



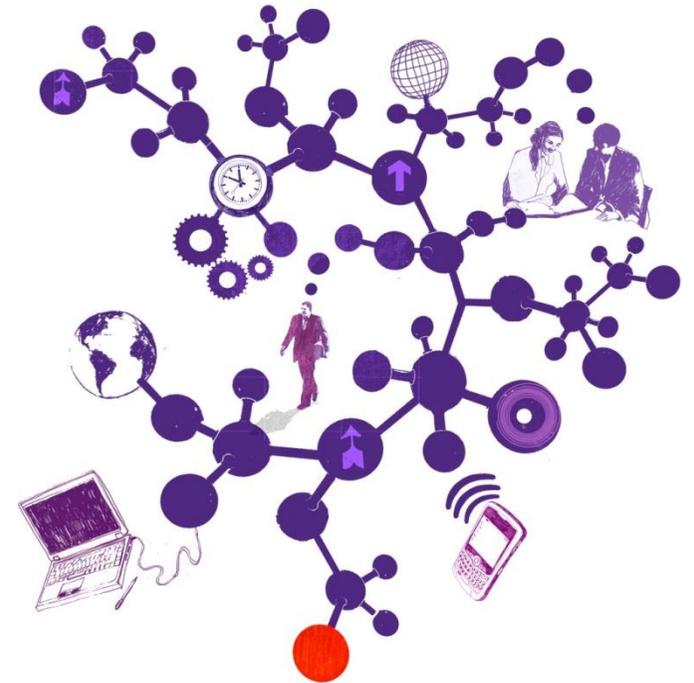
The Annual Audit Letter for Devon and Cornwall Police and Crime Commissioner and Chief Constable

Year ended 31 March 2013

October 2013

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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 Office of the Police and Crime Commissioner for Devon and Cornwall (PCC) and the Office of the Chief Constable for Devon and Cornwall (Chief Constable) for the year ended 31 March 2013:

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

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

Responsibilities of the external auditors, the PCC and the Chief Constable

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).

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

Our annual work programme for each body, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the joint Audit Plan that we issued on 26 April 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 that we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts of the PCC confirming they give a true and fair view of the financial position as at 31 March 2013 and the income and expenditure for the year
- an unqualified opinion on the accounts of the Chief Constable confirming they give a true and fair view of the financial position as at 31 March 2013 and the income and expenditure for the year
- an unqualified conclusion in respect of the PCC's arrangements for securing economy, efficiency and effectiveness in their use of resources, and an unqualified conclusion in respect of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in their use of resources.
- an unqualified opinion on the PCC's Whole of Governments submission.

Executive summary

Key areas for the PCC and Chief Constable's attention

We summarise here the key messages arising from our audit for the PCC and Chief Constable to consider as well as highlighting key issues facing the PCC and Chief Constable in the future.

PCC

- the key issue arising this year was the accounting arrangements for the pension costs and liabilities for police officers and police staff. Following discussions with the Treasurer (PCC) and Director of Finance and Resources (Chief Constable) and nationally it was agreed that the draft financial statements would be amended to recognise these items in the Chief Constable's financial statements. The long term liabilities arising from the pension benefits were included in the Chief Constable's balance sheet matched by a long term debtor to the PCC, recognising the PCC's on-going responsibility to provide funding for employee benefits. The overall position set out in the PCC's group accounts was not impacted by these changes.
- our audit did not identify any material adjustments to the reported financial position for the year.
- satisfactory arrangements are in place to secure economy, efficiency and effectiveness in the PCC's use of resources.

Chief Constable

- as noted for the PCC, the key issue arising this year was where to account for pension costs and liabilities. The Chief Constable's draft financial statements included an operating cost statement with the balance sheet and cash flow statement containing nil entries. Following discussions with the Treasurer (PCC) and Director of Finance and Resources (Chief Constable) and nationally it was agreed that the draft financial statements would be amended to recognise the employee benefits in the Chief Constable's financial statements. The long term liabilities arising from the employee benefits were included in the Chief Constable's balance sheet matched by a long term debtor to the PCC, recognising the PCC's on-going responsibility to provide funding for employee benefits. The cash flow statement was amended to include the surplus on the provision of services and the adjustment for non cash movements.
- satisfactory arrangements are in place to secure economy, efficiency and effectiveness in the Chief Constable's use of resources.

Acknowledgements

This Letter has been agreed with the PCC's Treasurer and the Chief Constable's Director of Finance and Resources and will be presented to the Joint Audit Committee on 27 November 2013.

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

Grant Thornton UK LLP
October 2013

Section 2: Audit of the accounts

01. Executive summary

02. Audit of the accounts

03. Value for Money

Audit of the accounts

Audit of the accounts

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

Preparation of the accounts

The PCC and the Chief Constable both presented us with draft accounts on 28 June 2013, in accordance with the national deadline. Appropriate working papers were made available from the start of the audit fieldwork, which commenced on 19 August 2013. The financial statements and working papers were of a good standard. Requests for additional working papers were responded to promptly, as were requests for explanations.

Issues arising from the audit of the accounts

This has been 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. We recognise this has not been an easy task.

Issues for the PCC

The key issue arising was where to account for the pension costs and liabilities of those staff who work for the Chief Constable even though they are legally employed by the PCC. The draft financial statements included the cost of employee benefits in the PCC's accounts.

Following discussions with the Treasurer (PCC) and Director of Finance and Resources (Chief Constable), it was agreed that all pension related costs and liabilities would be reflected in the Chief Constable's accounts, in accordance with International Accounting Standard (IAS) 19.

The PCC's accounts were amended to show the PCC's funding of the pensions liability and related costs. These changes had no impact on the PCC's group accounts.

Our audit did not identify any material adjustments to the reported financial position for the year.

We also identified other adjustments, relating to classification and disclosure.

Issues for Chief Constable

The issue outlined above in relation to pension costs and liabilities also applies to the Chief Constable. The Chief Constable's draft financial statements included an operating cost statement with the balance sheet and cash flow statement containing nil entries. Following discussions with the Treasurer (PCC) and Director of Finance and Resources (Chief Constable) and nationally it was agreed that the draft financial statements would be amended to recognise the employee benefits in the Chief Constable's financial statements. The long term liabilities arising from the employee benefits were included in the Chief Constable's balance sheet matched by a long term debtor to the PCC, recognising the PCC's on-going responsibility to provide funding for employee benefits. The cash flow statement was amended to include the surplus on the provision of services and the adjustment for non cash movements.

Audit of the accounts

Annual governance statement

The two annual governance statements were in line with our understanding of the PCC's and Chief Constable's governance arrangements and were consistent with the elements suggested in *Delivering Good Governance in Local Government: Framework*.

Whole of Government Accounts return (WGA)

Our audit of the PCC's group WGA return did not identify any inconsistencies and an unqualified opinion was issued.

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' i.e. the PCC and the Chief Constable. Our draft report was discussed with the PCC and Chief Constable on 25 September 2013. We presented our report to the Joint Audit Committee and the Committee shared their view of the accounts with the PCC and Chief Constable to inform their approval of the accounts. We summarise only the key messages in this Letter.

We issued an unqualified opinion on the PCC's 2012/13 accounts and an unqualified opinion on the Chief Constable's 2012/13 accounts on 30 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the two sets of accounts give a true and fair view of both the PCC's and the Chief Constable's financial position respectively and of the income and expenditure recorded by each of them.

Section 3: Value for Money

01. Executive summary

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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
- our detailed risk assessment.

As part of our risk assessment we considered governance arrangements; local and national threats, service transformation and collaboration; financial management; assets and information management; and workforce management.

Key findings for the PCC

We reviewed the PCC's Annual Governance Statement to ensure that it was in line with our understanding of the governance arrangements in place and that it was consistent with the elements suggested by the CIPFA/SOLACE *Delivering Good Governance in Local Government: Framework*. We were satisfied that this was the case.

Governance – Transition planning and management arrangements are robust, which has been achieved while continuing to deliver current responsibilities. The risk registers reflect the risks facing the PCC and the Chief Constable, with a joint risk register having been developed to manage corporate risk through a joint process.

Key findings for the Chief Constable

We reviewed the Chief Constable's Annual Governance Statement to ensure that it was in line with our understanding of the governance arrangements in place and that it was consistent with the elements suggested by the CIPFA/SOLACE *Delivering Good Governance in Local Government: Framework*. We were satisfied that this was the case.

Collaboration – Devon and Cornwall collaborate with other Police bodies including via the South West Procurement Department. This is an area which is being actively developed, with collaboration and partnership being a key theme throughout the Police and Crime Plan.

We reviewed HMIC's report *Response to the Funding Challenge*. This report was positive and concluded that:

"Devon and Cornwall Police has made good progress in meeting its financial challenge and has developed a detailed change programme which will allow it to reduce costs while continuing to fight crime. It has tackled some issues arising from the restructure, which has allowed it to better manage performance. In addition, the force has assessed future savings requirements and is starting to plan savings to 2016/17."

Value for Money

Overall VFM conclusions

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 and the Chief Constable have each put in place proper arrangements to secure economy, efficiency and effectiveness in their 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 that there were no non-audit services.

Fees

	Per Audit plan £	Actual fees £
Audit fee - PCC	54,000	54,000
Audit fee – Chief Constable	25,000	25,000
Total fees	79,000	79,000

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	April 2013
Audit Findings Report	September 2013
Annual Audit Letter	October 2013



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