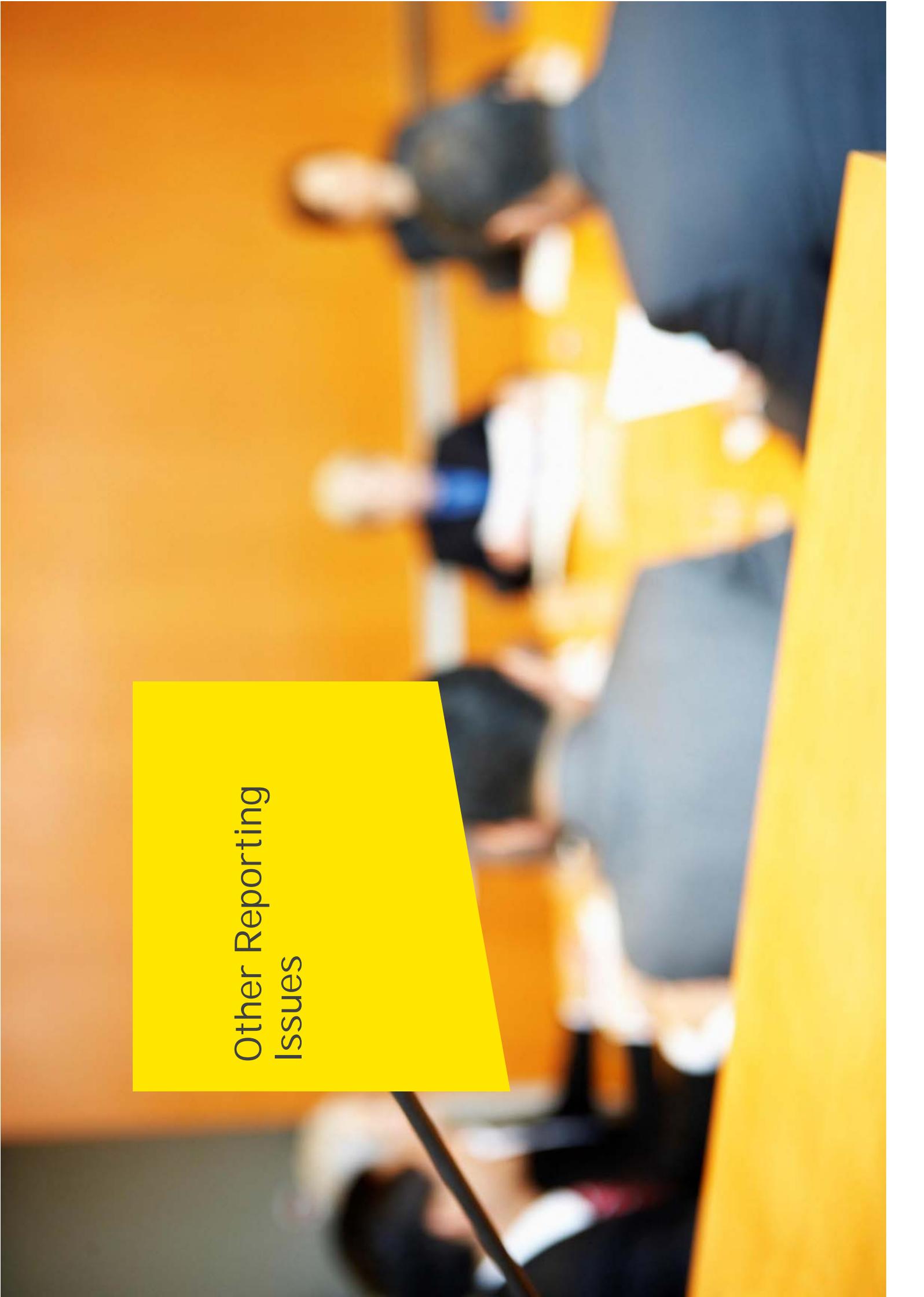
Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



We issued an unqualified value for money conclusion on 23 September for both PCC and CC.

Our audit did not identify any significant matters in relation to the PCC and CC's arrangements.



## Other Reporting Issues

## Other Reporting Issues

### Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the PCC and CC for Whole of Government Accounts purposes. We did not identify any issues to report.

### Annual Governance Statement

We are required to consider the completeness of disclosures in the PCC and CC's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

### Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the PCC and CC or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the PCC and CC to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

### Objections Received

We did not receive any objections to the 2015/16 financial statements from member of the public.

### Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

## Independence

We communicated our assessment of independence in our Audit Results Report to the JARAP Committee on 19 September 2016. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

## Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

A man with dark hair and a beard, wearing a purple long-sleeved shirt and a grey V-neck sweater, is looking down at a large stack of papers he is holding with both hands. He is also holding a laptop computer. The background is a blurred indoor setting with warm, bokeh lights.

Appendix A

## Audit Fees

## Appendix A Audit Fees

Description	Proposed Final Fee 2015/16 £	Scale Fee 2015/16 £	Variation comments
Total Audit Fee – Code work - PCC	37,430	32,430	As part of our audit opinions procedures we had to undertake additional testing on Collaboration arrangements that Leicestershire had with other partner police forces, Nottinghamshire, Derbyshire, Lincolnshire and Northamptonshire. This was agreed by management as a variation due to the increased testing requirements and procedures required to obtain assurance for the PCC and CC.
Total Audit Fee – Code work – CC	15,000	15,000	No Variation

EY | Assurance | Tax | Transactions | Advisory

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ED None

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