



**Lancashire  
Constabulary**  
police and communities together

## **AGENDA ITEM 5**

**REPORT TO: INTERIM COMBINED AUDIT COMMITTEE**

**DATE: 2 DECEMBER 2013**

**REPORT AUTHOR: CHIEF FINANCE OFFICER (OPCC)**

**SUBJECT: 2012 / 2013 ANNUAL AUDIT LETTER**  
(Appendix A refers)

### **1 Issue for Consideration**

The External Auditor's 2012/13 Annual Audit Letter.

### **2 Information**

The Committee's Terms of Reference include the receipt and consideration of external audit reports. The Annual Audit Letter for 2012/13 is attached for consideration at Appendix A. The letter summarises key findings arising from the following work for the Police and Crime Commissioner for Lancashire and Lancashire Constabulary for the year ended 31 March 2013;

- Auditing the 2012/13 accounts and whole of government accounts
- Assessing the Police and Crime Commissioner's and Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice requires the finally agreed Annual Audit Letter to be issued by 31 October each year, and accordingly, the 2012/13 letter has been issued by the PCC and the Chief Constable's Auditors, Grant Thornton. The Annual Audit Letter is intended to communicate key messages to the PCC, Chief Constable and external stakeholders, including members of the public. The Annual Audit Letter has been made available on the PCC's and Chief Constable's websites.

### **3 Audit Conclusions**

The audit conclusions are as follows:

- Unqualified audit opinions on the accounts of the PCC and the accounts of the Chief Constable which give a true and fair view of the financial position as at 31 March 2013 and income and expenditure for the year
- Unqualified conclusions in respect of the PCC and Chief Constable's arrangements for securing economy, efficiency and effectiveness and its use of resources
- Unqualified opinion on the PCC's whole of government accounts submission
- Unable to formally conclude and issue the certificate for the PCC audit until completion of our consideration of a matter reported by the IPCC.

It should be noted that in the auditor's report on the audit of the financial statements it was stated that 'we cannot formally conclude the audit and issue an audit certificate until completion of our consideration of a matter reported by the Independent Police Complaints Commission on 25 September 2013. We are satisfied that the matter in question does not have a material effect on the financial statements or a significant impact on our value for money conclusion'.

## **Decisions Required**

The Committee is asked to note the External Auditor's Annual Audit Letter for 2012/13.

## **Background Papers**

Code of Audit Practice

## **Report Author**

Name: Mrs Lisa Kitto  
Rank: Policy and Performance Officer  
Organisation: Chief Finance Officer, OPCC



# The Annual Audit Letter for Police and Crime Commissioner and Chief Constable for Lancashire

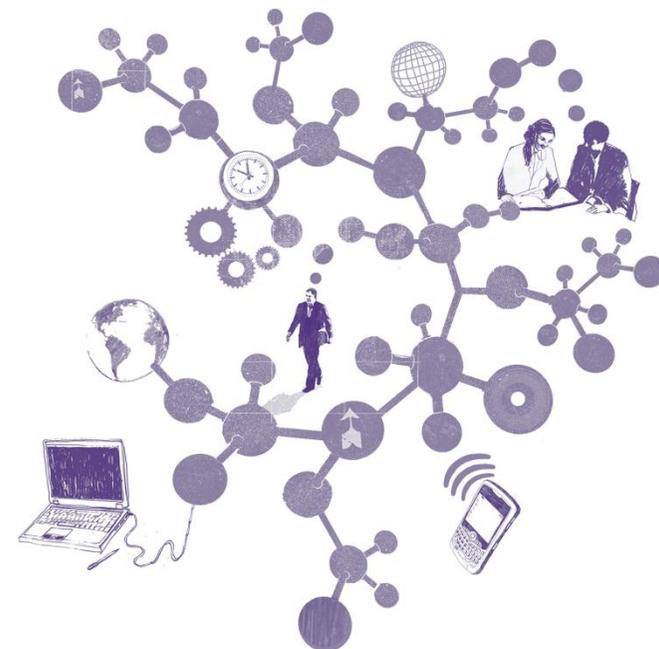
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**Year ended 31 March 2013**

November 2013

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# Section 1: Executive summary

**01. Executive summary**

**02. Audit of the accounts**

**03. Value for Money**

**04. Certification of grant claims and returns**

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# Executive summary

## **Purpose of this Letter**

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at the Police and Crime Commissioner for Lancashire ("the PCC") and the Chief Constable for Lancashire for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the PCC and Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)

The Letter is intended to communicate key messages to the PCC, Chief Constable and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance (the PCC and Chief Constable) in the Audit Findings Report on 25 September 2013. Our report was presented to the Integrated Audit Committee on 16 September 2013.

## **Responsibilities of the external auditors and the Council**

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

The PCC and Chief Constable are responsible for preparing and publishing their accounts, accompanied by an Annual Governance Statement. They are also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 1 July 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

## **Audit conclusions**

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- unqualified opinions on the accounts of the PCC and the accounts of the Chief Constable which give a true and fair view of the financial position as at 31 March 2013 and income and expenditure for the year
- unqualified conclusions in respect of the PCC and the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified opinion on the PCC's Whole of Government Accounts submission
- we are unable to formally conclude and issue the certificate for the PCC audit until the completion of our consideration of a matter reported by the Independent Police Complaints Commission.

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# Executive Summary

## **Key messages – audit of the Police and Crime Commissioner**

We summarise here the key messages arising from our audit for the PCC.

The key messages arising from our audit of the PCC's financial statements are:

- working papers were of a good standard and we received responses to our queries on a timely basis
- our audit did not identify any required adjustments to the PCC's financial statements
- we issued an unqualified opinion
- based our review of the PCC's arrangements to secure economy, efficiency and effectiveness in its use of resources, we issued an unqualified VFM conclusion.

## **Key messages – audit of the Chief Constable**

We summarise here the key messages arising from our audit for the Chief Constable.

The key messages arising from our audit of the Chief Constable's financial statements are:

- working papers were of a good standard and we received responses to our queries on a timely basis
- our audit identified one adjustment to the Chief Constable's financial statements which management agreed to make.
- we issued an unqualified opinion
- based our review of the Chief Constable's arrangements to secure economy, efficiency and effectiveness in its use of resources, we issued an unqualified VFM conclusion.

## **Future developments**

We highlight here key issues facing the PCC and Chief Constable in the future.

Changes brought in under the Police Reform and Social Responsibility Act 2012 have made this a challenging year for police finance teams who have needed to invest considerable time and effort preparing separate financial statements for the PCC and for the Chief Constable which reflect developing local governance and working arrangements and emerging accounting guidance.

Stage 1 of the transfer is now complete, police authorities having ceased to exist and the assets, liabilities and staff having been transferred from the police authority to the newly created PCC. PCCs and Chief Constables will now need to think about the implications of the stage 2 transfer which involves the subsequent movement of certain staff, property, rights and liabilities from the PCC to the Chief Constable.

## **Acknowledgements**

This Letter has been agreed with the Chief Finance Office for the PCC and the Director of Finance for the Chief Constable and was presented to the Integrated Audit Committee on 2 December 2013.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

**Grant Thornton UK LLP**  
**November 2013**

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## Section 2: Audit of the accounts

01. Executive summary

**02. Audit of the accounts**

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# Audit of the accounts

## **Audit of the accounts**

The key findings of our audit of the accounts are summarised below:

### **Preparation of the accounts**

We were presented with draft accounts for the PCC and the Chief Constable by 30 June 2013, in accordance with the national deadline. Appropriate working papers were made available from the start of the audit fieldwork, which commenced 23 July 2013.

Working papers were of a good standard and we received responses to our queries on a timely basis.

### **Issues arising from the audit of the accounts**

We did not identify any required adjustments to the PCC's financial statements. Our audit identified one adjustment to the Chief Constable's financial statements which management agreed to make.

The key messages arising from our audit of the Council's financial statements are:

- working papers were of a good standard and we received responses to our queries on a timely basis
- we identified few errors in the financial statements.
- we issued unqualified opinions on both the PCC and Chief Constable's financial statements.

## **Conclusion**

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the PCC and Chief Constable). We presented our report to the PCC and Chief Constable on 25 September 2013. Our report had previously been presented to the Integrated Audit Committee on 16 September 2013. This Letter summarises only the key messages.

We issued an unqualified opinion on the PCC's 2012/13 accounts and on the Chief Constable's 2012/13 accounts 26 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinions confirm that the accounts give a true and fair view of the PCC's and of the Chief Constable's financial position and of the income and expenditure recorded.

We are unable to formally conclude and issue the certificate for the PCC audit until the completion of our consideration of a matter reported by the Independent Police Complaints Commission.

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## Section 3: Value for Money

01. Executive summary

02. Audit of the accounts

**03. Value for Money**

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# Value for Money

## Scope of work

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the PCC and the Chief Constable have each made proper arrangements for securing economy, efficiency and effectiveness in their use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited bodies have put in place such arrangements. The result of this work is the Value for Money conclusion, which we give separately based on our assessment of each body's arrangements.

We have undertaken our audits in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission, we have considered the results of the following for both bodies:

- our review of the annual governance statements
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities
- local risk based work

## Key findings

### Overall Value for money conclusion – PCC

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the PCC put in place proper arrangements to secure economy, efficiency and effectiveness in the Police and Crime Commissioner for Lancashire's use of resources for the year ending 31 March 2013.

### Overall Value for money conclusion – Chief Constable

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Chief Constable put in place proper arrangements to secure economy, efficiency and effectiveness in the Chief Constable of Lancashire's use of resources for the year ending 31 March 2013.

# Appendices

# Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and **confirm there were no fees for the provision of non audit services.**

## Fees

	Per Audit plan £	Actual fees £
Audit Fee – PCC	48,000	45,000
Audit Fee – Chief Constable	25,000	25,000
<b>Total fees</b>	<b>73,000</b>	<b>70,000</b>

The Audit Commission notified the Council of a rebate on its 2012-13 fees of £3k during the year.

## Fees for other services

Service	Fees £
None	Nil

## Reports issued

Report	Date issued
Audit Plan	1 July 2013
Audit Findings Report	16 September 2013
Annual Audit Letter	October 2013



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